



## **NOSEC Guidance Note**

### **Retail Rationing Under the *Liquid Fuel Emergency Act 1984***

This Guidance Note sets out the current policy with respect to Retail Rationing in a national liquid fuel emergency and the rationale that informs that policy.

The Guidance Note also sets out some actions that fuel users can take to manage the impacts of a reduction of fuel supply.

The prevailing policy is that all fuel consumers will be subject to Retail Rationing in the event of a liquid fuel emergency with the exception of designated Essential Users (please see Guidance Note on Essential Users).

#### **Overview**

Governments and industry recognise the potential risks and impacts of a disruption to liquid fuel supplies.

In the event of an actual or likely fuel shortage with national implications, the Governor-General may, when circumstances require, declare a national liquid fuel emergency under the Australian Government *Liquid Fuel Emergency Act 1984* (LFE Act). The declaration of a national liquid fuel emergency (LFE) requires prior consultation with State and Territory governments.

The Act is supported by *Guidelines* which were issued in 2008 and an *Inter-Governmental Agreement 2006* (IGA). The IGA sets out the parameters for the cooperative response of the Commonwealth, States and Territories in the event of an emergency.

Sitting underneath the LFE Act and the IGA is the National Liquid Fuel Emergency Response Plan (NLFERP) developed by the Commonwealth Government, in partnership with State and Territory governments and fuel industry representatives (including the Australian Institute of Petroleum, Viva Energy, ExxonMobil, Caltex, BP, Woolworths Petrol) via the National Oil Supplies Emergency Committee (NOSEC).

The NLFERP aims to ensure that, during a liquid fuel shortage, available fuel supply is managed and allocated in the most efficient and fair way, to help minimise the economic impacts of the shortage on fuel users and customers.

#### ***Retail Rationing as a Demand Restraint Measure***

The National Oil Emergency Demand Restraint Strategy (NOEDRS) extends options for conserving fuel available to Australia by introducing a list of Initial Contingency Demand Restraint Actions (ICDRA) which can be utilised to complement market based mechanisms.

The ICDRA sets out a range of measures (for instance car-pooling and increased use of public transport), that do not also warrant activating the LFE Act. These measures have the potential to reduce demand for fuel in Australia by up to ten per cent.

The International Energy Agency's (IEA) publication *Saving Oil in a Hurry* sets out a range of demand restraint measures which can be utilised in a liquid fuel disruption. However the nature of the market in Australia (where oil is primarily used in transportation rather than heating or electricity production),

makes IEA recommended measures such as Fuel Switching difficult to implement, and largely ineffective.

The measures listed above would reduce demand somewhat without having to resort to stronger regulatory measures such as rationing. However in the event that these measures are insufficient to address a liquid fuel shortage in Australia, there is the option to escalate the nation's demand restraint response to utilise Australia's strong Retail Rationing Framework.

### ***Retail Rationing in a National Liquid Fuel Emergency***

Sections 23 and 24 of the LFE Act give the Commonwealth Minister responsible for Energy the power to direct the implementation of a national system to ration fuel over a pre-determined period of time (no longer than three months) in the event of a declared liquid fuel emergency.

The Guidelines to these sections of the Act require the Minister's direction to ensure fuel is not supplied without evidence of entitlement to purchase the quantity to be supplied. For instance the advertised rationed quantity for regular consumers and an uncapped limit for Essential Users.

It is important that the framework provides sufficient flexibility to be able to effectively respond to each and every situation. Consequently these instructions are at the discretion of the Minister. Acting on advice, the Minister may alter the rationed amount, or implement different quantities of rationing across varying geographic areas depending on the situation. The Act also allows the Minister to delegate authority or particular powers to State and Territory Ministers.

#### **NLFERP Framework and Objectives**

There are five key characteristics in relation of an effective Retail Rationing scheme embedded in the NLFERP and its supporting policy and operational framework:

- First, that it achieves the required demand response by constraining demand Australia wide and providing fair and transparent allocation of available fuel supply.
- Second that it is practical to implement and administer. This includes rapid implementation, utilising existing business infrastructure and practices and with the buy-in of retail fuel sites and fuel purchasers.
- Third, the system should be easy to understand and communicate to the general public. It must also reflect normal consumer behaviours where possible.
- Fourth that it is flexible to the circumstances of each individual emergency situation.
- Fifth that it provides a clearly defined (and appropriately limited) decision making framework

Maintaining the integrity, clarity and efficiency of the operational framework is paramount.

#### ***Current Approach to Retail Rationing***

The Government's retail rationing scheme simply involves 'retail restrictions' being set in terms of a maximum transaction value per vehicle per day.

Whilst the 'total transaction value' would be fixed, the price per litre would be able to fluctuate according to the normal operation of the market and consistent with the principles of efficient management of scarce resources.

This would have the effect of reducing or increasing the volume of fuel sold if prices rise or fall respectively (as would be expected under scarcity pricing during an emergency).

**Table 1: Categories of Vehicles Affected by Rationing**

Vehicle Type	Average Tank Capacity
Light Vehicle (Motorcycle, Car, 4WD, Light Commercial)	Up to 80 L
Rigid Truck	200 L
Articulated Truck	1300 L

For more information about how Retail Rationing applies to you, please see [Annex A: Sample Questions](#).

