



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**COMMITTEES**

**Economics Committee**

**Report**

**SPEECH**

**Tuesday, 5 February 2013**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

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**Questioner**  
**Speaker** Owens, Julie, MP

**Source** House  
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**Ms OWENS** (Parramatta) (17:14): On behalf of the Standing Committee on Economics, I present the committee's report on Australia's oil refinery industry, together with the minutes of proceedings.

In accordance with standing order 39(f) the report was made a parliamentary paper.

**Ms OWENS:** by leave—Australia is a net exporter of energy and has a positive energy future. In relation to oil, though, Australia is a net importer.

Following the closure of the Clyde and Kurnell oil refineries in New South Wales, refinery capacity in Australia will decrease by about 28 per cent and leave five operating refineries. Domestic refiners will produce just over half the fuel consumed in Australia, with the remainder being imported. Consequently, concerns have been raised about the viability of Australia's oil refinery industry, and the potential impacts of declining domestic refinery capacity on the economy, energy security and employment in the sector.

The most pessimistic view is that this is the beginning of the end of Australian refining, and the most optimistic view is that there is a future for Australian refining, albeit under increasing competitive pressure. The committee noted that during the last decade the oil industry has invested over \$9 billion in its Australian refineries.

While Australia's proximity to the Asian region with its new mega-refineries does pose some challenges for domestic refineries, it also provides us with opportunities to take advantage of Asia's surplus refining capacity and to continue to strengthen supply chains in the region.

The changes in domestic refining capacity to date will not impact on Australia meeting its liquid fuel requirements. There are reliable, mature and highly diversified international fuel supply chains which provide Australia with economic security. The Australian Institute of Petroleum and refiners were confident about the reliability of Australia's supply chains and infrastructure to continue to meet local fuel demands, as it has done over many decades.

The key to our high energy security is our access to well-functioning markets for liquid fuels and supply chains with a high degree of resilience. This means that Australia can source its liquid fuel needs from a diversity of sources so that if one source becomes unavailable other sources can meet demand.

The energy white paper noted:

Our lack of oil self-sufficiency and the prospect of further refinery rationalisation does not in itself compromise or reduce our energy security ...

The closure of the refineries will not lead to negative price outcomes for consumers. Australian fuel prices reflect an import parity price, which is the price in international markets. The Australian Competition and Consumer Commission was clear in its advice to the committee that, as a result of import parity pricing, the retail price of petrol is not impacted by refinery closures. However, refinery closures do result in job losses. Evidence presented showed that the people employed in the oil refinery industry are highly skilled, productive and, as indicated by the average length of service, extremely loyal.

Where closures are inevitable, reducing undue stress and assisting workers to adjust to changing employment circumstances should be a priority for both industry and government. This can only occur where there is a level of certainty for workers, and targeted support. To date, structural changes have occurred in a relatively orderly manner, with long lead times between closures being announced and a workforce having to adjust. Efforts to redeploy and reskill displaced workers must remain a priority.

The committee believes that there is a future for Australia's domestic refining industry as part of our diverse and robust oil supply chains. Market forces will continue to operate to determine when a specific refinery is commercially viable and, where closures are inevitable, to adjust the supply chain to help ensure Australia's continued economic and energy security.

On behalf of the committee, I thank the organisations that assisted the committee during the inquiry through submissions or participating at the roundtable hearing in Canberra. I would also like to personally thank the people who came to that hearing representing the workers at Clyde, in my electorate, who are suffering from the closure of the Shell refinery. I also thank my colleagues on the committee for their contribution to the report, and the secretariat, who did an extraordinary job in a really complex area, largely over the Christmas break.

I commend the report to the House, and I move:

That the House take note of the report.

The DEPUTY SPEAKER ( Mr S Georganas ): In accordance with standing order 39, the debate is adjourned. The resumption of the debate will be made an order of the day for a later hour this day.