11 September 2026

Liquid Fuel Transition Team
Energy Security Taskforce
Policy, Strategy and Coordination Branch

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**Strengthening Australia's Fuel Security and Resilience: Consultation Paper**

ACAPMA welcomes the opportunity to make this submission to the DCCEEW Consultation Paper: Strengthening Australia's Fuel Security and Resilience.

ACAPMA will be addressing the two areas of the Australian Fuel Security Reserve and the Minimum Stockholding Obligation, we will not be making comment on the area of Refinery retention.

In some parts, the questions as posed will be responded to where appropriate, however commentary will extend beyond these in parts.

ACAPMA will be responding to the original Consultation Paper, not the additional options circulated to stakeholders in the past week.

ACAPMA is very disappointed with the limited time given to stakeholders to provide meaningful feedback on the Paper. ACAPMA seeks the views of its members when making submissions to government, and the compressed consultation timelines limits the ability of members to meaningfully participate in processes that could have significant impacts on their businesses and their industry.

## 1. About ACAPMA

The Australasian Convenience and Petroleum Marketers Association (ACAPMA) is the national peak body representing the interests of the petroleum distribution/wholesaling and the petrol-convenience retail industry. These two industry sectors generated

annual revenues of around $102B in 2024 and employed an estimated 51,500 Australians, working in around 4,500 businesses.

ACAPMA is an employer organisation that is formally recognised under law as the *industrial advocate* for fuel marketing and fuel distribution businesses. First established in 1976, the Association started operations as the Australian Petroleum Agents and Distributors Association (APADA) and subsequently changed its name to ACAPMA in 2007.

Today, the Association directly represents 95% of fuel distributors/wholesalers in the country and directly and indirectly (via franchisees and distributor-owned retailers) around 5700 of the 8027 service stations (i.e. 71%) operating in Australia.

The scope of ACAPMA's membership extends from the 'refinery gate' through to the forecourt of Australia's national network of service stations and petrol convenience outlets. This includes importers, wholesalers, distributors, retailers, suppliers, and service providers.

ACAPMA's member businesses range from international companies to their Australian subsidiaries, large Australian-owned businesses, to independently owned mid-cap companies, and small family-owned businesses.

Given the diversity of our membership base, ACAPMA strives to assemble an aggregate *whole-of-industry* perspective on key public policy and market regulation - with a view to providing policymakers and regulators with meaningful industry insights that are directly relevant to issues under consideration.

Given the wide variance in the market propositions (and market presence) of individual market participants, ACAPMA's aggregate *whole-of-industry* perspective should not be taken as necessarily being wholly representative of the position of any individual fuel retailer.

It is therefore possible that one or more of ACAPMA's members may have an individual enterprise position that varies markedly from the one presented in this paper.

## 2. Policy principles

ACAPMA supports the policy principles guiding the policy design process, particularly Principle 3, Efficiency. ACAPMA would add that policy must be driven by two underlying objectives, simplicity and market driven.

The danger is from government intervention in a market that showed remarkable resilience during the fuel disruption of early 2026. What occurred during this time was not a fuel supply challenge but rather a supply chain challenge which in the vast majority of cases only resulted in a temporary lack of supply.

The other danger for government in designing fuel supply policy is that unintended market distortions are created, and government finds itself becoming an active player in a highly dynamic and competitive market that is fuel wholesale, distribution and retailing.

In addition, government needs to be cognisant to the fact that any increase in fuel storage either through the AFRS or MSO will lead to greater costs to industry and hence fuel prices for motorists and end users.

### 2.1 Australian Fuel Security Reserve

#### Fuel types and volumes

ACAPMA believes the objective of achieving over 1.1 billion litres of diesel and jet fuel storage from 1 July 2027 with a full operational capability target of 2030 as extremely ambitious. It is acknowledged that there is a gradual reduction in the use of petrol, but certainly not at a pace that would significantly assist the achievement of these supply targets and timelines.

ACAPMA is of the view that the mix of diesel and jet fuel proposed is probably in the correct range and that petrol should not be in the mix as part of the AFSR. We do not have a view as to whether crude oil should be part of the mix.

It is noted that consideration will be given to the costs and benefits of entering into offtake agreements with LCLF producers. ACAPMA acknowledges the policy principle of complementarity, however there is a danger that using a policy objective of fuel supply and resilience could distort the market by trying to achieve another objective of incentivising the market penetration of LCLF. The risk is not only market distortion but also of embedding additional costs into the system which will be paid for eventually by users.

#### Strategic location

As a starting point, the percentage and location of the AFSR should not be hard and fast but rather a broad guiding objective that can respond to changing demands, storage capacity and supply chains.

It is noted that the Paper states that major fuel supply disruptions can disproportionally impact areas with limited storage capacity or long supply chains. During the fuel disruption of early 2026, regional storage capacity was not relevant, it would not have mattered if there was an abundance of storage. Fuel would have had to be double handed, firstly from terminal to regional storage, and then to the end users. It was merely have resulted in increased holding and transport costs which would inevitably be passed onto the end user.

It is acknowledged however supply chains can be challenged, however industry was flexible and adaptive in early 2026 to ensure their supply chains were resilient. This included sourcing fuel from terminals that they had not previously accessed and moving fuel withing their own networks to fill gaps where there may have been emerging shortages of supply.

