



***Consultation Paper:
Mandatory Reporting of Petroleum Statistics***

AIP Submission to:
Department of Environment and Energy

27 October 2016

TABLE OF CONTENTS

Summary	3
Background.....	4
Introduction.....	5
Design of the Mandatory Reporting Regime.....	7
<i>(1) Design Principles.....</i>	<i>7</i>
<i>(2) Government Data Sharing.....</i>	<i>8</i>
<i>(3) Potential Options: Design of Mandatory Reporting.....</i>	<i>8</i>
<i>(4) Current Market Environment relevant to Data Boundaries and Responders</i>	<i>9</i>
<i>(5) Who Should Report.....</i>	<i>10</i>
<i>(6) Reporting Threshold</i>	<i>11</i>
<i>(7) What Activities Should be Reported.....</i>	<i>12</i>
<i>(8) What Categories of Products should be Reported</i>	<i>13</i>
<i>(9) Timing of Reports</i>	<i>14</i>
<i>(10) How and When to Report.....</i>	<i>15</i>
<i>(11) Documentation, Training & Support</i>	<i>15</i>
Next Steps & Consultation.....	16

SUMMARY

- AIP supports the Government's announcement to introduce a national mandatory reporting regime for petroleum statistics from 1 January 2018, and the commitment to detailed consultations with stakeholders on the design, legislation and implementation of the new mandatory reporting regime for petroleum data.
- For many years AIP has highlighted the need for improvements to the coverage and quality of official petroleum data and has supported moves to develop a comprehensive petroleum dataset for Australia; this would provide a better basis for the assessment and monitoring of domestic fuels supply in Australia and also provide better support for government policy and decision-making, and to meeting international obligations.
- AIP has also been a strong supporter of moves to consolidate energy data and reporting across the Australian Government under different legislation (data sharing) to reduce duplication for business and government.
- This support included a move to a mandatory reporting regime (MRR), if comprehensive data collection could not be universally achieved across industry via voluntarily action or if some market operators chose not to supply data to government. The Consultation Paper notes that government efforts to achieve this have been unsuccessful.
- AIP member companies have supplied data voluntarily for many years and so AIP's support was based on the *minimisation of additional reporting burdens* and a presumption of greater data sharing across government.
- Thus, we strongly support the design principles noted in the Consultation Paper of "*minimising the reporting burden on industry*" and "*utilising government data sharing arrangements*" and we expect a firm Government commitment to these objectives throughout the MRR consultation and legislative process.
- AIP also recommends additional MRR design principles including:
 - *equity* - a level playing field for market operators in Australia
 - *transparency* - all data supplied by industry should be aggregated and published
 - *confidentiality* – confidentiality for business level data and protecting commercial sensitivities
 - *certainty* – data responders should have extensive guidance notes, training and ongoing support
 - *simplicity* – simple reporting processes, easy to comply with, and aligned with natural business systems.
- These design goals are achievable if the approaches in this submission are adopted, which are based on AIP's substantial experience and input into both the design and administration of the excise and customs reporting arrangements, and the design of the liquid fuels elements of NGRS and CERP methodologies and legislation.
- **To meet the stated MRR principles and objectives, particularly a comprehensive and robust dataset, improved international reporting and the minimisation of regulatory burdens, AIP considers that MRR data should:**
 - **be reported by all major businesses operating in the petroleum market and involved in:**
 - **primary fuel production, import and export (upstream producers)**
 - **finished/intermediate product manufacture, import or export (downstream producers/importers)**
 - **wholesale storage of fuels and entry of fuels into the market for 'home consumption (terminal operators, wholesalers, distributors and end-users with material fuel ownership);**
 - **be reported by those businesses for petroleum which they own at Australian facilities or in transit here**
 - **cover the full suite of petroleum and feedstocks including to meet international requirements**
 - **be based on well established and tested (common) data definitions, methodologies and 'metrics'**
 - **take into account existing company databases for reporting under other government legislation**
 - **be reported by business on a common reporting frequency (monthly) and electronically.**
- **Overall, AIP supports a MRR design model that effectively converts the current voluntary APS reporting to mandatory reporting but with minor improvements to the current dataset, and whilst actively identifying and pursuing data sharing opportunities between government agencies to reduce business burdens over time.**
- To meet the stated MRR objectives, including a level playing field across market operators, and deliver a robust and comprehensive dataset, AIP has a preference for a 'mandatory approach' to all data collected and published under the MRR, rather than relying on voluntary reporting for selected data which has proven unsuccessful.
- The MRR should capture data on crude oil, natural gas liquids, refinery feedstocks, additives/oxygenates (including biofuels) and other hydrocarbons (such as synthetic crude oil, synthetic fuels and hydrogen), and the uses of the derived products (eg. petrol, diesel, jet fuel) and blended transport fuels (E10, B20 etc).
- MRR Data should be captured for all these product streams whether they are in transit to and enter/exit Australia, are moved and stored within the domestic supply chain, and are entered (sold) into home consumption.
- The customs and excise legislative and reporting framework already has clear boundaries for petroleum entering and exiting Australia, and also entering domestic home consumption, and requires the facilities of market operators (for importation, manufacture and bulk storage of petroleum products) to be licensed and regularly audited by the ATO. The excise definitions and methodologies have also been consistently and successfully applied to the NGRS and CERP frameworks, and that is a good MRR starting point.
- This Submission also makes recommendations on specific consultation questions, including relating to what to report, reporting processes and timetables, and improved responder guidance, training and support for the MRR.