### **Exemptions to Retail Rationing**

There are some instances where fuel users may be granted an exemption to the Retail Rationing scheme, for instance if a user is identified as an Essential User of liquid fuel (please see the Guidance Note on Essential Users for more information).

The purpose of the *Liquid Fuel Emergency (Activities – Essential Users) Determination 2008* is to provide a predetermined list of Essential User activities. This allows for greater planning and preparation, so that if an LFE does occur, there will be an existing strategy to prioritize the needs of these Essential Users.

The activities listed in the Determination are the activities carried out by the following:

- (a) an ambulance service;
- (b) a corrective service;
- (c) a fire or rescue service;
- (d) a police service;
- (e) a public transport service;
- (f) a State Emergency Service or an equivalent organisation;
- (g) a taxi service

### **Business Continuity Planning**

It is in the interests of liquid fuel users to understand their own fuel use and to consider how they would manage the impacts of a reduction of fuel supply. One way to do this is to develop and maintain a business continuity plan.

Fuel users are encouraged to consider the following elements when developing a business continuity plan in relation to fuel use and supply management:

- Business continuity plans should identify current fuel supply arrangements and assess how the organisation would manage a reduction of 10%, 30% or 50% to normal fuel supply for 30 days. The assessment should include a break down by fuel type.
  - The key question is how will the business continue to deliver goods and services (particularly essential ones) with a lower level of fuel supply?
  - This will likely involve a different mode of business operation as compared to business as usual (BAU).
- Business continuity plans should identify internal priorities for fuel use.
  - Business activities should be categorised from highest to lowest priority and fuel use for each activity needs to be understood, quantified and monitored (including differences in fuel use between BAU and peak or emergency times, the impact of seasonal factors etc).
  - Non-essential activities (eg. maintenance) should be cancelled or deferred during times of supply shortage or rationing
- Business continuity plans for publicly funded organisations should not rely on an increased budget to cover additional fuel costs without good reason (such as work directly related to the LFE). This is because similar assistance is not available to the broader community who may be feeling the impact of significantly increased fuel prices.
- Business continuity plans should take into account internal transport movements, both for employees and goods and services, along with vehicle fleet issues. For example determining how critical staff will get to and from work. Business or agency plans may wish to consider the provision of its own transport or car-pooling arrangements.

As part of Business Continuity planning, businesses should consider the efficiency of current fuel use and management, and the fuel efficiency of current equipment and vehicles deployed by the business. This will not only reduce overall fuel use to the business (saving money) but assist in managing any fuel supply disruption.

A useful source of additional information on business continuity planning is the Diesel Fuel & Back-Up Generation: Issues for CEOs, Risk Managers and Diesel Users Paper. That paper may be found at:

[http://www.aip.com.au/pdf/Diesel\\_fuel\\_Back-up\\_Generation.pdf](http://www.aip.com.au/pdf/Diesel_fuel_Back-up_Generation.pdf)

See also

[http://www.ret.gov.au/energy/energy\\_security/emergency\\_response/liquid\\_fuel\\_emergency/essential/Pages/lfe\\_essential\\_users.aspx](http://www.ret.gov.au/energy/energy_security/emergency_response/liquid_fuel_emergency/essential/Pages/lfe_essential_users.aspx)

### Sample Questions

**Question:** My freight company is responsible for the transportation of food and medical supplies and thus serves an important economic purpose. Is my company exempt from retail rationing?

**Answer:** Only the users listed in the Essential Users Determination are exempt from Retail Rationing in the event of a liquid fuel emergency. We recommend that you review your business continuity practices to ensure your company is prepared to address these issues if an emergency situation is to occur. Please see below advice on Business Continuity Planning for consideration of management of a decrease in fuel supply.

**Question:** Will fuel be available for back-up generation?

**Answer:** Additional fuel for back-up generation will be assessed on a case by case basis. During a severe fuel shortage, the Minister may designate additional services as 'essential' on a case-by case basis.

**Question:** I am a doctor, and need fuel to be able to travel to and from work. As emergency services are classified as essential users, am I eligible to access unrationed fuel?

**Answer:** No. Only official vehicles listed in the Essential Users determination are eligible to access. However taxi services will be unaffected by an emergency situation, and it is anticipated that public transport services will be increased during this period.

**Question:** I am an Essential User of fuel. May I give fuel away in a period of rationing to a person and/or organization I feel needs it?

**Answer:** It is an offence under the *Liquid Fuel Emergency Act* to sell or give extra fuel to another person or entity.

**Question:** I own a motorbike. Will I be able to fill up while fuel rationing is in place?

**Answer:** Yes. If you use a motorbike, moped, scooter or other two-wheeled vehicle, you are still able to fill up these vehicles under the current fuel rationing. You will be restricted to a maximum dollar amount of fuel at the pump when you fill up.

**Question:** I need access to fuel to operate my farm machinery. Can I obtain fuel at the service station to do this while the current fuel rationing is in place?

**Answer:** Under the current rationing restrictions, it is only possible to obtain fuel from service stations for vehicles with fitted tanks. It is not possible under the current restrictions for customers to fill up containers at a service station and then transport this fuel for use at their property.

This extract of the National Liquid Fuel Emergency Response Plan (NLFERP) is provided for the information of stakeholders. The NLFERP was developed by the National Oil Supplies Emergency Committee (NOSEC) which is a Committee under the auspices of the Standing Council on Energy and Resources.