ACAPMA doesn't believe the four zones proposed in the Paper provide a realistic approach to the storage of fuel under an AFSR. It is recommended that the eastern seaboard in particular should be based on state boundaries, or alternatively on existing supply chains which can often be cross border. It is stating the obvious but is sometimes forgotten that supply chains are border agnostic.

ACAPMA would support the ASFR providing for some stocks to be held offshore.

**Emergency release**

As an overall approach, ACAPMA believes the overriding approach should be to reduce or suspend the MSO before any consideration is given to allowing releases from the AFSR.

The reason for this is that there are very real dangers that releases, either general or targeted could have unintended market distorting effects unless it is very carefully calibrated and managed.

It is unfortunate that the Paper does not acknowledge the limitation of the ASFR which would be a lesson lost from early 2026. That is, any release from the AFSR would be competing for access to the same tanker fleet as the rest of the market during a period of significantly increased demand. The lesson from the disruption of early 2026 that there was a 25-30% surge in demand but there was the same size tanker fleet on the roads as there was prior to the surge. This is why supply chains were challenged, less so the supply of fuel in the entire fuel refining, importing and supply ecosystem.

Consideration needs to be given to ensuring that releases from the AFSR do not add to what could be already stretched supply chains.

ACAPMA firmly believes that any first course of action (after a reduction of the MSO) should be a general release from the AFSR. This will increase supply across the market and economy and avoids government from having to make decisions on who is deserving of the greatest priority within the economy.

Targeted emergency releases should only be considered as an extreme last resort. There is a danger the 'squeakiest wheels' will be rewarded with fuel supply rather than those most in need. Experience from 2026 showed that in some cases in rural and regional Australia, there was ample fuel available but not at the price that some distributers were willing to pay.

Additionally, many wholesalers and distributers did not have supply agreements in place which meant that when demand surges, the major oil companies honoured their supply agreements first. Those who spot purchased fuel were 'sent to the back of the queue'.

In many cases, this was not communicated to their customers. End users were told there wasn't any fuel available which led to some misinformation about the state of the fuel market.

It is important to understand that there is not a thing called a 'spot market'. Some wholesalers and distributors 'spot buy', that is, they will see what the wholesale price is from 'X' is and will buy fuel from them. Next week, they see that the wholesale price from company 'Y' is the cheapest and they will buy from them. While this is a completely legitimate operating model and provides for competitive pricing, it comes with the risk that supply isn't guaranteed.

Those with supply agreements in place have that certainty of supply, but they pay a premium for that certainty. Businesses with supply agreements in place should not be disadvantaged by releases from the AFSR.

Indeed, there is a risk that if the AFSR is poorly designed that there will be a disincentive for businesses to enter into supply agreements if they know government will be there in the role of lender of last resort in a time of supply shortage.

There are many details that need to be addressed before the design of the AFSR is bedded down. This includes how swap arrangements would work, what would be a 'competitive commercial basis' for stock, what a 'swap-plus' would look like and how any disagreements would be mediated or adjudicated. It is assumed this would be the AFSR Coordinator, but the powers of the Coordinator will need to be defined.

In addition, it is not clear whether all fuel distributors can register to be off-takers, only those with supply agreements in place, only those without supply agreements, or either. What happens if a distributor in a distinct geographical location doesn't register to be an off-taker? It is also not known how an 'off-taker' could be obliged to acquire fuel if it is not commercially viable for them to do so.

Further consideration also needs to be given to what trigger events would warrant releases from the AFSR and how these events would be evaluated and decided.

The example provided in the Paper regarding a regional flood is something the fuel distribution and retail sector has managed extremely well over many years. Fires, floods and cyclones are unfortunately common occurrences in Australia. Time and time again the industry has managed to get fuel to where it is need, it may not always be under normal circumstances or commercial arrangements, but fuel is always there, especially for emergency services.

Under to motto, 'first to open, and last to close', fuel retailers are there to provide the fuel, water and food for emergency services in times or natural disaster. There has not been a need for government intervention in the fuel supply chain during these events.

In light of this, further consultation with industry would be welcomed on what additional thresholds or trigger events should apply before a targeted emergency release is authorised.

In addition, further consultation would be welcomed on the off-take mechanism and how this would work in practice for industry.

**2.2 Minimum Stockholding Obligation**

ACAPMA notes the government's commitment to increase MSO requirements by an additional 10 days for petrol, diesel and jet fuel by 2030. This is a very ambitious target given previous industry experience where various approvals processes and the limited number of contractors to construct storage has created timelines that wouldn't accord with the government's timelines. ACAPMA would recommend that government recalibrate the timelines in the Paper following consultation with industry to create a more realistic delivery timetable.

ACAPMA will limit its comments to the policy principle of competitive neutrality. Any type of support or incentives provided by government must ensure that one business does not inadvertently receive a benefit over another. This could have the effect of skewing the market beyond the terminal gate.

Given the long lead times in achieving approvals for greenfield storage, priority should be given to refurbishment of existing assets and the further development of brownfield sites.

## 3. Conclusion

ACAPMA appreciates the opportunity to provide comment on this important Paper and would be happy to provide any further information or respond to any queries that may arise from this submission.

Should you require clarification of any of the material provided in this report in the meantime, please contact me on 0419 133 139 or by email via rowan@acapma.com.au.

Yours sincerely

Rowan Lee

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