

THE STAR

CALTEX'S MAGAZINE FOR EMPLOYEES, FRANCHISEES, RESELLERS AND THE WIDER WORLD / ISSUE NUMBER 50 / DEC 09-JAN 10

TIME TO GET SERIOUS ABOUT BIOFUELS

Ten key steps to a viable industry



MACKAY UPGRADE

Expanding for the future



'OPPORTUNITIES ARE ALL AROUND'

Interview with GM Refining Gary Smith



SPARKY: A NEW STAR IS BORN

New branding for our convenience stores



FROM THE MANAGING DIRECTOR

Ethanol and biodiesel have been a highly visible – albeit small – part of the fuels mix in Australia for some years now. Clearly there is significant growth potential in these renewable, lower-carbon fuels, and they are here to stay.

In a carbon-constrained world, oil prices will inevitably climb just as surely as oil supplies will inevitably diminish.

This means that the role for biofuels in meeting energy needs is likely to grow in importance. New technologies to produce biofuels from “lignocellulosic” sources such as algae, discussed in this issue of *The Star*, are especially exciting.

This is good news for Caltex, which actively seeks new business opportunities. We are already Australia’s leading supplier of biofuels blends to retail and commercial customers, and see potential commercial upside in them in future.

However, what the still-fledgling industry needs is a clear, coherent policy framework in which to operate and prosper. At present there is none. Without appropriate government policies in place the biofuels industry may struggle to reach its potential.

That’s why we are proposing that Australian governments, in conjunction with industry and other interested parties, adopt a proactive policy framework that encourages the orderly, continued development of biofuels.

Our proposed framework is practical and achievable. The enclosed TalkingPoint contains a snapshot summary and more information is available in *The Star*.

Julian Segal

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Cover photograph: Biodiesel blends are suitable fuels for heavy vehicles

AROUND CALTEX

STOP PRESS

CALTEX POWERS TEAM VODAFONE INTO 2010

Caltex recently announced it will partner V8 Supercar Champions, Team Vodafone, into the new year with an agreement to promote Caltex's primary brands and expanding product offers.

The partnership builds on Caltex's existing relationship with champion driver Craig Lowndes, four times winner of the Bathurst 1000.

Caltex branding will appear on Team Vodafone's new Holden Commodores, team livery and merchandise although most activities will revolve around customised events and activities off track.

Caltex joins the team as a platform partner alongside brands such as Vodafone, Nokia, Holden, Norton and Toshiba.

Liz Whiteway, Caltex National Manager, Brand and Communications, says the partnership represents a cutting edge approach to sports marketing, and will appeal to customers and business partners across Australia.

"We've deliberately avoided using the word sponsorship. Not because we're trying

to be smart but because the relationship with Team Vodafone is less about the typical large scale associations of branding a race car, and more about working with team partners on a broad front to drive customers to Caltex.

"This partnership is a great match for us, both in terms of shared values and opportunity," she says.

EXPERT ASSISTANCE

Six Caltex employees recently assisted with clean-up efforts in the wake of the West Atlas rig's oil spill in the Montara oilfield off northwestern Australia. Mal Hicks, Terrence Edwards, Warren Goddard, Shane O'Reilly, Trevor Lobegier and Stuart Glanville first travelled to Darwin to complete their HUET (helicopter underwater escape training) course before transferring to the oil-rig support vessel, *Lady Valisia* (pictured right). The ship's crew did a seven-day "swing" shift, living on board and setting up recovery booms. "Temperatures on deck were 50 degrees-plus," says Warren Goddard, Kurnell Refinery's Area 4 Reliability Supervisor. "But we conducted Safe Performance Self Assessments and identified hazards to keep team members safe."

AROUND CALTEX



ALEX STRANG'S NAME LIVES ON

"I hereby name this vessel *Alexander Spirit*. I wish you, your crew and your owners a long life of happy and prosperous trading. May God be with you and all who sail with you." With those words Caltex Chairman Elizabeth Bryan (pictured left with guests including Alex's widow Young and son William) officially named the 40,000-tonne *Alexander Spirit* in memory of Alex Strang, Caltex General Manager Supply & Distribution, who passed away last year.

The naming ceremony was held at the Lytton refinery crude wharf in early October in conjunction with Teekay Corporation. For over a decade Teekay has been providing shipping for petroleum products between Caltex's refineries and terminals.

Teekay bought the 2007-built *Alexander Spirit* to replace the retiring *Barrington*. "The name *Alexander Spirit* is a way for people in Caltex and Teekay to recognise and remember Alex Strang," General Manager Supply & Distribution Ken James explained at the ceremony. "Alex was not a man to promote himself and wouldn't have wanted his full name on the vessel. We felt *Alexander Spirit* was subtle yet very meaningful."

CALTEX VETERANS GO FOR GOLD, AND WIN

Some of Caltex's fittest and most dedicated sports enthusiasts gave a masterly performance to take on the world's top veterans at the recent World Masters Games in Sydney.

At the top of the podium in the touch football tournament over 60s division was Graeme Wilmot (right), Area Specialist for Kurnell's Area 1B, who finished with a gold medal. Graeme, whose catchphrase is "know your limits," says he's retiring from competition now that he's reached the pinnacle of touch football. His colleagues

say they'll believe it when they see it.

Not to be outdone Craig Wells (left), Operations Coordinator Inventory, Supply and Distribution at Banksmeadow terminal, also won gold in his over-50s touch football team, South Sydney. "I can't say I enjoyed the training, but I enjoyed winning the medal," Craig says.

The medal tally didn't stop with gold. Kurnell's Steve Harrison, who competed in the over 35s rowing division at Penrith, won two silvers. His chance for a third medal was dashed when the last day of racing was cancelled due to high winds.



TIME TO GET SERIOUS ABOUT BIOFUELS

TO SUPPORT A VIABLE AND SUSTAINABLE INDUSTRY, GOVERNMENTS SHOULD CONSIDER TEN KEY STEPS.

In the Australian outback, the sun beats down on a series of open ponds. The water is green because it's full of algae – microscopic plants that grow in sunlight while devouring carbon dioxide.

Beside these miniature lakes, a cluster of buildings house units where the algae are harvested and oil extracted suitable for biofuels production. It is then transported to processing plants across the state. Eventually, the finished product is sold through Caltex terminals and service stations.