BACKGROUND

About AIP

The Australian Institute of Petroleum (AIP) was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards. AIP provides a wide range of factual information and industry data to assist policy makers, analysts and the community in understanding the key market and industry factors influencing Australia's downstream petroleum sector. AIP is represented on key advisory bodies including the ATO Petroleum Corporate Consultation Forum (PCCF), the Fuel Standards Consultative Committee (FSCC), the National Oil Supplies Emergency Committee (NOSEC) and National Plan Strategic Industry Advisory Forum (NPSIAF) and AIP sponsors or manages important industry environmental and health programs. The Australian Marine Oil Spill Centre (AMOSC) is a wholly owned AIP subsidiary.

AIP presents this Submission to the Department on behalf of AIP's core member companies:

- BP Australia Pty Ltd
- Caltex Australia Limited
- Mobil Oil Australia Pty Ltd
- Viva Energy Australia Pty Ltd.

Should you require additional information, the relevant contact details are: Nathan Dickens, Deputy CEO, Australian Institute of Petroleum Phone: (02) 6247 3044 Email: aip@aip.com.au

About AIP Member Companies

AIP member companies operate across all or some of the liquid fuels supply chain including crude and petroleum product imports, refinery operations, fuel storage, terminal and distribution networks, marketing and retail. Underpinning this supply chain is considerable industry investment in supply infrastructure, and a requirement for significant ongoing investment in maintaining existing capacity. Over the last decade, AIP member companies have invested over \$10 billion to maintain the reliability and efficiency of fuel supply meeting Australian quality standards.

Moreover, AIP member companies deliver the majority of bulk fuel supply to the Australian market.

- In relation to conventional petroleum fuels, AIP member companies operate all major petroleum refineries in Australia and supply around 90% of the transport fuel market with bulk petroleum fuels.
- In relation to gaseous fuels, AIP member companies are the major suppliers of bulk LPG to the domestic market, representing around two thirds of the market.
- In relation to biofuels, AIP member companies are the largest suppliers of ethanol and biodiesel blend fuels to the Australian market.

The Australian petroleum industry is also a significant contributor to the domestic economy providing direct and indirect economic benefits from its own activities and underpins the competitiveness of key export industries like the mining, agriculture and manufacturing. In addition, as a technologically advanced industry, the refining industry employs and trains many highly skilled, technical staff and international expertise flows readily into the Australian workforce.

Given their significant role and investment, AIP member companies have a very strong interest in consultations relating to government reporting activities impacting on the downstream petroleum industry, including the industry's ongoing operation, competitiveness and transparency, and also on the costs of doing business in Australia. For many years, AIP has strongly supported Government efforts to develop higher-quality and broader coverage official petroleum data. This will contribute to improved market transparency, monitoring and international reporting, whilst also supporting government, business and consumers to perform robust analysis and make efficient and well-informed decisions.

INTRODUCTION

AIP welcomes the opportunity to provide a submission to this consultation process and looks forward to ongoing consultation on the design, legislation and implementation of the *Mandatory Reporting Regime for Petroleum Statistics* (MRR) over the coming months.

AIP and member companies are longstanding supporters of improving the **coverage and quality** of Australia's official petroleum data – currently the *Australian Petroleum Statistics* (APS). This will contribute to improved market monitoring and decision making by government and business, and more robust international reporting by the Government, particularly to the International Energy Agency (IEA).

The Consultation Paper identifies the wide range of applications and uses of petroleum statistics, which are central to government and business decision making. In particular, there is a strong relationship between the APS dataset and the Government's data reporting to the IEA via the Monthly Oil and Gas Questionnaire, which reports Australia's compliance with the IEA treaty obligation to hold oil inventory equivalent to a minimum of 90 days of the prior year's average daily net oil imports.

As confirmed in government, Parliamentary, independent and IEA reviews, there are a number of areas where Australia's petroleum data collection and analysis can be improved, including to support Australia in meeting its international reporting and treaty obligations.

A key weakness, and the primary rationale for a mandatory approach, is the current coverage of Australian petroleum data and non-responders to the APS, particularly with the growth in independent fuel importers over recent years, many of which are not supplying data to the APS. According to the ACCC, petrol imports by independent importers have increased six-fold between 2007-08 and 2013-14 (and independent operators represent around 10% of the market).

As a result, AIP is strongly supportive of the decision to introduce 'mandatory' petroleum data reporting, since a voluntary approach has not delivered a complete and robust dataset, despite Government efforts over many years to expand the coverage of petroleum data.

