

BP Brings Biofuels Into The Mainstream

BP Australia has signed two contracts and a Memorandum of Understanding to provide over 200 MM litres of biofuels per annum by 2008.

BP President, Gerry Hueston, said the company would invest in refining and distribution infrastructure and secure product to enable biofuels to play a role in the future of Australia's petroleum supplies. "This announcement is the culmination of many years of work by BP and demonstrates our ability to deliver cleaner fuels to Australian motorists", Hueston said.

"In delivering these initiatives we would like to acknowledge the support of the federal and state governments.... This work signals a unique change to the composition of Australia's fuel supply and is evidence that much progress is being made towards the federal government's biofuels target." The announcement signals the early delivery by a single company of over half of the federal government's national target of 350 MMI.

The initiatives include:

- Investment to allow production at BP's Bulwer Refinery in Queensland of 110 MM litres per annum of biodiesel through a new technology, with the fuel being made available to the market from 2007. The biomass feedstock has been secured through a contract for supply of tallow from Colyer Fehr Tallow Pty Ltd.
- A Memorandum of Understanding with Primary Energy Pty Ltd to purchase the entire output from a new \$100 million wheat-based ethanol plant to be constructed by Primary Energy in Kwinana, WA. This would see the production of 80 MM litres of ethanol per annum to be sold across Australia as e10 from 2008.
- A contract for purchase of 23 MM litres of ethanol from CSR over two years. The ethanol will be purchased from CSR's Sarina distillery near Mackay and blended to produce e10 that will be sold into the Queensland market later this year.

"BP believes biofuels have an important role to play in strengthening Australia's security of supply", Hueston said. "However, the role of sound policy settings cannot be underestimated. The government's Energy White Paper and introduction of legislation for petroleum market reform are steps that will result in far greater confidence in investing in the future marketing and distribution of these products.

Meanwhile, WA Energy Minister, Francis Logan, welcomed the decision to establish Australia's first wheat-based ethanol plant at Kwinana, describing it as the start of an exciting new era in the use of biofuels in Western Australia.

Logan said the \$100 million project was a clear indication that biofuels were no longer an alternative energy source but a viable energy source. "The plant will be the first of its kind in Australia and represents a tremendous commitment by both companies in WA", Logan said.

"Using wheat to make petrol is no longer a notion confined to science-fiction stories or chemistry laboratories. This is now a real concept. Ethanol produced at this plant will be in our cars by 2008." Logan said the Department of Industry and Resources had been working with Primary Energy for more than a year to convince the company to establish the plant in WA.

Ethanol is a fermented renewable fuel produced from crops such as wheat and sugar. It is gaining widespread acceptance around the world in countries where it is blended with petrol for use as a fuel. In the United States it is now a component in about 30% of all petrol sold. Other countries, including Canada, Brazil, China, India and the European Union, are also increasing their use of ethanol blends. It is also used as an industrial solvent and potable drink.

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Environment Minister Mark McGowan said there were enormous environmental benefits in using ethanol in fuel, especially in reducing greenhouse gases and vehicle emission pollutants.

"Having a locally produced petrol blend available in WA will give people here an environmentally friendlier option when they fill up at the bowser", McGowan said. "BP has told us that the project will result in a 200,000 tonne reduction in greenhouse gases each year - this is equivalent to removing 44,000 cars from our roads."

Logan said that as a major grain producer, WA was in a prime position to use wheat for the production of ethanol as an energy source. "The process will use about 200,000 tonnes of lower grade wheats", he said. "This also makes it an attractive proposition for farmers, providing another market for their produce."

Logan said the project would be largely self-sufficient. A by-product of the ethanol process was a protein meal that would be converted to methane to provide energy to run the plant. Excess electricity could be exported to the southwest power grid. ■