This is no figment of scientific imagination! In a \$3.3-million project led by Murdoch University in Perth and involving the University of Adelaide, scientists are using sunlight, carbon dioxide and non-potable water to test a new generation of biofuels based on algae.

This project claims to lead the world in algae biofuel research after more than 12 months of consistent results at both universities. The fuel they're creating is renewable, environmentally friendly and can easily substitute for fuels refined from crude oil, they say.

"It was previously believed impossible to grow large quantities of algae for biofuel in open ponds consistently and without contamination, but we've proven it can be done," says Project Leader Professor Michael Borowitzka of Murdoch University.

Construction of a multi-million dollar pilot plant to test the whole process on a larger scale is said to be planned next year for Karratha in Australia's northwest.

It's yet more evidence that biofuels, while currently accounting for only a tiny fraction of transport fuel use (less than one percent in Australia), are here to stay and can grow significantly if the right government policies are put in place.

In Australia, ethanol and biodiesel are already firmly part of the

alternative fuels landscape. Europe has a target of 10 percent biofuels in the fuel mix by 2020 and the US has mandated 164 billion litres per year of ethanol in petrol blends by 2022. (By comparison, Australia's annual petrol consumption is about 19 billion litres.)

Caltex is already Australia's leading supplier of biofuels blends to retail and commercial customers but believes there is substantial growth potential.

"In addition to complying with some states' requirements to include biofuels in the transport fuels we sell, we must have sensible strategies in place to maximise commercial opportunities from them," explains Caltex Managing Director and CEO Julian Segal. "Biofuels need to make money for investors all along the supply chain.."

But although biofuels are produced and sold in Australia, a vision and strategic policy framework are lacking.

Caltex's vision is that biofuels can be a significant part of Australia's future supply of liquid fuels (partially substituting for petrol, diesel and jet fuel) and help address the challenges of climate change and energy security.

To help create a viable industry to fulfil this vision, Caltex proposes that federal and state governments, together with industry and other stakeholders, implement a ten-point policy:

1 Provide more information for consumers, promote products.

There's still a lack of accessible information for motorists on the benefits of biofuels. Many are uncertain about whether ethanol blends are okay for their vehicles. The government should develop a public information campaign jointly with the biofuels industry to provide clear consumer information.



2 Ensure manufacturers make vehicles so they can run on at least an E10 blend and ensure warranties include this fuel.

Most new vehicles sold in Australia can use petrol with an ethanol content of up to 10 percent. But some vehicles are not warranted to run on E10 and consumers may be concerned about warranty cover.

3 Ensure biofuels meet all fuel quality requirements including national fuel quality standards.

Australia needs to ensure national fuel quality standards for biofuels meet the requirements of vehicle manufacturers, so they can provide the necessary warranties. In addition there are some fuel characteristics that are not formally regulated (like the ability of biodiesel blends to flow properly in very cold weather) but must be managed by fuel suppliers. Quality control in manufacturing is critical to ensure good performance of biofuels blends in modern engines.

4 Ensure sustainability criteria take into account lifecycle greenhouse gas emission reductions and ecological impacts – and link this to the provision of financial assistance.

The move to environmentally friendly transport use can't focus solely on tailpipe emissions because the lifecycle impacts of any fuel can be extensive. Full lifecycle analysis takes account of the greenhouse emissions and other impacts of manufacturing biofuels blends from raw materials as well as the emissions when they are burned.

5 Targeted financial assistance to new Australian biofuels producers for a limited period.

New biofuels producers may be squeezed next decade between increasing taxes (starting in July 2011) and oil prices and carbon prices that have not yet risen to their expected long-term levels.

In these circumstances, there may be a case for financial assistance to new Australian biofuels producers for a limited period. This assistance would be allocated on a competitive basis and should focus on the development of second generation biofuels, like ethanol from cellulose and biodiesel from algae or oil-rich plants. In the US, for example, the government has announced the granting of US\$385 million for the construction of six pilot cellulosic ethanol plants.

THE AUSTRALIAN BIOFUELS INDUSTRY MUST BE INTERNATIONALLY COMPETITIVE

6 Financial assistance for developing the biofuels supply chain – including distributors, wholesalers and retailers – and for developing end-use technology including vehicles.

Caltex is diversifying its fuels portfolio with investments in terminals and service stations to sell biofuels blends. It's the only major Australian supplier of biodiesel blends and is working to increase commercial uptake.

As the chemical composition of biofuels differs from that of traditional fuels, their storage and distribution require additional or converted infrastructure. Financial assistance, such as grants for converting service stations, can help accelerate market development.

The Australian Government's \$6-billion Green Car Plan is investing in innovation in car manufacturing to produce environmentally friendly vehicles. Funding should also be available for the infrastructure to supply low-carbon fuel to these vehicles during their introductory phase.

NEW FUELS: WHAT'S HAPPENING?

In October 2009, the federal government set up a \$560-million Centre for Renewable Energy to promote commercial opportunities for biofuels, solar, wind and geothermal energy. Research work is already underway into new generation biofuels production, with Australian experts and scientists playing a role.

Here's a quick look at some initiatives in Australia and overseas:

CSIRO

The Australian Commonwealth Scientific and Research Organization is assessing current technology for developing second-generation biofuels from lignocellulose (biomass from plant material). Its research has shown that under ideal conditions algal biodiesel can be produced at lower cost than fossil diesel, says CSIRO's stream leader for its transport biofuels division Tom Beer. "In a perfect world," says Dr Beer, "an algal lake 100km by 100km would meet all of Australia's transport fuel requirements."

ALGAL FUELS CONSORTIUM

Australia's Algal Fuels Consortium is developing a "pilot-scale" second-generation biorefinery for production of biodiesel from algae on South Australia's Torrens Island. The work has been boosted by a \$2.724 million Department of Resources, Energy and Tourism research grant to the consortium which includes

the South Australian Research and Development Institute and Flinders University.

UNIVERSITY OF MELBOURNE

The University of Melbourne Energy Research Institute has assembled a multidisciplinary team to examine the production and fermentation of lignocellulosic biomass and downstream processing of fuels from this and algae. It also aims to develop engines that can work at high efficiency regardless of fuel composition.

COSKATA

Coskata is an American renewable energy company whose technology enables low-cost production of ethanol from a variety of sources like municipal solid waste, agricultural and forest waste, bagasse and many other materials. Its "flex ethanol" facility in Madison, Pennsylvania, already runs 24 hours a day to turn wood chips into ethanol. Coskata says that, compared with standard petrol, its cellulosic

ethanol reduces greenhouse gases by about 96 percent and uses half as much water.

