23 January 2017

EPA Air Policy
NSW Environmental Protection Authority
PO Box A290
Sydney South, NSW, 1232

Emailed to: Air_Policy@epa.nsw.gov.au

To whom it may concern,

RE: Caltex Submission to NSW Government Consultation Paper – Clean Air for NSW

Caltex Australia Limited (Caltex) welcomes the opportunity to provide feedback to the NSW Government on the Clean Air for NSW Consultation Paper.

Caltex’s operations in Australia can be traced back more than 115 years to 1900, over which time Caltex has developed a reputation and a record for supplying Australia’s transport fuel needs in a reliable and safe manner.

Today, Caltex is a leading supplier of transport fuels across road, jet and marine, and a major convenience retailer through our national network. We have a strong and reliable supply chain, which includes a shipping and trading office in Singapore (Ampol Singapore), a refinery at Lytton in Brisbane, the largest fuel import terminal in the southern hemisphere at Kurnell in Sydney, and a branded supply network of over 2,000 retail sites Australia-wide.

Caltex fully appreciates the commitment of the Government protect and improve the quality of air throughout NSW.

However, Caltex continues to believe that the imposition of regulations mandating the installation, and operation, of Vapour Recovery Stage 2 systems is a costly means for minimal gains. Therefore the option to introduce requirements for Vapour Recovery at Service Stations located in Regional Centres is one which Caltex opposes.

Existing lessons from Caltex in VR2

With experience in the installation and ongoing operations of Vapour Recovery (VR) systems throughout our controlled network, Caltex continues to have a number of concerns regarding the efficacy and cost of abatement directly linked to the installation and ongoing maintenance of VR Stage 2 systems.

Since 2012 Caltex has invested over $24 million in capital to meet the NSW Governments regulatory requirements, which includes a program to install Vapour Recovery Stage 2 systems at 113 sites in the Sydney Greater Metropolitan Region.

The installation, and ongoing maintenance of these systems has proven to be costly from a business perspective with system installation costing between $85,000 and $320,000, depending on whether the installations are done as part of a major UPSS upgrade or as a standalone retrofit. Furthermore there are ongoing maintenance costs of $6,000 per annum, and a significant loss of income during the site upgrade process.
Taking into account the costs associated with the installation and ongoing maintenance of VR 2 systems, and mindful of the Government’s commitment to air quality, we do not believe that it is an efficient means for reducing the levels of Volatile Organic Compounds (VOC). Our calculations, based on the emission calculation methodology provided in the EPA 2008 Air Emissions Inventory and the 2010 DECCW – Cost Abatement Curves for Air Emission Reduction Actions, reflect that every tonne of VOC avoided comes at a cost of $57,000.

**Alternate Policy Initiatives**

On-Board Refuelling Vapour Recovery (ORVR) systems have been mandated technology for all new vehicles entering the US market since the late 1990’s. Through the continued penetration of ORVR technology into the vehicle fleet throughout the US, the USEPA took the decision in 2013 to waive the requirement for states to mandate the use of VR 2 systems.

This has since resulted in several states removing the legislated requirement to install VR 2 systems at service stations.

ORVR systems have been found to have incredibly high emission capture efficiency rates, with USEPA testing reflecting a 98% efficiency rate\(^1\). This is significantly higher than the efficiency of VR2 systems, which are highly dependent on regular inspections and maintenance.

Currently, the Australian Federal Government is undergoing a consultation period, through the Ministerial Forum on Vehicle Emissions, to consider possible options for reducing vehicle emissions in Australia\(^2\).

This consultation period includes issues relating to current Fuel Quality Standards in Australia, Noxious Emissions Standards and Efficiency Standards for new vehicles.

The consultations, and any ensuing changes to the Australian Design Rules (ADR’s) presents an opportunity for interested parties, such as the New South Wales Government, to proactively advocate for ORVR to be mandated as part of any change to the ADR’s for new vehicles purchased in Australia.

With the cessation of vehicle manufacturing in Australia, which in the past may have been regarded as a hindrance to the imposition of ORVR, there is an opportunity to consider new vapour recovery technology into vehicles, a technology which is proven to be more cost effective and efficient than existing VR 2 systems.

**Conclusion**

Given the availability of more efficient and cost effective technology, Caltex recommends that the government reconsider their proposed investigation into expanding existing vapour recovery regulations and investigate opportunities to work with the Federal Government to pursue practical changes to the current ADR’s to include On-Board Refuelling Vapour Recovery Systems.

We believe that this will present a policy alternative, at a national level, which could support better air quality than regulations currently imposed on industry.

Should you wish to discuss this matter further please do not hesitate to contact me on 02 9250 5357 or by email at robert.underdown@caltex.com.au.

Yours Sincerely

[Signature]

Robert Underdown
Head of Government Affairs

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