



**MARITIME  
INDUSTRY  
AUSTRALIA**  
L I M I T E D

Opportunities to  
increase Australia's  
domestic fuel  
storage capacity

Request for information

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Date: 10 July 2020

# Increasing Australia's domestic liquid fuel storage capacity

## 1. Introduction

MIAL thanks the Department of Industry Innovation and Science for the opportunity to provide information to government on possible solutions to increase Australia's liquid fuel storage capacity.

As the Request for Information paper notes, "Liquid fuel is a critical input and enabler of economic and social activity, making up around 50% of total final energy consumption in Australia". Shipping has dual interest in the issue: 1) as a facilitator of economic activity, by providing access to market for our exports, ensuring we have ongoing access to imported products for consumption and manufacturing, and securing our critical domestic supply chains, shipping needs secure access to fuel to meet its demand, and; 2) as the provider of the transport required to ensure the entire Australian economy has access to the liquid fuels it needs.

In addressing issues related to liquid fuel storage capacity, MIAL would urge the government to take a strategic, big picture approach, looking at policy options that would provide flexible and dynamic solutions that future proof the nation, pave the way for future economic growth and development and, as an added benefit, provide a much needed bolster to Australia's maritime capability.

This would include consideration of a domestic on water capacity to primarily increase storage redundancy in Australia, but also increase product in the supply chain by ensuring Australia's refining capacity is maintained. Notwithstanding the fact that International Energy Agency (IEA) requirements do not allow for the counting of stock in transit, in real terms, stock in transit is as valuable to the economy as "ticketed" stock or stock held offshore.

Utilising an on-water storage solution would also provide the platform for the specialized training of Australian ship's officers and engineers, which would assist in meeting the critical maritime skills shortage. Annex 1 to this submission, MIAL's *Submission to the Rural and Regional Affairs and Transport References Committee Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping* provides significant detail in relation to this.

MIAL proposes a multifaceted solution, that would help to buffer the Australian economy against vulnerabilities posed by fuel security, but also the immediate threat of the loss of critical maritime skills, which ensure Australia's ongoing connectivity to the global economy in a safe and efficient manner. Clearly, any solution to these complex issues will require a coordinated effort between government agencies and a range of sectors of industry and above all, strong Government leadership and political will.

## 2. On water storage solutions

MIAL would urge the Government to consider how an on-water solution to liquid fuel storage could contribute to a highly flexible and dynamic increase in capacity. On water storage solutions would utilise a tanker, or fuel barge of a suitable size and number (depending on the location of the supply market and fuel type) to store, supply and relocate liquid fuel products as needed.

On water, or floating storage has the following benefits:

- Floating storage is mobile and can easily be relocated around the coast. This has the potential to address infrastructure barriers to the supply of liquid fuel products and could accelerate economic development opportunities.
- Floating storage is both flexible and cost effective when compared to building and maintaining a fixed shore-based storage facility.
- Floating storage can be used for multiple products. This is not as easy for shore-based storage, where multiple tanks are required based on grade/class of fuel stored.
- Floating storage can be changed over, upsized/downsized with a degree of ease.
- Floating storage is easier to “hand back” or “upgrade” once its initial use has been exhausted.
- Floating storage can lower overall fuel logistics costs. VLCC’s could be used to ship and store product and shuttle tankers used to unload as and when required.
- Importantly, a floating storage option could form part of the coastal tanker / strategic fleet, providing a platform for the specialised training of Australian ship’s officers and engineers, to assist in meeting the forecast shortfall (see Annex 1).

Unfortunately, the timeframe allocated for the information request was not adequate to provide the specific detail relating to physical storage, partnerships, and financing options at this time. However, Annex 1 provides an overview of the policy, regulatory, taxation, administrative and funding issues to consider.

MIAL would be very happy to ensure the Department was provided with specific additional detail to supplement this information upon request.

### 2.1 Ancillary benefits – Australian maritime capability

As the world’s largest island nation, Australia requires maritime skills more so than most other countries. From the requirement to ensure trade is facilitated within Australian ports without incident via the provisions of Harbour Masters, Marine Pilots, Vessel Traffic Service operators; to ensuring we meet our international responsibilities as a country with one of the largest port state control tasks; the use, retention and development of maritime expertise is vitally important. In the most part, these skills are obtained from the highly qualified pool of seafaring officers and engineers.

Training in the maritime industry requires a mix of classroom learning and practical experience in the form of time at sea in a controlled environment before a seafarer can perform their role without supervision. It is this practical component which has become more and more difficult to achieve since the decline in the Australian fleet.

As a result of the extreme narrowing of the pipeline of maritime skills, Australia is facing a critical skills shortage across the spectrum of maritime roles. Supplementing the Australian liquid fuels

storage capacity with an on-water solution could provide the dual benefits of agility, flexibility and adaptability, while assisting to address this urgent skills shortfall.

### 3. Australia's Refining Capacity

Australia is heavily reliant on oil imports to meet demand and has seen a consistent decline in refining activity over the last few decades, due to the economic viability of refining in Australia (59% less than in 2000 according to the Liquid Fuel Security Review – Interim Report). Australia is also consistently below its IEA obligations to maintain 90 days of fuel supply.

Halting the decline in Australian refining capacity through government intervention may be an important element in maintaining demand for crude inputs to increase stock in transit and draw the existing crude that is available in the supply chain to Australian shores.

While this approach will require a coordinated effort between government agencies and a range of sectors of industry combined with strong Government leadership and political will, a concerted effort to address Australia's continually retracting refining capacity, in and of itself, is likely to have a much needed top down positive impact on our liquid fuel security as a whole.

***Maritime Industry Australia Ltd***

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