SYNTHETIC GENOMICS

The California-based firm is using synthetically produced microorganisms to produce ethanol and hydrogen. It was founded in part by J Craig Venter, who earlier had been a driving force in the race to sequence the human genome. Currently the company says it's working to produce biofuels on an industrial scale using recombinant algae and other micro-organisms.

SAPPHIRE ENERGY

This California-based company, whose seed investors include Bill Gates and the Rockefeller family, have held preliminary talks with Austrade about establishing algae cultivation in Australia. Chevron is also involved in examining algal fuels production, as are many other new companies.



As the chemical composition of biofuels differs from that of traditional fuels, their storage and distribution require additional or converted infrastructure. Financial assistance, such as grants for converting service stations, can help speed market development.

7 Optimisation of crops and conversion processes for biofuels production in Australia.

First-generation feedstocks based on sugar, wheat and sorghum are already grown in Australia for ethanol, and oilseeds and tallow for biodiesel.

While lignocellulosic sources for second generation feedstocks – like sugar cane bagasse and plant stubble – are available, research on the most cost-effective way to produce ethanol from these and other sources is continuing. Australia needs more comprehensive research into the best crops and conversion processes for Australia's land uses and climate.

8 Implement the proposed 50 percent discount on new excise taxes to be introduced over five years starting in July 2011.

Current legislation provides for excise on biofuels to phase in to full petrol and diesel excise rates over five years from July 2011, which will have a damaging effect on the biofuels industry if implemented.

The 2004 energy white paper proposed a 50 percent discount of excise rates based on the energy content of biofuels. Under this proposal, the rate of excise on ethanol in 2015 would be 12.5 cents per litre, not 38.14 cents per litre, and on biodiesel 19.1 cents per litre instead of 38.14 cents per litre. This discounted excise regime needs to be implemented.

9 Avoid effective removal of tax concessions for 20 percent biodiesel blends as a result of making a biodiesel blend standard for these blends.

Biodiesel blends above five percent are currently taxed as diesel if they meet the national fuel quality standard for diesel. This means that many large users such as farmers and miners pay no excise as they receive a full "fuel tax credit". Once a biodiesel blend standard is regulated, this credit would be reduced by 20 percent for a B20 blend, which could make the blend commercially unattractive to large diesel users. The solution is to make the blend standard but retain the full fuel tax credit so biodiesel blends above five percent remain competitively priced.

10 Ensure a level playing field for taxation of domestic and imported biofuels from July 2011.

The Australian biofuels industry must be internationally competitive. Although developing the industry requires the support of government policies and may require some transitional funding, the aim of any assistance measures must be to ensure its long-term competitiveness.

Biofuels are already being traded internationally, and Australian consumers should have access to the competitively priced fuels. ■

TRANSPARENCY & TRUST

Why Newport has won an unconditional licence to operate

After officers from the regulator WorkSafe Victoria spent months at Newport Terminal in Melbourne examining safety control measures and systems, they recently awarded the site an "unconditional licence" to operate as a major hazard facility.

This announcement represents a truly impressive achievement. Of the 45 major hazard facilities in Victoria, Newport is now one of the few – very few – to have no WorkSafe conditions attached to its licence to operate.

"That," says Jo Derrick, National Major Hazard Facilities Compliance Manager for terminals, "is a tribute to the determination and hard work of the Caltex people involved in ensuring Newport's safety compliance is of the highest standard. Moreover, the protocols developed and fine-tuned at Newport have set a model for all other Caltex terminals to follow.

"We could never have achieved this without strong engagement from the whole operations team," says Jo. "They spent one day every week for two years engaged in this work. We had 69 workshops to complete the detailed risk analysis involving over 2,600 man hours."

LEARNING FROM HISTORY

What's behind this story? For the answer we need to go all the way back to 1974. In that year, a bypass pipe installed at the Nypro factory at Flixborough in England failed and about 40 tonnes of hot cyclohexane, a chemical used in the production of nylon, discharged into the air. It caused a vapour cloud explosion that killed

28 people and devastated the plant.

From then on regulators around the world began to recognise that while companies were spending much time focusing on more frequent safety incidents, they weren't placing enough emphasis on "major process safety events" that, while rare, can have enormous consequences.

In response new regulations were introduced for facilities which handle large quantities of hazardous materials like flammable liquids and gases.

In 2000, responding to an explosion at the Esso Longford gas plant, Victoria became the first state in Australia to adopt a major hazard facility regime. Newport terminal was given its first licence to operate in 2004, for five years. The recent licence renewal is for an additional five years.

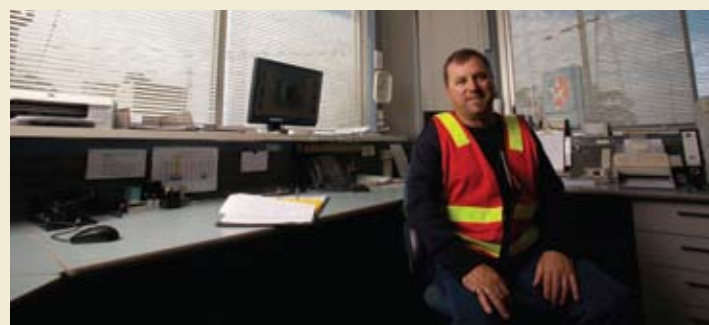
THE VALUE OF TRANSPARENCY

WorkSafe's representatives told Caltex a key consideration in granting the licence was the company's transparency and honesty about its strengths and weaknesses. Where there were deficiencies, Caltex recognised and addressed them.

Acknowledging the same high standards should be applied to all facilities that handle large amounts of hazardous materials, Caltex's Supply & Distribution division has formed a team to roll out the approach to all terminals, irrespective of the legislative requirement to do so.

This team is currently well advanced on safety cases for Banksmeadow, Lytton and Hobart terminals. ■

Domenic Portelli, Terminal Operator at Newport, a "model for other terminals to follow"



TO VISITORS ARRIVING AT THE SITE FOR THE FIRST TIME, THE NEW 27-MILLION-LITRE DIESEL TANK AT THE CALTEX TERMINAL IN MACKAY, QUEENSLAND, RESEMBLES A FUTURISTIC SPACECRAFT AS IT SQUATS IMPOSINGLY AT THE CENTRE OF THE COMPLEX.

