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7th May 2020

Dr Catherine de Fontenay
Mr Jonathan Coppel
Productivity Commission
Lvl 8, 697 Collins Street
Docklands VIC 3008

Email: supplychains@pc.gov.au

Dear Commissioners,

Submission to the vulnerable supply chains study

Thank you for the opportunity to provide the attached submission to the Productivity Commission's study into vulnerable supply chains.

The liquid fuels market is part of a global and regionally integrated supply chain which is mature, flexible, well-functioning, and delivers secure and internationally competitively priced product to local consumers and business.

Australia has strong liquid fuel supply security. The closure of all but two domestic refineries has not impacted negatively on supply security or price. Indeed, it is argued that an increased reliance on a more diverse supply chain through displacing imported crude with imported



product, sourced from more than 65 nations in 2020, enhances security rather than diminishes it.

bp is concerned that energy security is often conflated with energy independence by policy makers, resulting in inappropriate market interventions including measures to sustain sub-optimal refining capability and inefficient, poorly designed mandatory stockholding obligations.

These interventions have the potential to significantly increase costs for industrial customers and consumers, diminish supply optimisation by industry and profoundly distort 'in-country' regional markets.

As such, fuel security policy must be well considered and the costs to the economy be fully understood and articulated.

Further, non-compliance with the International Energy Agency's (IEA) 90-day stockholding obligation is not indicative of a problem with Australia's liquid fuel supply chain or supply security. Often forgotten, the IEA's collective emergency response system mechanism is designed to ensure a stabilising influence on markets and the global economy with the aim of mitigating the negative impacts of sudden oil supply shortages by making additional oil available to the global market. It is not necessarily to improve Australia's energy security or independence.

bp commissioned Pegasus Economics to independently prepare the submission and analysis and looks forward to an opportunity to discussing it with you.

Yours sincerely

Vesna Di Tommaso

VP Midstream, Asia Pacific