An additional data coverage weakness is that a significant proportion of petroleum inventories held throughout the supply chains of Australian market operators are not currently collected and reported in the current APS dataset.

The current focus of the APS dataset is 'onshore' inventory held by major operators at primary coastal facilities (including refineries and import and marketing terminals). This includes customs data for import cargo volumes and their country of origin once discharged from ships into Australian facilities. 'Offshore' volume data (i.e. prior to Australian arrival/discharge) is not effectively collected/reported, meaning that the current APS data provides an incomplete picture of the total petroleum inventory under the control/ownership of Australian market operators and available to the domestic market. For example, petroleum inventory 'on the water' coming to Australia is integral to supply operations in Australia and in our region and represents more than a quarter of total inventory owned/controlled by Australian companies. Despite its prominence, major petroleum volumes in shipping cargoes cannot be counted by Australia towards meeting its IEA treaty obligation under current IEA rules.

However, under these same IEA rules, petroleum inventory which can be collected and counted towards this IEA obligation are crude and petroleum product volumes "*belonging to your country which are held in another country and which are awaiting import into your country*" (under 'Category K' stockholding criteria). Imported volumes held in IEA member countries are not counted under this category (i.e. it is a separate category) to avoid double counting across IEA members. Data for 'Category K' petroleum inventory is not currently collected or reported by the Government, but is currently under review.

About this Submission

Important context to this submission is that AIP member companies have been voluntarily supplying, on a monthly basis, downstream petroleum data to the Government's *Australian Petroleum Statistics* (APS) since its commencement.

AIP's strong expectation is that generally the same data requirements will apply under the MRR, alongside seeking ongoing opportunities for greater data sharing between government agencies wherever possible to reduce future workloads for all businesses.

Therefore, AIP and its member companies bring a different background and focus to this Submission compared with current non-responders to the APS. AIP's submission seeks to assist with the transition of current non-responders by recommending that the MRR should take into account the databases that companies already hold for the purposes of reporting under other government legislation and to use common data definitions and methodologies which should be well understood by all market operators, including current non-responders.

In addition, AIP's submission only relates to petroleum data and issues relevant to the downstream petroleum industry (liquid fuels supply) and we expect that the Australian Petroleum Production & Exploration Association (APPEA) will make a submission addressing data issues related to upstream production (extraction and processing). Taken together, these two submissions should canvass the full suite of issues related to downstream and upstream petroleum operations and therefore data.

The focus of this Submission is on the design of mandatory reporting (Chapter 3) and the relevant 'Consultation Questions' covering:

- (1) Design principles**
- (2) Government Data Sharing**
- (3) Potential Options: Design of Mandatory Reporting**
- (4) Market Context for Data Boundaries and Responders**
- (5) Who should report**
- (6) Reporting Threshold**
- (7) Reportable Activities**
- (8) Categories of Products to be reported**
- (9) Timing of Reports**
- (10) How and when to Report**
- (11) Documentation, Training & Support**

AIP also makes some comments in relation to the important 'Next Steps' in the consultation process (Chapter 4 of the Consultation Paper).

AIP is happy for our submission to be made publicly available on the Department's website.

DESIGN OF THE MANDATORY REPORTING REGIME

AIP's views on the specific design features for achieving an effective Mandatory Reporting Regime (MRR) are outlined below, focusing on matters of particular importance to the downstream petroleum industry.

(1) Design Principles

The Department's Consultation Paper identifies over-arching principles or objectives to guide the design of mandatory reporting, including that the regime should:

- *Capture relevant petroleum data accurately, in a timely way and with a high degree of reliability.*
Relevant data is any data that are essential to industry, government or other users of the petroleum statistics.
- *Enable Australia to meet all its IEA reporting requirements and other international obligations.*
This will ensure Australia meets its international obligations and has internationally comparable petroleum statistics.
- *Minimise the reporting burden on industry.*
This includes utilising data-sharing arrangements where appropriate to reduce the data covered by mandatory reporting and applying common definitions and methodologies.
- *Minimise the disruption to existing reporters and users.*
The APS Report is a statistical publication that has run for decades so the continuity of critical datasets is an important consideration.

AIP supports these overarching objectives and agrees that while the complete satisfaction of all objectives will be challenging, they should nonetheless be the firm ongoing performance benchmarks and reference points during the consultation, design and legislative process for the MRR.

In addition to these principles, AIP recommends that the design and implementation of the MRR should also seek to ensure:

- *equity* - a level playing field for market operators in Australia, particularly in terms of the reporting burden; this directly relates to the regime's reporting threshold and to the general preference for a mandatory rather than voluntary approach to supplying the data required to meet the above objectives
- *transparency* - all data supplied by industry should be aggregated and published, not a subset, to ensure maximum market transparency and the value of the dataset for a wide range of stakeholders
- *confidentiality* – maintaining confidentiality for business level data 'published' under mandatory reporting and protecting commercial sensitivities is paramount as the Consultation Paper suggests (including not publishing data where one entity is the sole reporter for a data field, particularly in a specific market segment); secure data handling and storage is also important as well as 'appropriate' sharing across government where this aids in minimising business regulatory burden
- *certainty* – all data responders should have extensive guidance documentation, training and ongoing support in relation to their reporting obligations under the MRR
- *simplicity* – reporting processes that are simple and easy to comply with, supported by clear and well understood data definitions.