The analogy is apt, say Caltex Marketing and Supply people, because the tank is as much a symbol of the future as a tribute to the success of Caltex's transport fuel business in central Queensland in the past.

It not only testifies as to how well the business has shrugged off recessionary times, it also shows how confident Caltex is about the future of the market centred round the Bowen Basin, according to Mick Jarvie, National Sales Manager Mining.

"Despite a downturn in the resources sector, which seems likely to be short-lived, our diesel volumes in the region over the past 12 to 18 months have *grown* significantly," says Mick. "The latest infrastructure developments at Mackay are setting us up well for future growth."

The latest, \$15-million upgrade at Mackay comprises four elements: the new diesel tank, an additional truck-loading bay, new ethanol storage and blending facilities as well as tank product changes.

The new tank received its first product delivery in December, allowing fuel to be reallocated to tanks that were previously reserved for diesel, explains Mackay Upgrade

Project Manager David Cooper.

The reallocation allows for more unleaded petrol storage and the introduction of premium unleaded storage for the first time. The existing diesel tank will store unleaded, and the current unleaded tank will switch to premium unleaded.

The ethanol storage and blending facility means Caltex is well placed to meet Queensland's upcoming five percent fuel ethanol mandate scheduled for 2010.

THE BENEFITS

What are the advantages of this reshuffling? A major advantage will be evident "upstream," says David, in cost savings from shipping. We'll need fewer ships to bring in product to Mackay, whether it's imported refined fuel from overseas or product from Lytton refinery."

In addition there's the potential for exciting Marketing growth directly linked to the mining business. Caltex's customers include mining giants Rio Tinto, Felix Resources, Wesfarmers, Jellinbah Resources, Ensham Resources, Leighton Construction, Thiess and Golding Contractors, as well as the many other contractors that serve the coal industry in this region.

"We'd been sourcing additional product from further afield to support expanding customer requirements; now we have substantial capacity to take advantage of sales opportunities in mining and the civil construction development supporting it," says Mick Jarvie.

The end result will be "a first-rate, fully capable terminal that allows highly efficient import of product, especially diesel, into a key growth area and the coal market where we've been winning new business," says Ken James, General Manager Supply and Distribution.

It will also serve as a critical link in the supply chain from the new Lytton diesel hydrotreating unit that came on line earlier in 2009, says Ken.

IMPRESSIVE SPECS

The specifications of the new, \$8-million diesel tank are impressive. It's 120 metres in circumference, 39 metres in diameter and 22 metres high. A total of 785 tonnes of steel went into its construction and 15,000 cubic metres of earth were excavated before the foundations – a two-metre-deep concrete ring beam – could be laid.

Each stage of the project which began in July 2008 has met tight timelines while workers have kept a close eye on safety and incident-free construction work.

"Commissioning on time is a huge credit to everyone involved," says David Cooper. "Caltex's turnaround on decisions has been fast and sharp. In fact, without the engineering, legal, procurement, environmental and other support we've received, we'd never have been able to meet the deadlines."

Though there have been a couple of disappointing minor incidents that required medical attention, such as a cut to the back of a hand, there have been no lost-time injuries to date.

More infrastructure work at Mackay is likely in future. "When we built the tank we left room for another, which is a definite option for us," says Ken James. ■

MACKAY UPGRADE EXPANDING FOR THE FUTURE



Ken James, right, and Steve Clark inspect the Mackay tank



Gary Smith, General Manager Refining, says strong leadership provides an example

Q&A

**'Opportunities
are all around us'**

– GARY SMITH

New General Manager Refining Gary Smith brings substantial oil industry experience plus a reputation for creative thinking to his job. It's a potent combination for Caltex at a time when the company sets its direction to become stronger by aligning operational efficiency, growth and culture. Talking to *The Star*, Gary discusses his career, his initial impressions of the refining business and where he sees room for improvement.

THE STAR: WHAT'S YOUR INDUSTRY BACKGROUND AND WHAT BROUGHT YOU TO CALTEX?

GS: Coming here is coming home! I grew up, went to university and started my working life in Sydney. I worked for ICI for nine years and Shell for nineteen years, including a period as the manager of Clyde refinery. Then I moved to London to work in Shell's shipping group. For the three years prior to joining Caltex I was employed as Chief Executive Officer for Golar LNG – a major global owner and operator of LNG carriers.

When I was offered the position at Caltex the timing was perfect. My daughter was approaching secondary school age and it was a watershed moment as to whether the family stayed in the UK or returned home. From a professional perspective I was again looking to further my manufacturing career after spending the past seven years in the shipping industry.

WHAT STANDS OUT AS DIFFERENT NOW FROM WHEN YOU LAST WORKED IN A REFINERY?

GS: It's become a far more complicated business. There are stricter controls around fuel quality due to clean fuel requirements. Societal demands and expectations about how we operate in the communities where we're located have increased markedly. Things are a lot more prescriptive – it used to be a "tell me" world but it's now more a "show me" world, with a greater emphasis on legislation to ensure compliance.

WHAT ARE YOUR IMPRESSIONS OF CALTEX'S REFINING BUSINESS AND WHERE DO YOU SEE ROOM FOR IMPROVEMENT?

GS: Caltex is doing all the right things, but in refining it's a never-ending story of doing them better and more efficiently. Our major capital investment program in producing clean fuels is drawing to a close now that we've concluded the start-up of the DHTU2 unit at Lytton. This investment has provided a strong base on which to build for the future; now we have to be smart in the way we allocate future capital.

In refining there's always scope for creative thinking but this needs to be done carefully. As I've looked around the business in these very early days, as you'd expect, I've seen that, not surprisingly, we're still short of perfection. But there are also concrete examples of good planning, commitment and performance. The recent turnaround

and inspection at Lytton is an example of this. Opportunities to do things well, like that, are all around us.

My role is to encourage creative thinking and then ensure good ideas translate into improved business performance.

WHAT ARE YOUR THOUGHTS ON SAFETY PERFORMANCE AT THE REFINERIES?

GS: We should never be complacent about safety. We must continue to explore new ways to improve. Our performance is okay but not as good as it could be, or should be. There's no silver bullet in this area – it's about doing all the little things in the proper way every time, every day. What I can do is provide strong leadership, accountability, a genuine interest and proactively engage in discussion at every opportunity.

