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Department of Infrastructure and Regional Development
vemissions@infrastructure.gov.au

Dear Sir/Madam

Thank you for the opportunity to make a submission to the Department of Infrastructure and Regional Development on the Ministerial Forum for Vehicle Emissions Discussion Paper.

If you have any questions or would like to discuss this submission, please contact Nicole Buskiewicz, Senior Government Affairs Adviser [REDACTED] or Steve Harrison, Product Stewardship Manager [REDACTED]

Yours sincerely



Andrew Brewer
Executive General Manager Supply Chain Operations

Caltex submission on the Ministerial Forum on Vehicle Emissions

From the outset, Caltex would like to support the Australian Institute of Petroleum's (AIP) submission to the Ministerial Forum on Vehicle Emissions (MVSE), and reiterate the following points:

- 10ppm sulphur is not required to implement Euro 6 light vehicle standards because there are no operability benefits and very few environmental benefits of changing this particular fuel standard;
- Australian market petrol quality is substantially lower than current standards (150ppm for regular unleaded and 50 ppm for premium unleaded) – average 2014-15 levels in Sydney were 28ppm and 16ppm respectively, and 60ppm and 28ppm in Melbourne respectively;
- While sulphur is an important fuel parameter, there are a range of other parameters that would need to be considered in any review.

Further to the AIP submission, Caltex would like to provide some company-specific information on the implications of the specific proposal to change the sulphur limit of petrol.

1. Cost implications

Subject to a review of required systems and process updates, reducing the sulphur in petrol to 10 parts per million (10 ppm) is estimated to be about \$500-\$750 million, depending on the extent of upgrades required to systems such as steam, water and power. Regardless, a cost of this magnitude would significantly impact the viability of Lytton refinery.

2. Timing implications

A realistic timeframe to implement and execute a project to reduce sulphur in petrol at Caltex's Lytton refinery would be about 5 years based on precedence (i.e. the Government's Cleaner Fuels Program that was legislated in 2001 for implementation in 2006) and the following project requirements:

- Phase 1: Project front-end design, which includes project objectives and scoping (including a +/- 50% cost estimate) – approximately 1 year
- Phase 2: Develop options for review, which includes the development of viable options and the recommendation of the preferred option (including a +/- 30% cost estimate) – approximately 1.5 years
- Phase 3: Detailed design for preferred option (including a refined cost estimate of +/-10%) and selection of technical vendor
- Phase 4: Implementation and infrastructure construction – approximately 1.5 years

Other factors that are beyond Caltex's control that would impact the project delivery timeframe include obtaining the appropriate authority to undertake the required constructions works, e.g. a Development Approval from local and state authorities, as well as any training that would be required for Caltex and contracted staff.

If the new refinery process unit is significant, it may result in the addition of extra operations personnel and/or a revision of the relevant Enterprise Bargaining Agreement. These types of negotiations can be lengthy and time consuming.