AIP's principles and views reflected in this Submission are based on the substantial experience and input of AIP and member companies into the work of the ATO on the design and administration of the excise reporting arrangements, and also our substantial input into the design of the liquid fuels aspects of NGERS and the CEFM methodologies and legislation.

The focus of this work has been directed towards the use of 'common definitions and methodologies' for petroleum data, and maximising the use of natural corporate databases and systems which have very high levels of data accuracy and are subject to independent audit.

AIP notes that there is a significant range of high quality (audited) data maintained in datasets within companies for financial, compliance and government reporting purposes. Specifically, businesses which are required to comply with the existing customs and excise regulatory requirements have developed systems which may minimise the additional regulatory burden of the MRR, if directly or indirectly utilised. Thus data reporters, particularly current non-responders, need to be encouraged to see how their existing data collections and datasets can be tailored to meet the requirements of mandatory reporting.

(2) Government Data Sharing

AIP notes and supports the existing petroleum data sharing arrangements across government agencies already in place to support the voluntary APS, and subsequently the MRR, to minimise the reporting obligations on industry. AIP also strongly supports and expects a firm commitment to pursue additional “potential data sharing opportunities” across government into the future, in consultation with industry.

AIP’s principle is that data sharing between Government agencies should be utilised to the greatest extent possible, and this objective underpins AIP’s views below on the most suitable MRR design option to meet the stated objectives.

AIP acknowledges that for some activities, Government data sharing may not deliver some important data which is particularly valuable to government, industry and other data users (see section (7) below). However, in these instances, Government data sharing can still play an important role in supplementing and supporting the petroleum data reported by industry.

As future guidance for the assessment of data sharing opportunities, AIP considers that where petroleum data already provided to government agencies under other reporting requirements cannot be legitimately shared across agencies, then the onus for the MRR is to seek from company datasets the same data on the same terms as provided to other agencies for excise, NGER, CEF, ABS, ACCC etc purposes.

(3) Potential Options: Design of Mandatory Reporting

The Consultation Paper notes that data-sharing between government agencies cannot remove the need for some form of mandatory data reporting, and identifies four options for the overarching MRR design:

- Option A:** Conversion from Voluntary to Mandatory Reporting without Change
- Option B:** Mandatory Reporting, with Maximum use of Data-Sharing Arrangements
- Option C:** Mandatory Reporting for Stocks Only
- Option D:** Comprehensive Mandatory Reporting

AIP’s overall assessment is that the crucial deficiency or gap in the current petroleum data collected and published under the Australian Petroleum Statistics (APS) relates to ‘market coverage’ (non-responders) rather than major problems with the scope and categories of data currently collected and published. Addressing non-responders and market coverage will also improve Australia’s IEA reporting and compliance position in relation to the IEA’s stockholding obligation (as all petroleum supplies in the Australian supply chain are not current collected and reported for all market participants).

That is, the ‘scope’ of the current APS is largely fit for purpose in our view, particularly with some minor adjustments to data categories to reflect current market circumstances and operation, and the current and future needs of key data users and stakeholders - see (7) below.

We consider this approach, together with maximising data sharing opportunities between government agencies, will best achieve the above objectives and minimise the reporting burden and adjustment costs on industry, particularly existing data reporters, and also minimise the disruption to key data users.

Therefore, AIP supports a design model for the MRR that effectively converts the current voluntary APS reporting to mandatory reporting, but with some minor improvements/updates to the current dataset and whilst actively identifying and pursuing opportunities for greater data sharing between government agencies to reduce duplicate reporting by industry over time.

This AIP position effectively represents support for a hybrid of Options A&B in the Consultation Paper. AIP does not support Options C&D as currently framed, because they do not meet some of the stated MRR design principles and objectives, nor the additional AIP principles and objectives. For example, Option D increases the reporting burden on industry by requiring export and import data to be reported by business, rather than relying on the current system where data is already collected by the Department of Immigration and Border Protection (DIBP) and processed by the Australian Bureau of Statistics (ABS).

AIP considers that the ultimate goal of the design option for the MRR is to produce a complete and robust dataset which captures accurate data on material volumes of petroleum, refinery feedstocks, biofuels, alternative fuels and finished products for the transport market which are in transit to and enter/exit Australia, are moved and stored within the domestic supply chain, and are delivered/sold into the domestic market (home consumption).

(4) Current Market Environment relevant to Data Boundaries & Responders

AIP agrees with the Consultation Paper that *“recent years have seen a transition in the Australian petroleum industry”* and *“as a result, new companies importing, trading and supplying fuel have entered the market and the Australian petroleum industry has become increasingly diversified and competitive”*.