We have good processes and procedures in place. I see the difference between where we are now and where we need to be is around alignment and genuine commitment to improve from everyone.

"I SEE THAT EACH REFINERY HAS ITS OWN DISTINCTIVE CULTURE AND IN MANY WAYS THAT'S A GOOD THING"

SOME EMPLOYEES BELIEVE THERE ARE STRONG CULTURAL DIFFERENCES BETWEEN LYTTON AND KURNELL REFINERIES. DO YOU SHARE THIS VIEW?

GS: Perhaps they're simply reflecting the traditional differences between Sydney and Brisbane. I have a mixed view. I see that each refinery has its own distinctive culture and in many ways that's a good thing. We don't want, or need, clones. But where we can leverage off each other – where by doing things together we can do them smarter – we should.

IS THERE A PARTICULAR ASPECT OF REFINERY CULTURE OR PRACTICE YOU'LL FOCUS ON?

GS: It's early days for me to have an answer to that, but one area where I want to contribute to is how we structure, align, manage and motivate the people who work in the business.

I've been making time regularly to sit down and have lunch with refinery staff at Lytton and Kurnell. It's been a way of initiating a dialogue and the challenge for me will be to keep this up. Getting people engaged and focused is a way to help create a real edge for the business. ■

KEEPING A WATCH ON EMPLOYEE HEALTH

ALL CALTEX EMPLOYEES HANDLING PETROLEUM PRODUCTS WILL SOON BE INVITED TO TAKE PART IN HEALTH WATCH, AN INFLUENTIAL STUDY THAT TRACKS EMPLOYEE HEALTH IN OUR INDUSTRY.



Lytton refinery employees Rob Banks (left) and Ross Shaw – a health study captures the history of petroleum industry workers across Australia

Launched in 1980, the study is sponsored by the Australian Institute for Petroleum with the independent oversight of the Centre for Occupational and Environmental Health at Monash University.

Health Watch has been tracking the wellbeing of about 19,000 past and present employees of the Australian petroleum industry while they're working and after they leave or retire. Many existing Caltex employees are involved, but it has been five years since new employees were invited to join the study, and researchers would like to boost the numbers taking part.

"Caltex is committed to supporting Health Watch," says Paul Brough, Occupational Health and Hygiene Adviser, Caltex Operational Excellence and Risk. "It helps us identify patterns of illness in employees across the industry."

By comparing the health of petroleum workers with that of the general population, Health Watch provides important information about risks associated with work in the industry.

Paul notes that Health Watch has historically enjoyed strong support from employees, unions and companies and is well regarded internationally. "It has very high participation rates and a high level of independence with oversight by the university."

Importantly, the study plays a major role in influencing industry safety standards and behaviour. "In the early stages it was found there was a higher risk of leukaemia than in the general population, believed to be due to higher benzene levels in fuel," says Paul.

"Now that benzene levels have been reduced and we have a better understanding of how to control exposure to hazardous chemicals, the instances of leukaemia in the petrochemical industry are no greater than in the general population."

Significantly, the study shows that petroleum industry employees have better overall health than the general Australian population and considerably lower death rates for common illnesses such as heart disease, stroke and respiratory and digestive diseases.

In coming months all eligible Caltex employees will be contacted and invited to take part in Health Watch. Employees will need 15 to 20 minutes to answer questions on their job tasks, health status and general lifestyle. Responses are confidential and not shared with third parties.

"We encourage people to participate," says Paul. "However, it's entirely voluntary." ■

NO CLOSE SHAVES IN LYTTON REFINERY TURNAROUND

It's true. An unusually large number of men were wearing beards at Lytton refinery during the recent turnaround and inspection (T&I) of its hydrogen units.

But it was no coincidence. The impressive chin-warmers were a direct result of Area North operators' "safety isn't a close shave" campaign. To create a visual reminder that refinery people need to work and return home safely, the operators decided to grow beards for the duration of the five-week turnaround.

A single shift developed the slogan and led with their chins, so to speak. Many others then joined the initiative.

Their determination was vindicated by the best-possible result. None of the 250 employees and contractors involved was injured in the turnaround, which was completed under budget.

"We secured great buy-in from the whole site," says Lytton Event Manager Joe Callaghan. The teamwork involved was very pleasing."

Many people are owed thanks, says Joe, including those who ran the rest of the refinery and managed movements to keep customers supplied during the shutdown, scheduled every six years.

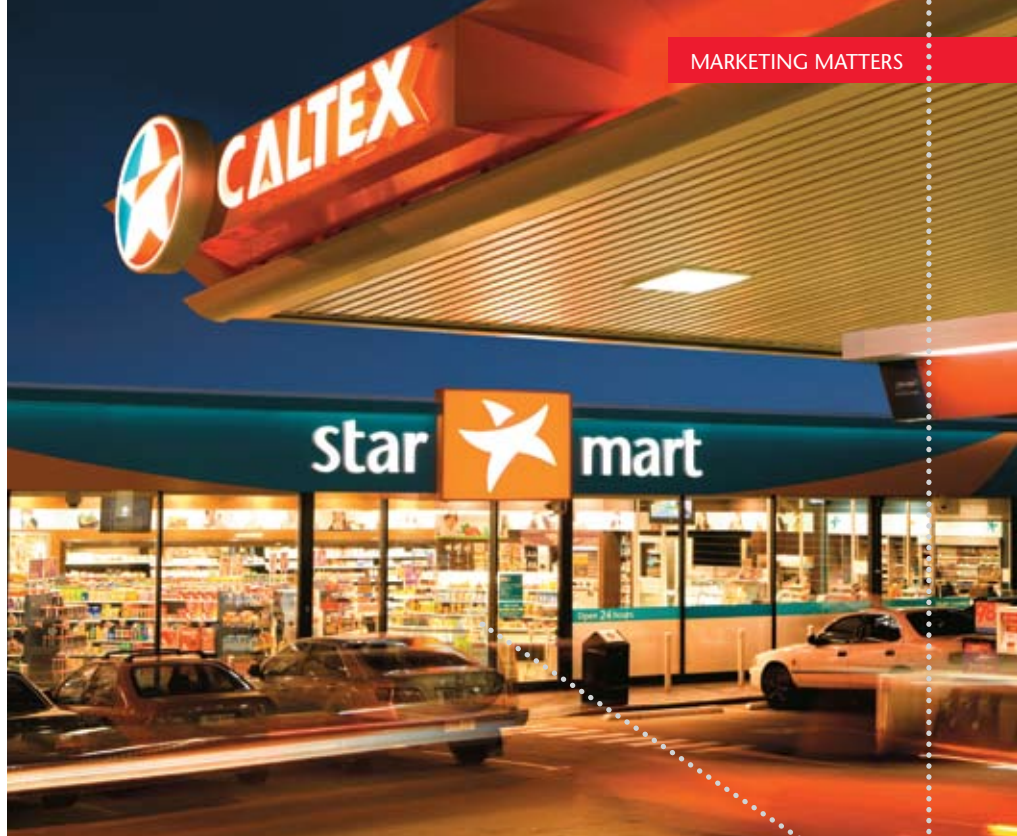
"The turnaround team, the core teams, contractors, Supply and Distribution, the Kurnell personnel who were instrumental in pre-planning and providing ongoing support, refinery operators and employees who freed up the resources to allow the T&I to happen – they were all involved," Joe says.

