

# Wholesale price for fuel ethanol Q3 2019

1 July 2019 to 30 September 2019

21 June 2019

## DETERMINATION

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 July 2019 to 30 September 2019 of **110.3 cents per litre** excluding GST.

## WHY

Under the NSW ethanol mandate, volume fuel retailers are required to ensure that at least 6% of the total volume of fuel they sell is ethanol (sold in petrol-ethanol blend, such as E10). However, the Minister may exempt a volume fuel retailer from complying with the ethanol mandate on various grounds.

Since 2017, one of the grounds for exemption is that the wholesale price of ethanol for use in the production of petrol-ethanol blends exceeds the reasonable wholesale price determined by IPART. Therefore from January 2017, IPART has been required to determine a reasonable wholesale price for ethanol under s17A(1)(a) of the [Biofuels Act 2007](#) (NSW) (*Biofuels Act*).

## HOW

Each quarter we determine a wholesale price for fuel ethanol in line with what it would cost retailers if they had to buy it from overseas (the import parity price or IPP).

This approach should minimise distortion in the market for fuel ethanol and provides scope for ethanol producers and fuel wholesalers to negotiate prices below our determined prices. We adopted this approach based on our finding that there is a high degree of consumer choice in retail fuels and competition in the supply of wholesale ethanol. More information on the IPP methodology and why we consider it is the most appropriate approach is available in our 2017-18 [ethanol market monitoring report](#).

This determination is accompanied by an IPP Excel model that we use to calculate the reasonable price for ethanol.

## WHAT NEXT

IPART expects to issue the next quarterly wholesale price determination in September 2019.

## CHANGES IN THE DETERMINED WHOLESALE PRICE

The determined wholesale price for the third quarter of 2019 is 1.6 cents per litre lower than the previous quarter. The lower IPP is due to changes in the 9-month average of the Free-On-Board price, which decreased from 57.0 cents per litre to 55.2 cents per litre as a result of a reduction in the mill gate price. Partly offsetting this change were small increases in the following IPP components:

- ▼ Transit costs increased from 13.7 cents per litre to 13.8 cents per litre, as a result of changes in the exchange rate.
- ▼ The excise on imported fuel increased slightly from 41.2 cents per litre to 41.4 cents per litre.

Table 1 compares the determined wholesale price and IPP components for Quarter 3 2019 with Quarter 2 2019.

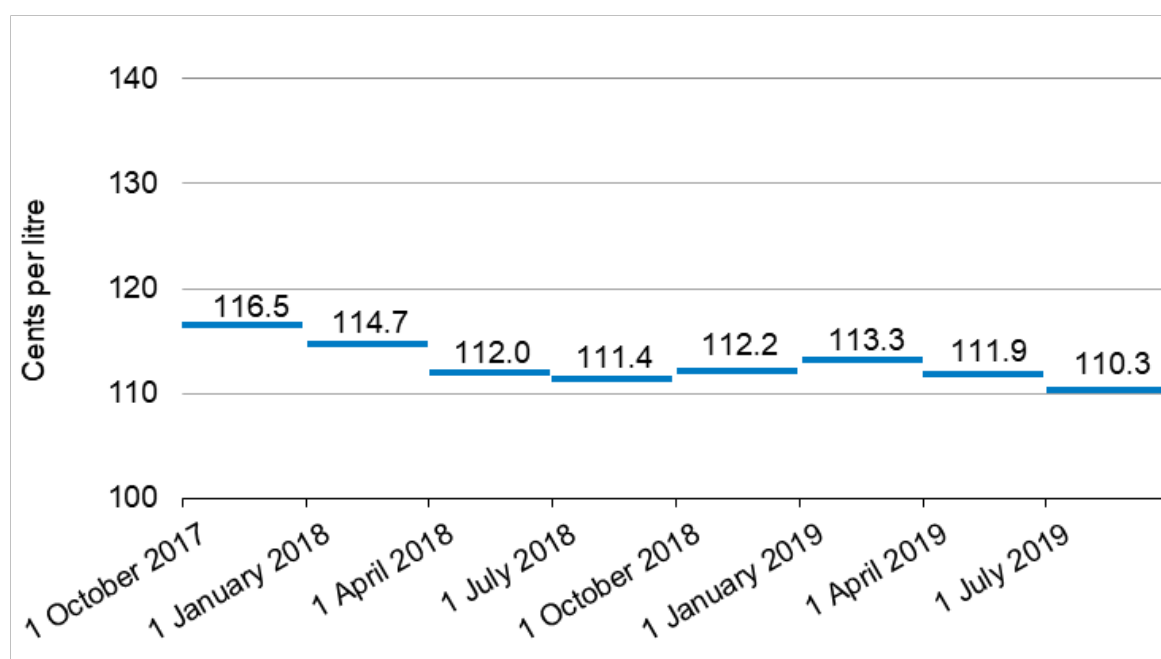
**Table 1** Determined reasonable wholesale price for fuel ethanol compared with the previous quarter (ex GST, AUc/litre, \$nominal)

IPP Component	Q2 2019	Q3 2019
Mill gate price	45.7	43.4
Origin country freight	7.9	8.3
Origin country port charges	3.4	3.5
<b>Total Free-on-board price</b>	<b>57.0</b>	<b>55.2</b>
Sea freight	8.8	8.8
Insurance costs	0.3	0.3
Wharfage import terminal (Sydney)	0.2	0.2
Storage and handling costs import terminal	3.0	3.0
Transport from port to fuel wholesaler's terminal	1.5	1.5
<b>Total transit costs</b>	<b>13.7</b>	<b>13.8</b>
Customs value duty	0.0	0.0
Customs fuel import duty	41.2	41.4
<b>Total landing costs (taxes)</b>	<b>41.2</b>	<b>41.4</b>
<b>Total IPP delivered to wholesale terminal (ex GST)</b>	<b>111.9</b>	<b>110.3</b>

**Note:** Totals may not sum due to rounding. The ethanol IPP is based on the lower of US and Brazilian ethanol prices in each relevant week.

Figure 1 shows the wholesale ethanol prices determined by IPART for each quarter over the past two years.

**Figure 1** Determined wholesale prices for fuel ethanol (\$AU, ex GST, nominal)



Source: IPART IPP Excel model