With increased petroleum imports since 2003, the Australian liquid fuels supply chain has become more diversified, flexible and reliable with:

- increasing integration into the Asian fuels market
- good access to major trade routes and proven and reliable supply chains to and within Australia
- multiple and increasing regional sources of fuel meeting Australian quality specifications
- new major export centres within close proximity (eg. China and India)
- significant industry investment in importing, terminal and distribution infrastructure.

These developments mean that there is significantly more petroleum stock now “on the water” and only coming to Australia which is owned, controlled and tracked by Australian companies under strict commercial contract arrangements. The industry estimates that there is 2-3 weeks of stock (consumption) on the water at any point in time. Stock on the water is now an integral and critical part of supply and inventory planning and management by AIP member companies, and provides significant flexibility for Australian operators, including to respond to supply disruptions or emergencies in jurisdictions. Stock on water is, in effect, ‘floating storage’ but with added flexibility compared to land based storage for the efficient and timely movement of bulk petroleum products around Australia where needed.

Within Australia’s ‘inland’ (or within-country) supply chain there has also been major changes. There has been a streamlining of distribution networks and removal of intermediate steps/storage with the rationalisation of inland depots and retail sites in order to maintain competitively priced and reliable supply to customers. For example, on the East Coast of Australia, more than 80% of petroleum products are delivered directly from major refinery or import terminals to major end-users and service stations. These market facts are particularly relevant for the design of data thresholds and likely responders to the MRR.

In this context, AIP considers that the mandatory reporting should capture data on material volumes of petroleum and other feedstocks which are:

- in transit to and enters/exits Australia (on crude and product tankers);
- stored and moved under license in domestic supply chain (at terminals, refineries, storage facilities)
- is entered (sold) into the domestic market to distributors, retail sites and fuel users.

AIP notes that the customs and excise legislative and reporting framework already has clear established boundaries for petroleum entering and exiting Australia (imports, exports and manufacture), and also entering domestic home consumption (sales). Importantly, reporting to government and payment of relevant duties/excise (or permissions for product movements 'under bond') are triggered at these boundary points.

Therefore, stocks of petroleum naturally exist between and outside (ie. stocks on water) these two boundaries. These could be reported separately, as they currently are under the APS, or even could be derived from a validated algorithm which would need to meet the IEA's acceptable levels of error between 'observed' and 'calculated' data.

Importantly, the excise regime also requires the facilities of major fuel importers and users (for importation, manufacture and bulk storage of petroleum products) to be licensed and regularly audited by the ATO, providing a clear and robust guide to major fuel importers/suppliers who should be within scope of the mandatory reporting (see below). In addition, the definitions and methodologies for different petroleum products used for customs/excise entry and reporting purposes have also been consistently and successfully applied to the NGRS and CERP frameworks, and that is AIP's recommendation for mandatory reporting. Adoption of different definitions for data reporting purposes will create significant additional workload for reporting entities and raise the risk of data errors and misreporting.

In relation to crude oil and condensate production, AIP would be supportive in principle of the development of a separate reporting template, potentially using different or expanded data definitions from those utilised in the excise legislation, provided there are clearly established definitions that can be linked to the data definitions used for refinery inputs.

(5) Who Should Report

To meet the MRR objectives, particularly an accurate and complete dataset and a level playing field across market operators in terms of reporting burden, AIP considers that petroleum data should be reported by all major businesses operating in the Australian petroleum market that are involved in:

- primary fuel production, import and export (upstream producers)
- finished/intermediate product manufacture, import or export (downstream refiners and importers)
- wholesale/bulk storage of fuels and entry of fuels into the market for 'home consumption' (terminal operators, wholesalers and major distributors and end-users holding material stockholdings).

These businesses should be responsible for reporting petroleum **which they own**, as suggested by the Consultation Paper and recommended by AIP in previous submissions. This includes owned stock on the water or currently stored at ATO/Customs licensed facilities around Australia, as well as petroleum supplies they have sold into home consumption and paid excise duty to the ATO - see (5) below. Under this framework, we see no reason why 'direct importers' should be excluded from the MRR if they own material volumes of petroleum supplies.

The legal obligation to report residing with the owner of petroleum is consistent with the recommendation in the *2011 Liquid Fuels Vulnerability Assessment (LFVA)*, which also recommended that terminal owners/operators should advise importers and major users of their responsibility to mandatorily report to the Government on the petroleum stock they own.

AIP recommends that clear guidance and definitions be developed to provide certainty to data responders on what constitutes 'ownership' of petroleum for MRR reporting purposes, particularly in the context of the complexity of commercial arrangements that occur between businesses in the petroleum market.

For example, one business may be responsible for importing a petroleum product while other businesses may be responsible for wholesaling and distribution. Furthermore, it is not uncommon for liquid fuel stocks to be owned by a petroleum business and stored in a facility owned by an independent terminal operator.

In order for a comprehensive and precise data set to be collected, it will be necessary to define the relevant businesses across the supply chain and identify which ones will be required to provide data. We consider this is facilitated by requiring the owner of the petroleum to be responsible for data reporting, and for changes of ownership to identify reporting points across the supply chain.