The teams worked on cleaning and replacing parts in the refinery's hydrogen production unit – known as the reformer, which converts low octane naphtha into high octane product.

This meant other units which draw hydrogen also had to be shut down. They included the benzene hydrogenation unit (BHU), the isomerisation unit and the diesel hydrotreating units (DHTU1 & DHTU2).

"We actually performed T&I work on three units: the reformer, BHU and DHTU1," explains Joe. "The T&I crew also did some maintenance or project work on DHTU2 and one of the crude units."

Morale during the shutdown was high and there were signs the Incident and Injury Free (IIF) program was having an effect, with workers sharing incident-free principles. ■



A visual icon that grabs attention

Sparky

A NEW STAR IS BORN

"IT LOOKS ENERGETIC AND FUN," SAYS ONE CALTEX CUSTOMER. "IT REALLY STANDS OUT." "IT'S BRIGHTER AND VIBRANT," SAYS ANOTHER. "A BIT WHIMSICAL, BUT I LIKE IT."

These were some of the many, overwhelmingly positive comments from customers who were asked what they thought of the new branding for Caltex Star Marts.

For the first time in 14 years, the colourful image that Star Mart presents to the world is getting a makeover. At the centrepiece of the new teal and tangerine branding is an "action" icon – affectionately nicknamed "Sparky" – that resembles a dancing star.

The strategic intent of this design was to create a contemporary, smart, friendly and fresh image, reflecting Caltex's vision to be a world-class convenience retailer, explains Lynette Klein, Strategic Brand Development Manager. Most importantly it had to have a strong visual identity and stand out from competitors.

"We believe we've achieved all that," says Lynette. "Sparky conveys movement and energy, which personifies our convenience store customers who are typically on the move in a fast-paced world."

The revamp is expected to deliver better recognition and awareness of the Star Mart convenience brand in the market place, adds

National Manager Retail Leo Pucar.

"The process is one of evolution, not revolution as the Star Mart image needed to embrace the twenty-first century," says Leo. "The Sparky logo represents what our research tells us about our busy customers – that they're time-poor, on the go and looking for solutions."

LEADING CONVENIENCE

The branding was developed in consultation with Chevron who owns the Star Mart trademark. Chevron recognised Caltex Australia as the regional leader for convenience retailing and supported the initiative to develop and trial the new brand in Australia.

Caltex worked with strategic design agency Hulsbosch to create the refreshed look. The main design elements are the introduction of a visual icon which grabs attention, a smile feature across the fascia indicating a welcoming and friendly shopping environment, and the contemporary colour scheme of teal, tangerine and white.

The new store image will be extended into uniforms, point-of-sale communications and other instore merchandise over time, Lynette says. "The dynamic symbol will enable the Star Mart brand to have a clear identity in many different environments; this is one of the strengths of the new branding."

All twenty-first century (21CC) Star Mart sites will be updated with the new Star Mart image. It will be progressively rolled out to the rest of the network as they're upgraded to the 21CC format, says Leo. ■

ROLLOUT OF NEW STORES

GAINS
PACE

THE ROLLOUT OF CALTEX'S 21ST CENTURY (21CC) STAR MART CONVENIENCE STORES IS GAINING PACE ACROSS AUSTRALIA, WITH THE RECENT OPENING OF SPARKLING NEW OUTLETS IN EAST PERTH – THE FIRST IN WA – AND TWO IN QUEENSLAND.

The opening of the Sunshine State's first site at Brookwater near Ipswich was followed in August by a site in Plainland on the busy transport corridor between Ipswich and Toowoomba, 30 kilometres inland from Brisbane.

EAST PERTH – TWO YEARS IN THE MAKING

The Star Mart East Perth, which has taken two years to create, is the result of a complete knock down and incorporates the latest Caltex product offers in store and on the forecourt. This includes Vortex premium fuel and products and a 24-hour carwash.

"Opening the doors here in Western Australia has been a huge leap forward for us," says Andrew Triplett, Business Manager responsible for the site. "It's also great to test and develop our 21CC offer with WA customers."

The "soft" opening in November was followed by a gala day. People living in the East Perth area were invited to visit and view the store, as well as all those responsible for getting it up and running – from project services to logistics and the retail team.

Because the site was closed for two years it will inevitably take some time for sales and revenues to pick up to expectations, explains Andrew. "It's very much a long-term prospect for us."

But strong promotional support is expected to speed that process. A win-a-car promotion in November was heavily advertised in the store and promoted via newspaper and radio advertising. The site manager, Giles D'Abreo, and his team organised leaflet drops in the local neighbourhood.

"The fantastic new range like our fresh offer that includes sandwiches, bakery, salads and home meal solutions all dovetail nicely

into our broad vision to be a world-class convenience retailer," says Andrew.

PLAINLAND – ANOTHER FIRST

The 21CC site on the Warrego Highway at Plainland in Queensland represents another first for Caltex in the state.

"It's the first travel centre we've developed in Queensland," says Business Manager Jason Jones. "It matches and improves on what some of our competitors offer in the southeast corner."

The site is part of a new multi-million-dollar one-stop travel service centre covering 1.19 hectares. In addition to the Caltex Star Mart, there's a KFC, Hungry Jack's, Subway, Coffee Club and information centre for travellers. The Caltex store, which has 12 permanent staff, opens 24 hours a day.

