

Caltex Talkingpoint

CARBON POLLUTION REDUCTION SCHEME – IMPACTS ON CALTEX



What's needed – a level playing field for refineries

The Carbon Pollution Reduction Scheme due to start in July 2010 – part of the Australian Government's plan to fight against climate change – will put a cost on "carbon" (greenhouse gas) emissions. Big emitters will have to buy permits for the carbon they release into the air. Consumers will pay higher prices for energy and a wide range of goods and services.

When the scheme starts, many businesses that are "emissions-intensive" and "trade-exposed" will get permits free of charge. This aims to help them maintain international competitiveness and stop them relocating production to countries that have no carbon costs, with a loss of Australian investment and jobs.

When the CPRS starts, Caltex's refineries will be emitting about 2.5 million tonnes of carbon per year. Under the CPRS White Paper proposals, Caltex will probably have to purchase about 40 per cent of this quantity, although details are not yet finalised. In nominal terms, carbon prices in the White Paper are projected to be between \$23 and \$40 per tonne at the start of the scheme.

Under the proposed CPRS, fuel suppliers from terminals will have to purchase permits for their customers' emissions. Caltex customers will emit about 41 million tonnes per year when the CPRS starts, mainly from vehicles and other mobile equipment. The cost of permits will be passed on fully to customers.

\$23 per tonne of carbon dioxide in 2010 equates to 5.8 cents per litre (cpl) of petrol and 6.9 cpl of diesel. \$40 per tonne of carbon dioxide equates to 10 cents per litre (cpl) of petrol and 12 cpl of diesel.

The CPRS will offset the increase in fuel costs for motorists resulting from the scheme by reducing excise tax by an equal or greater amount for three years. This will deliver no benefit for the environment because it won't change consumption. In fact, petrol use and emissions will go up. For several years the oil industry will have to buy billions of dollars of permits for petrol and charge the costs to customers for no outcome.

In Caltex's view, the current CPRS proposal is badly flawed and should be reassessed. Applying a carbon cost to increase petrol and diesel prices will reduce emissions only slightly, even after decades. The necessary changes to greatly reduce carbon emissions can come only from new vehicle technologies and alternative fuels including biofuels and electricity.

We believe the government has a significant role to play in supporting research and development into new technologies. Well-targeted incentives for the purchase and use of low carbon vehicles could also help reduce emissions.

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REFINING IN AUSTRALIA – THE BENEFITS

Retaining a substantial oil refining capability is essential to Australia's energy security. Oil refining is a crucial link in the supply chain for petroleum products like petrol, diesel and jet fuel that keep the nation running. Relying on overseas refineries for these products would expose industries and consumers to needless risk.

Caltex Australia accounts for around 35 per cent of the nation's oil refining capacity. It owns and operates two of Australia's seven oil refineries – at Kurnell in Sydney and Lytton in Brisbane. Between them the Caltex refineries have the capacity to process 244,000 barrels (38.796 megalitres) of crude oil per day.

Caltex produces mostly petrol, diesel and jet fuel which contribute to the growth of the economy and provide employment opportunities. Its refineries directly employ 874 people and around 552 contractor employees. For major projects the numbers can rise by an extra 1,200 employees.

Caltex's refineries will spend an average of \$100 million per year over the next three years on capital expenditure and approximately \$64 million per year on turn-around and inspections.

Caltex's biggest refinery is at Kurnell in Sydney. It's the largest facility of its kind in New South Wales and the second largest in Australia with a crude oil throughput capacity of 20 million litres per day. It provides 60 per cent of NSW's petroleum requirements. In addition, Australia's only lubricating oil refinery is integrated with the Kurnell fuels facility.

The Lytton refinery in Brisbane has a crude oil throughput of 17 million litres per day. It's the largest oil refinery in Queensland and the fifth largest in Australia, supplying 60 per cent of Queensland's petroleum products. Roughly two out of every three cars in Queensland use petrol from the Lytton refinery.

Our refineries' influence extends beyond the physical products. Hundreds of skilled workers employed by Australian suppliers and contractors in Sydney and Brisbane benefit directly from their presence. Many employees are active members of their communities, supporting social and business clubs and events. And Caltex is a good neighbour, sponsoring and supplying materials to schools and artistic, sporting and environmental programs.



Lytton refinery in Brisbane



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