As noted above, there is a direct link between 'ownership of fuel' (the appropriate criteria for MRR purposes) and excise payment obligations to the ATO. That is, owners of fuel must pay excise to the ATO when fuel is entered for home consumption. Further, when petroleum products are transferred between the licensed premises of the same or different business entities 'under bond' (excise free), the excise payment liability for product entering (or to enter) the market is transferred to the entity the furthest down the supply chain (which signifies who the ultimate owner of that petroleum is).

AIP notes that there will likely be situations where one business **could report on others behalf** (ie. joint ventures) and that this should be accommodated within the MRR to minimise regulatory burden and data complexity. AIP also notes that there may be some commercial arrangements (eg. JV or shared facility) that might need to be handled through special MRR provisions or reporting arrangements, particularly in relation to the reporting responsibility for petroleum stocks held in shared or joint storage facilities after entry to Australia but before entry to home consumption.

(6) Reporting Threshold

AIP accepts that it may be necessary to minimise the reporting burden on small entities through utilising a data threshold below which mandatory reporting will not be required. This approach of using thresholds to exempt parties from regulatory activities has been applied in a range of other legislation. However, the key will be determining a threshold which will deliver the vast majority of data from the major market operators and does not have a major detrimental impact on the accuracy of the dataset nor to Australia's calculation of total stockholding of liquid fuels for IEA reporting purposes.

AIP considers that the threshold proposed in the Consultation Paper – of **3,000 tonnes** (3kt) in total in a calendar year – may be appropriate and is unlikely to have the detrimental impacts noted above. However, ATO advice should be sought on the relevance of this threshold for current excise/customs duty payers. Applying a 3kt threshold, AIP expects that the MRR would apply to less than 50 entities in Australia.

AIP recommends that an additional or alternative threshold could be applied focusing on parties that hold excise/customs licenses and permissions, which provides a robust guide to major fuel importers/suppliers who should be within scope of the mandatory reporting. The requirements of excise/customs licensing provides a natural threshold which signifies that the business is engaged in importing, storing or moving material volumes of petroleum, regardless of whether this is on an adhoc or ongoing basis.

Even if a major fuel user (such as a mining company or airline) only imported a petroleum cargo on an ad hoc basis, this is still a significant volume of stock, including for mandatory and international reporting requirements. This entity should report this stock if it was owned by them and meets the threshold, regardless of whether their import and fuel supply needs are being managed through a major fuel supplier and through that supplier's licensed facilities.

The primary role of a 'data threshold' would be to provide further support or a strengthening of the excise framework and focus more on the 'major user' segment of the supply chain. For example, distributors may hold material levels of petroleum stock in-land where this stock has already been entered for home consumption and excise paid to the ATO.

Thus, all companies with an excise license/liability should be in scope of mandatory reporting, and a reporting threshold should best relate to reporting of additional data that is going to be material to the mandatory reporting.

AIP notes once again that reporting responsibility should reside with the owners of petroleum stock, but facility owners and operators holding stock on others' behalf may still have a role to play in supporting compliance with the mandatory reporting requirements (eg. audits of facilities and communication).

(7) What Activities should be Reported

AIP's core principles are achieving a level playing field and achieving a comprehensive petroleum dataset which requires that data should be reported by all major businesses operating in the Australian petroleum market that are involved in the following 'covered activities':

- primary fuel production, import and export (upstream producers)
- finished/intermediate product manufacture, import or export (downstream refiners and importers)
- wholesale/bulk storage of fuels and entry of fuels into the market for 'home consumption' (terminal operators, wholesalers and major distributors and end-users holding material stockholdings).

Consistent with this principle, we see no reason for oil recyclers to be excluded from the MRR and similarly no justification for the exclusion of major petroleum consumers who do not directly import petroleum.

If major petroleum consumers held, in an ongoing sense, material levels of owned stock in their own storage facilities for their own use, then they should report to the MRR, at least their end-of-month stockholdings, given this stock is allowed to be counted by the IEA and can contribute to meeting Australia's compliance obligation. There may be a case for a reporting threshold and criteria applying to such major fuel consumers to minimise compliance burdens, but we do not consider 'direct importation' to be a relevant criteria applying to these major fuel consumers.

Also consistent with the design principles and thresholds, AIP members support petroleum supplies owned by Australian companies under contracts that, at the time of reporting to the MRR, are 'on the water' or 'awaiting delivery to Australia' should be within the scope of the MRR and mandatorily reported. AIP recommends that clear guidance and definitions be developed to provide certainty to data responders on what constitutes ownership of petroleum under these two categories, particularly considering the nature of the shipping contracts and who bears title/risk over the petroleum whilst in transit to Australia.

To enable compliance with IEA reporting obligations, it is necessary to obtain a precise record of domestic consumption of liquid fuels by collecting sales data.