It represents a great opportunity, says Jason. The site is on a busy road half-way between Ipswich and Toowoomba, and Plainland itself is a growing community with new commercial developments.

People from satellite towns in the district are already finding our site to be a useful convenience facility. It's the only shopping complex in a broad region that's open on a Sunday, Jason says. Meanwhile all customers are enjoying the value-added combo promotions on offer.

Early sales results are pleasing, with fuel sales "going gangbusters," Jason adds. "The separate diesel canopy allows us to cater to both the convenience customer and the commercial road transport flow of the Warrego Highway."

More 21CC sites are already on the drawing board for WA and Queensland and awaiting local authority approvals. Mundaring in the Perth Hills is likely to be among the next to open. ■

CONVENIENT, CLEVER SOLUTIONS

Why are the 21CC stores generating so much excitement among Caltex people and the broader community? The answer is that they've been specifically designed and tailored to provide "the most convenient and clever solutions for everyday occasions," says John Dulgare, Acting National Manager Retail.

The layouts maximise available floor space with innovative island chiller cabinets, wall chillers and merchandising pods showcasing the offer. Plus they provide customers with a more

open environment in which to browse.

"In addition to everyday convenience items, the 21CC Star Mart offers a tailored range of products and services including fresh food and produce, freshly ground coffee and in-store bakery, and pre-prepared take home meals," says John.

The Healthier Options range is designed to meet the needs of increasingly health-conscious convenience customers and give them a broader choice compared with traditional convenience store offers.

The Plainland site in Queensland – another first.





Inside the East Perth Store, where layouts maximise floor space.



EPUMP'S ARRIVAL HERALDS HAPPIER CUSTOMERS, SHORTER QUEUES

Caltex Woolworths venture site forecourts may be running more smoothly with less congestion in the future, thanks to a Woolworths' initiative involving the introduction of a new pay-at-the-pump system across the Caltex Woolworths network.

By allowing customers to pay for their fuel on the forecourt, 'epump' can save up to two

minutes in an average five-minute, fuel-only transaction.

"Faster fuel purchases will get forecourt traffic flowing better, making our sites more accessible to shop customers and providing us with the opportunity to pump more litres," says Naomi Jackson, Retail Development Manager – New Concepts.

"It's about making forecourts run more smoothly and convenience stores more convenient," she explains.

"If a customer only wants to buy fuel they'll be able to do so without coming into the store and adding another person to the console queue."

The shorter queues and better traffic flow on forecourts will make stores more attractive to convenience shoppers,

Naomi says. Some operators could have been losing convenience store sales because of congestion and in-store queuing.

"For example, if you only want milk and bread and no fuel, or want to purchase fuel and buy something in the shop, you wouldn't go to some of these sites on certain days and times during the week – they're just too busy," Naomi says. Paying at the pump is the norm in many countries around the world, she adds.

HOW DOES IT WORK?

At this stage, epump is limited to the Woolworths "Everyday Money" Credit Card. The card is placed against the card reader on the pump, the customer enters their PIN and the Customer Service Attendant

authorises the pump in the normal way.

Once the customer has filled up, their purchase amount is displayed on the screen, along with any discount they were given from their linked Woolworths "Everyday Rewards" card.

The tax invoice for the transaction is then emailed to the customer or they can view the details on the Woolworths Everyday Money website.

There's been a good early response to the system from participating Caltex franchisees, Calstores and customers, says Naomi.

At the moment Caltex and Woolworths are working together on opportunities to expand the system to accept other cards. ■



LEFT: A road train hauling fuel over typical remote area terrain. ABOVE: Sandra Carey – “on the ground” in Darwin

DIRECT SALES DELIVER, IN EVERY WAY

“YOU KNOW YOUR CUSTOMERS ARE SATISFIED WHEN THEY’RE HAPPY TO WRITE A TESTIMONIAL TO HELP YOU WIN FURTHER WORK,” SAYS HARRY STILIN, NATIONAL SALES MANAGER – INDUSTRIAL, CALTEX DIRECT SALES.

Business is booming for the industrial division of Direct Sales, which has won several multi-million dollar contracts to supply around 80 percent of the diesel used by remote area power generators in Queensland and much of the remote area supply in Western Australia and the Northern Territory. The most recent contract signed was with CS Energy in Queensland to supply all diesel and lubricants requirements for its facilities in Mt Isa, Chinchilla and Dalby.

Now there are plans to expand the customer base by targeting the power generation market in NSW, Victoria and South Australia and to move into WA’s burgeoning offshore oil and gas sector.

“The biggest challenge is to build confidence with our customers and prove our capabilities at the most critical times,” says Harry. “It’s how you respond in a crisis that matters.”

PROOF IS IN THE PERFORMANCE

Direct Sales proved its mettle in 2008 when, working with Supply & Distribution, it stepped in to meet supply requirements in WA after an explosion at the Apache gas field caused a 30 percent shortfall in the state’s energy needs.

In another instance, the team literally kept the lights on when diesel levels at the remote community of Lake Nash fell to critical lows. With roads to the area impassable, Brian Jeffries from Supply & Distribution arranged with Power and Water Corporation to fly in the fuel in specially built drums. “It took two

and a half days to drop off the 200 drums of fuel needed to tide the community over,” says Brian.

Supply & Distribution’s problem-solving skills illustrate the key role it plays in guaranteeing that Direct Sales can meet its customer contract requirements. S&D oversees the delivery chain from fuel pick up at a Caltex terminal to its delivery on site.

“We’re successful because our Marketing and Distribution teams, through to the individual business managers and the regular operations staff, work closely together,” says Carl Vermaas, National Contracts Manager Supply & Distribution. “I see success as our service to the customer and being the largest supplier to remote area power generators is now our strength.”

POINT OF DIFFERENCE

Direct Sales continues to fine-tune its customer support, recently appointing Sandra Carey to a new Darwin-based position, Commercial Account Manager NT, making Caltex the only oil major to have a representative working locally on the ground.

Other initiatives include supplying biodiesel to Ergon Energy for use in the far western Queensland towns of Boulia, Bedourie, Birdsville, Windorah and Jundah – a first for the region – and the start of a staged biodiesel introduction to all the power generators’ remote sites over the next five years. Similarly, biodiesels will be trialled with Power and Water in the NT.

