

Wilmar BioEthanol

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NSW Independent Pricing and Regulatory Tribunal (IPART)
Level 15, 2-24 Rawson Place
Sydney 2000

RE: Review of maximum price for wholesale ethanol in NSW

Dear Sir/Madam,

I welcome the opportunity to comment on the IPART review into ethanol pricing.

Below are the key points I would like to make.

- Ethanol supply is not a monopoly situation in fact Ethanol from the other two producers also finds its way into NSW. Further the key customers of ethanol purchase ethanol in other states and have supply relationships with all 3 ethanol producers. While it is true that the majority of the ethanol supplied in NSW comes from one producer this should be seen as the level of competitive pricing in this market that prevents other supply more volume. In fact it is often more profitable to export ethanol to international markets than to sell product into NSW.
- The cost modeling in the paper is incorrect and certainly underestimates the ethanol manufacturing costs for molasses ethanol.
- If a pricing methodology is to be set then it should take into account the entry cost of a new producer, failing to set the price at a level for a new producer will serve as a critical hurdle to any new entrant and therefore always leave the market with one dominant supplier in NSW.
- Regulating the price of ethanol alone will not ensure a lower e10 price at the bowser, there have been times when significant discounts have been passed onto fuel sellers without the full benefit being passed onto the motorist.

- I don't believe energy content alone is a justifiable benchmark. Ethanol is very high in octane and this should be factored into any pricing methodology. A review of the price gap from ULP 91 to 95RON and 98RON will show how valuable each octane point is in the market. The fuel retailers have continually refused to acknowledge this value in ethanol, but the value is real and has been well exploited by many of the larger independent retailers.
- I believe regulating the price of ethanol will result in further instability in a sector that has struggled with continual changes and back flips on policy and this further interference in the market will certainly be detrimental to further investment in this sector.

Thank you again for this opportunity to participate in the process and I would be more than happy to further assist with this process as I understand information is key to achieving the correct outcome.

Regards,

Garry Mulvay
Executive General Manager

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