Based on the MRR's application of the design principles and recommendations outlined in this submission and as indicated in the Consultation Paper, AIP believes that a comprehensive and precise set of sales/consumption data may be able to be obtained without requiring reporting by fuel retailers (ie. service stations); AIP supports the reporting burden not falling on fuel retailers. However, consideration needs to be given to whether it is necessary to obtain sales data from distributors or whether the relevant data can be obtained from refiners, importers and wholesalers. This highlights the need to determine and define who owns the petroleum and where changes of ownership occur in the supply chain.

As noted above, AIP considers that 'sales for home consumption' reported to the ATO and excise paid to them at that time on the volumes sold, would provide the highest quality (audited) sales data available in Australia and a clear explicit signal/trigger for when changes in ownership occur. As retailers and minor operators are typically not part of the excise system (since they receive product 'excise paid') it naturally excludes minor operators from the MRR.

Also as noted above, any market operator holding an ATO excise license to import, manufacture or store petroleum products (under bond) is an entity holding material volumes of petroleum stock and should be within the scope of the MRR, and this would include some major fuel users importing and storing petroleum products for their own-use who are excise license holders. By definition, the ATO have accurate records of current customs/excise license holders in the Australian market.

As noted in the Consultation Paper, for some activities, Government data sharing may not deliver some selective data which is particularly valuable to government, industry and other data users.

This is particularly relevant to jurisdictional petroleum sales data and differentiation of petroleum sales in selected product categories currently available and published under the APS, but which is not currently available under the excise regime.

The current APS collects and publishes petroleum sales on a state by state basis, which industry and government place a high value on. AIP members strongly support the ongoing collection and publication of jurisdictional sales data under the MRR, which underpins AIP views on the preferred design option.

AIP members also support the ongoing collection and publication of differentiated sales data for selected petroleum products within categories, including to align with the major product offerings of major fuel suppliers in the Australian market and to monitor the evolving fuel mix across Australian markets. For example, we support the ongoing collection and publication of sales data for all grades of petrol/gasoline (regular unleaded, premium unleaded, proprietary brand and E10) and also for grades of diesel (diesel, premium/additised diesel, B20, B5), supported by clear product definitions.

The Consultation Paper also notes that there is a risk of 'double counting' in sales data due to the significant trading of bulk petroleum supplies between market operators before final sale to customers. AIP considers that any risk of double counting can be best managed by developing and providing to responders comprehensive and clear guidance notes, definitions and boundary explanations, rather than seeking additional data collections and sales breakdowns for different types of 'customers' which is not generally within the scope of the MRR.

(8) What Categories of Products should be Reported

To meet the objectives of robust and comprehensive mandatory reporting (ie. a complete dataset for petroleum products/stocks relevant to the Australian supply chain, as well as the IEA's reporting requirements), AIP considers that data on all sources of petroleum supply should be within scope of the MRR data requirements. This includes crude oil, natural gas liquids, refinery feedstocks, additives/oxygenates (including biofuels), biofuel feedstocks, and other hydrocarbons (such as synthetic crude oil, synthetic fuels and hydrogen), and the uses of the derived products (eg. petrol, diesel, jet fuel) and blended transport fuels (E10, B20 etc).

AIP expects that current market operators (including current non-responders to the APS) already collect and store detailed data of this nature to comply with customs and excise requirements and to manage their inventory levels and supply logistics to meet their own needs or their customers' demand.

Once again, AIP considers that the current scope of the data reported to the APS should form the basis of mandatory reporting, and every attempt made to clarify/consolidate/remove fuel data categories that are not relevant to Australian market realities and fuel supply, whilst still being able to meet the IEA's reporting requirements. This will reduce the reporting burden for all businesses.

If redundant categories of petroleum products are removed from the dataset (eg. leaded petrol) and other categories consolidated where appropriate, then new product categories could be added based on consultation feedback without increasing the compliance burden and compromising the MRR principles.

In relation to Biofuels, AIP's principle is that the MRR should apply to all market operators engaged in petroleum or biofuel production, importing, manufacture, or marketing. In addition, bio-products (bio-gasoline, diesel, jet) are explicit reportable categories under the IEA requirements. So companies engaged in importing, producing or storing bio components and biofuel feedstocks for these categories of transport products should be within scope of the MRR.

(9) Timing of Reports

AIP supports, in principle, MRR data reporting being on a **monthly basis** (ex-post).

A monthly reporting basis is consistent with the current APS reporting timeframe (which is proven to be workable and would assist the transition to the new MRR arrangements) and would also continue to meet the IEA's reporting requirements which is a key objective of the MRR.

However, the most appropriate and efficient reporting frequency will heavily depend on the final design features of the MRR, the agreed data requirements of the MRR, and the extent to which the excise and other existing reporting arrangements and data are utilised for MRR purposes.

AIP considers there are existing policy, practical and process reasons supporting a monthly reporting frequency for MRR purposes.

AIP considers that monthly reporting strikes the best balance between data timeliness and providing a robust basis for ongoing decision making, and best achieves the MRR principles and objectives.

