



Mandatory Reporting Discussion Paper: Petroleum-based Greases, Lubricants, Oils, Waxes and Solvents

Introduction

The Department of the Environment and Energy is transitioning the [Australian Petroleum Statistics](#) from a voluntary survey to a mandatory legislated reporting scheme. The Department recently advised in the [Preferred Design Paper](#) based on feedback to the [Consultation Paper on Mandatory Reporting for Petroleum Statistics](#) that petroleum-based greases, lubricants, (specialty) oils¹, (paraffin) waxes, and solvents (referred to collectively as ‘GLOWS’) would be covered by mandatory reporting and the Department was investigating opportunities to reduce the reporting requirements.

This paper examines the application of mandatory reporting to GLOWS and whether a reduced reporting requirement is appropriate. Three reporting options are set out at the end of this paper for consideration by stakeholders.

Overview

Mandatory reporting will apply from 1 January 2018 to the *owners* of a *covered product* who undertake a *covered activity*.

GLOWS, including recycled oils, will be ‘covered products’. The ‘covered activities’ relevant to suppliers and producers of GLOWS will be:

- refining GLOWS (producing them from crude oil or other refinery feedstocks within Australia),²
- re-refining base oils (producing base oil from used lubricant and specialty oils)
- recycling used lubricants and oils (producing fuel from used lubricant and specialty oils)
- entering GLOWS for home consumption or the equivalent action for petroleum-based waxes which are not subject to excise, and
- holding stocks of GLOWS on the last day of the month.

Producers and suppliers of GLOWS will not be required to report their imports or exports as this data will be obtained from other government sources.

Further information on the design, rationale and expected operation of mandatory reporting is available in the [Consultation Paper on Mandatory Reporting for Petroleum Statistics](#) (September 2016) and the [Preferred Design Paper](#) (December 2016).

Reasons for Inclusion

During consultation, the inclusion of GLOWS in mandatory reporting was strongly supported by stakeholders. GLOWS are an important part of the petroleum supply chain and historically

¹ Specialty oils include hydraulic fluids, brake fluids, transmission oils, transformer oils and heat transfer oils.

² No specialty oils, lubricants or greases have been reported as being refined in Australia since 2012.

have been significantly underreported in the Australian Petroleum Statistics.³ The inclusion of GLOWS will improve the accuracy of the statistics for businesses using the data. Inclusion will also improve Australia's compliance with the International Energy Agency's stockholding obligation.

Reasons for Considering Reduced Reporting Requirements

GLOWS are a unique group of products, which are different from many of the other products to be covered by mandatory reporting such as gasoline and diesel.

Firstly, the risks associated with supply disruptions for GLOWS are lower than for transport fuels like petrol. A shortage or delay in the supply of GLOWS will have a relatively minor economic impact and a range of non-petroleum substitutes are available for many GLOWS. As a result, there is no need from an energy security perspective to collect detailed monthly statistics.

Secondly, there is also an existing reporting requirement for some GLOWS. The Product Stewardship for Oil Program administered by the Australian Taxation Office collects volumetric data on the volumes of re-refined base oils and recycled oil products used for fuel (but not greases, petroleum-based solvents or paraffin waxes) effectively entered for home consumption. Several stakeholders support the use of this data to measure consumption as an alternative to mandatory reporting and the Department and Australian Taxation Office are working to establish a regular data-sharing arrangement.

Given these factors, the Department believes it is appropriate to consider a reduced reporting requirement for GLOWS.

Alternative Reporting Options

The Department has developed three options for GLOWS reporting. The first option is to have the same reporting requirements for GLOWS as other products. The second and third options reduce the amount of data required or timing of reports. In developing these options, the Department carefully considered stakeholder feedback, the needs of businesses using the statistics and the importance of capturing stock data for satisfying Australia's international reporting obligations. The options are:

1. Option 1: Maintain the Default Requirements

Suppliers, manufacturers and recyclers of GLOWS could be required to report monthly on the volumes of petroleum-based grease, lubricant, oil, wax and solvents produced, entered for home consumption (or equivalent for paraffin wax) and held in stock at the end of the month.

This option would align the mandatory reporting requirements for GLOWS with other products and enable the Australian Petroleum Statistics to provide detailed and up-to-date statistics on greases, lubricants, oils, waxes and solvents. It would allow the continuation of

³ Comparison of Australian Petroleum Statistics data with data collected by the Australian Taxation Office under the Product Stewardship for Oil Program indicates that only half of lubricant, oil and grease consumption is currently reported. A similar coverage gap is expected for paraffin wax and petroleum-based solvents.

state-level consumption statistics for specific types of GLOWS such as ‘automotive gear oils’ and ‘industrial hydraulic oils’.

2. Option 2: Monthly Stock Reporting

Suppliers and recyclers of GLOWS could be required to report monthly stock levels only. Consumption volumes would be determined for oils, lubricants and greases using Product Stewardship for Oil Program data, while a stock change approach would be used to determine consumption for products not covered by the program, such as paraffin wax and petroleum-based solvents.⁴ The approach would not change the reporting requirements for any GLOWS produced in Australia which would remain part of monthly refinery output reporting.

This option would provide the stock data required by the Department and remove the need for businesses to report consumption data (but not stocks and production data). However, it would significantly reduce the level of detail in the statistics. The Product Stewardship for Oil data only has broad categories for the reporting of recycled products entered for home consumption.⁵ As a result, existing categories in the Australian Petroleum Statistics such as sales/consumption of ‘automotive gear oils’ and ‘industrial hydraulic oils’ would have to be removed and state-level consumption data would no longer be available.

3. Option 3: Reduced Reporting Frequency

Suppliers, manufacturers and recyclers of GLOWS could be required to complete an annual or biannual rather than monthly survey on production, consumption and stocks.⁶ The data collected through this survey would then be applied to the Product Stewardship for Oil Program data and Australian Bureau of Statistics import/export data to produce estimated monthly consumption and stock level statistics. The timing of reports could be by financial year, calendar year or another date which is convenient.

This approach would ensure accurate annual or biannual statistics for all the categories of GLOWS at the state-level, which is expected to be sufficient for most statistics users, while allowing estimated monthly stock, production and consumption figures to be provided in the Australian Petroleum Statistics and to meet international reporting requirements. An annual reconciliation process would be required to correct any errors in monthly estimates.

4. Option 4: Absolute Minimal Reporting Requirement

A final option for consideration is for suppliers, manufacturers and recyclers to be required to report annually on their average stock levels over the previous twelve months. There would be no obligation whatsoever to report consumption (sales) or production volumes.

This option would impose the smallest reporting burden on the industry and enable estimated stock volumes to be developed for Australia to report to the International Energy Agency. However, the lack of consumption and production data would mean that GLOWS

⁴ Monthly consumption would be determined by net imports (imports – exports) ± total reported stock change.

⁵ The categories used are those for which a benefit is payable as prescribed in the table in Regulation 4(1) of the Product Stewardship (Oil) Regulations 2000.

⁶ The stock level data collected could either be the average level of stocks held during the previous year or a stock to sales/consumption ratio so that stock levels could adjust to monthly consumption.

would have to be removed from the Australian Petroleum Statistics, greatly inconveniencing existing users including the International Energy Agency which requires Australia to report production and consumption as well as stock levels.

Next Steps

The Department invites comments and suggestions on the proposed alternatives. To make a submission, send your comments to mrps@environment.gov.au by Friday 31 March 2017.

Further information on mandatory reporting is available at <http://www.environment.gov.au/energy/energy-security-office/international-engagement/mandatory-reporting-petroleum-data>.