“The proof of customer satisfaction is that they’re coming back for more, says Harry. “The biggest testimonial of all is to have a customer renew their contract for an extended period such as five years,” he says. ■

MARINE SALES GO DIRECT

While Caltex is a long-time supplier of fuel to the marine industry, it has not had a dedicated sales team focusing solely on this segment. That’s now changed with the recent formation of a marine division within Direct Sales.

Headed by Patrick Luxton, the team includes three business managers – Jeff Hickson, Lee Mitchell and Mark Nicholls as well as sales coordinator Sudha Ramesh.

Though Caltex has previously been active in the marine market for many years, responsibility was split across a number of sales channels within Caltex, explains Patrick. As a result the company did not previously have a coordinated product offering.

“We’ve come together to increase our sales activity in marine. We’ll develop Caltex’s presence and create a national offering to become the preferred supplier to the marine segment in Australia.”

The new team draws together a wealth of experience in the marine market from their previous roles, says Patrick, providing an

excellent base for Caltex to build on existing expertise.

A key element of Caltex’s positioning will be to have an integrated strategy encompassing company-owned resellers and the Direct Sales marine team.

“We already have a strong position in the marine fuel oil market in Sydney and Brisbane, servicing international vessels as well as local coastal fleets with their fuel requirements,” says Patrick.

“In addition Caltex can supply marine lubricants in most Australian ports, sourced from our three joint venture manufacturing facilities located throughout Australia. We’re also well positioned to supply diesel through our Australia-wide terminal and distribution network.”

The marine team will target the supply of product to international ships visiting Australian waters as well as the many local shipping services that ply our coasts.

“We’re very excited about this opportunity to develop Caltex’s marine business. We’re looking forward to the growth challenges in 2010.” ■

Ships arriving and docked at an Australian port – the new marine team will service both local and international shipping.



'IF YOU DON'T PASS, YOU DON'T LOAD'

NEW ACCREDITATION PROGRAMS FOR DRIVERS AND FUEL TANKERS

In ensuring the wellbeing of employees and drivers, Caltex is always willing to go a step further. That's one reason the company has been appointed to operate a newly formed safety joint venture, says Darren Mason, manager of the Safe Load Program (SLP).

Caltex has taken on operation and stewardship of the SLP, which manages the Driver Accredited Training and Pass-2-Load programs previously run by the Australian Institute of Petroleum.

The joint venture between Caltex, Shell and BP began operating in September 2009 with the clear aim of supporting the safety of people, equipment and facilities for the three JV companies, Darren says. Ben Rodwell, SLP's administrator, will work closely with Darren to administer the programs.

PASS-2-LOAD – AN INSPECTION REGIME

The Pass-2-Load scheme is an inspection regime for bulk fuel road tankers to ensure they regularly complete a set of oil industry best-practice safety checks. It applies to all tankers that load products at gantries at participating member facilities.

"The trucks that meet the Pass-2-Load standards display stickers as a visual indicator they've been subject to a special inspection program and are safe to load," explains Darren.

"It's an added layer of accreditation and protection to reduce risk for our people and loading facilities."

Inspections of the equipment take place every six months at approved locations.

DRIVER TRAINING – PASSPORTS PLEASE

The Driver Accredited Training (DAT), on the other hand, is the program whereby tanker drivers gain a "driver's passport" to load at Caltex and member company facilities.

Drivers have to undergo an examination and training to get their passport and must refresh their training every three years. Without the document, they simply can't load, says Darren.

"Every one of our facilities is a bit different," he says. "That's why we believe all drivers must hold and maintain what we consider to be an appropriate level of knowledge. Once the DAT trainer assesses the driver as okay, they're qualified for our facilities."

Terminal supervisors observe and confirm the drivers' skills and knowledge and sign off, stamping their passports, to approve loading for that particular loading supply point.

Evolution of the program is likely in future. The Safe Load Program's mandate is to continually develop training and compliance systems for the benefit of member companies and their people.

"Safety regulations are always changing and becoming more stringent and complex," says Darren. "We aim to improve systems so they're even more effective."

SLP plans to consult all involved with the accreditation programs to ensure they capture the best ideas and improvement options.

"The petroleum industry appears keen to share SLP feedback on what we need to do to be safe," says Darren.

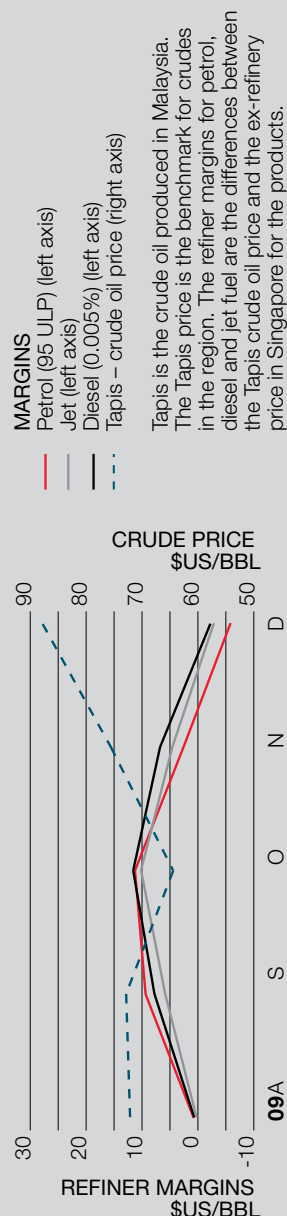
Adds John Morgan, Operations Support Manager and Caltex JV representative: "Caltex is proud to operate the SLP and looks forward to working with the joint venture partners and industry to provide effective accreditation programs. It's exciting to be so intimately involved in helping protect our people and assets. We believe Caltex will provide the expertise and commitment to operate the joint venture with excellence." ■

MORE INFORMATION:

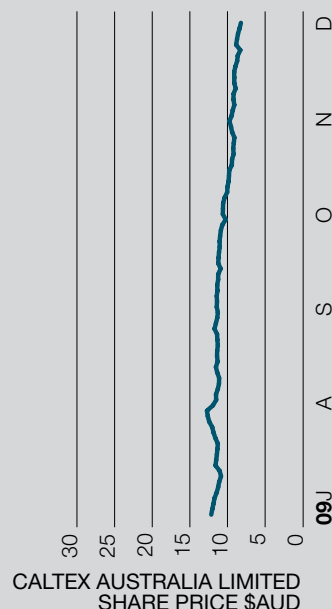
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