That is, a shorter frequency would likely create risks in terms of less robust information for supply assessment and policy decision making given the inherent volatility in week-to-week stockholdings in the Australian market and supply chain (eg. given the shipping supply pattern).

There is also significant and valuable data history now available on a monthly basis and this frequency aligns with the IEA reporting requirements and will best meet the MRR design principle to "*minimise the disruption to existing reporters and users*".

Typically, the existing IT systems within AIP member companies are generally compatible with monthly reporting. Monthly business reporting is also consistent with the direction of government reforms over many years, particularly in relation to tax obligations.

Any proposals to move, on an ongoing basis, to more frequent data reporting (eg. weekly) or additional data reporting to monthly (eg. quarterly or annual reporting) would not be supported by AIP as they would result in a higher reporting burden for all businesses than currently, breaching key objectives of the MRR.

However, it is AIP member companies' general expectation that data requests outside a monthly MRR reporting timetable may be requested in the event of an emergency (actual or exercise simulation), and AIP member companies do and would comply with any such request as they have done in the past.

It is AIP's long held view, however, that such requests should simply ask for the existing MRR data template to be completed on a revised timeframe, rather than issuing new (unfamiliar) data templates. This will naturally help to ensure emergency data is reported in a timely and accurate way, and not create additional scope for data collections problems and errors.

(10) How and When to Report

AIP believes that data accuracy is central to the establishment of a robust and comprehensive MRR dataset, and this (and reducing avoidable errors) can be best supported by a requirement to complete a common reporting template containing clear product and category definitions and supported by automated/inbuilt quality checks and effective documentary guidance, technical support and training.

AIP therefore supports “**a specific data template**” for the MRR, developed in consultation with industry over 2017 as the Consultation Paper commits to. AIP recommends that considerable effort should be devoted to consultation and development of this reporting template to ensure that the template:

- is based on an agreed set of generic category names which best reflects fuel supplied to the Australian market, meets or can be readily aligned with international reporting requirements, and aligns with the excise definitions of different categories of petroleum products to the greatest extent;
- utilises ‘units of measurement’ for reporting which is aligned with the most common reporting basis in existing company data systems and government reporting, including at different points in supply chain;
- is electronically based for completion and lodgement purposes;
- has its own inbuilt and systemised quality and consistency checks and validation (eg. cross referencing to data submitted last time, consistency checks across data categories submitted this time); and
- is user friendly and readily integrated with internal company data and systems.

To also meet the MRR objectives, the reporting process must also be simple, easy to comply with, and low cost in terms of effective alignment with natural business systems and approaches. In this regard, AIP member companies have no strong objections to the template being in an excel-type format and being lodged as an email attachment to a secure email inbox or being delivered through a secure electronic portal (noting the need to maintain confidentiality for business level data and protect commercial sensitivities at all stages of the MRR collection, storage, processing and publication process).

AIP member companies also have no strong objection to, and appear able to meet, the proposed reporting timeframe in the Consultation Paper of **14 calendar days following the end of the relevant month** to submit completed reports, assuming the data requirements are broadly similar to the current APS requirements. Once again, the most appropriate and efficient reporting timeframe will depend on the final design features and data requirements of the MRR and the extent of government data sharing.

(11) Documentation, Training & Support

To support the data template, AIP considers that a clear and detailed set of documentation should also be developed to assist responders in accurately completing and lodging their MRR returns. There should also be ongoing training and technical support functions provided and appropriately resourced to ensure accuracy and continuity with changes in personnel in responding businesses.

To the greatest extent possible, guidance documentation, training and support should all be readily accessible to data responders, including through on-line platforms.

AIP welcomes the Consultation Paper commitment to an industry training program in the second half of 2017 to assist business prepare for mandatory reporting, but we note that provision must also be made for ongoing and regular training and support for data responders and changes in responders within companies.

In addition, AIP suggests that a current **contact list** of data responders will need to be established and maintained and preferably this would be able to be updated electronically by responders themselves with any internal changes in personnel. This will ensure clear accountability for who is supplying MRR data on behalf of each entity and under what authority and also enable, for example, timely enquiries if data returns are late or are significantly different to the entity’s normal reports.

CONSULTATION & NEXT STEPS

AIP emphasises that ongoing close consultation with industry will be essential over the coming months for a robust and workable mandatory reporting regime to be developed, legislated and implemented in accordance with the Government's stated objectives and timetable.

Industry expects to be consulted at each step of this process, including because the regime's design and supporting legislation will directly influence the extent of the systems changes that AIP member companies (and other market operators) will need to make to comply with the new reporting arrangements from 1 January 2018, and the relevant financial cost associated with making any business systems changes.

Ongoing consultation will also be important to ensure that the mandatory regime:

- is robust, equitable and workable from an AIP member company perspective
- is sensitive to commercial sensitivities and boundaries
- does not create unintended consequences and additional compliance and administration costs
- is designed and operates in alignment with the legislation and the Government's policy objectives.

AIP and its member companies looks forward to ongoing consultation on this important reform and on the next step being the release of the Preferred Design Paper scheduled for late 2016.