Institute for Energy Economics and Financial Analysis

Fact Sheet

Australia can act now to reduce the impact of a long fuel crisis

Elevated oil prices expected to last, impacting inflation

In the short term, Australia should accelerate fuel efficiency in road transport and mining

Longer term, electrifying road transport is the best way to protect from oil-driven inflation

High exposure to oil price shocks

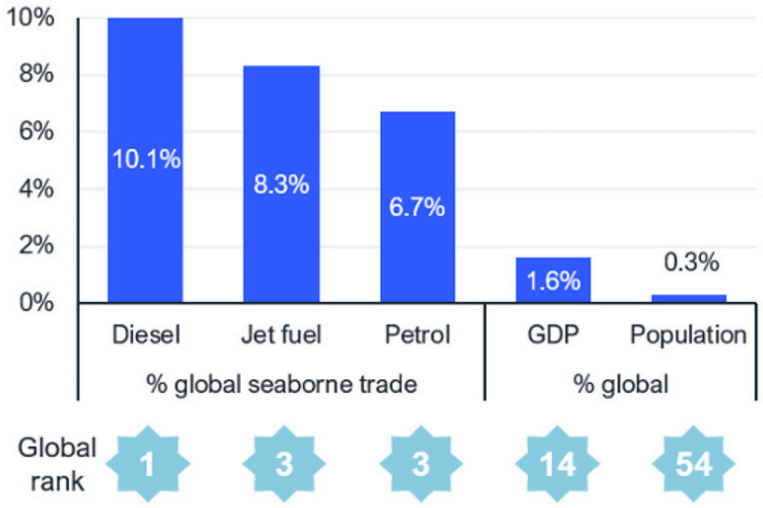
▶ Australia's diesel use has grown fast (x2.5 since 2000), fuelled by road transport and mining, just as Australia became import-reliant.

▶ Australia is now the world's largest importer of diesel, representing 10% of net global seaborne trade, which is a relatively shallow market.

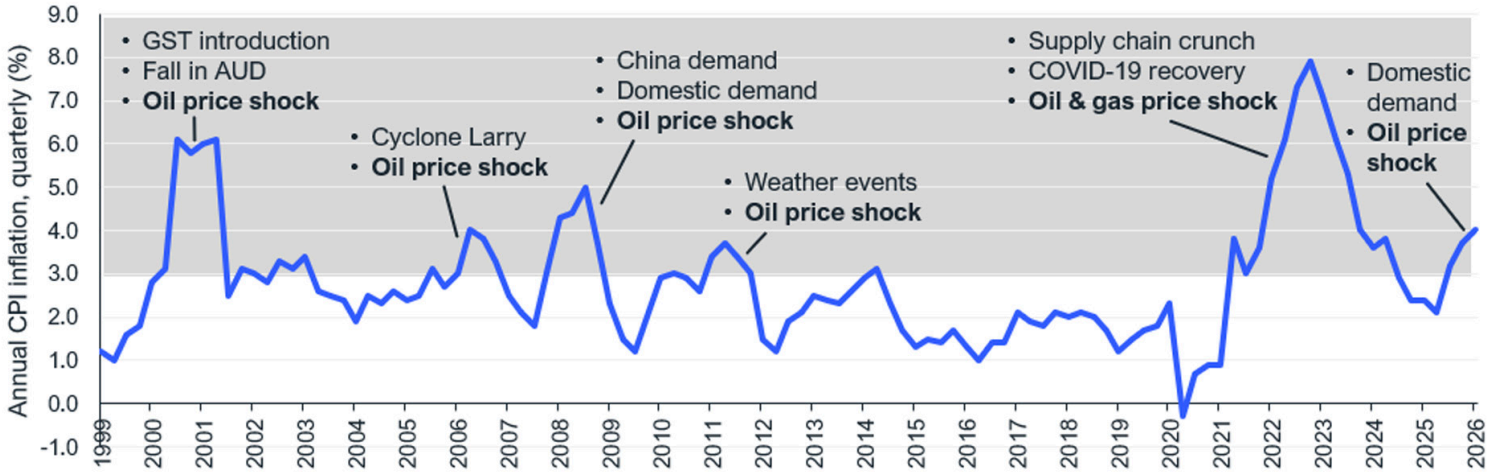
▶ Diesel prices have increased more than crude oil and petrol, and the industry expects diesel prices to be elevated for another 12 months.

▶ Oil price shocks are a key contributor to inflation, particularly through road transport fuels which impact costs and expectations.

Australia in the world, % and rank



Oil price shocks were a key contributor to all 6 recent Australian inflation spikes



READ THE REPORTS

Oil shocks expose the limits of monetary policy

Efficiency first: How Australia's freight industry can lead on cutting diesel risk

Digging mining out of diesel dependence

Short term: 10-20% savings from road transport & mining fuel efficiency

OPPORTUNITIES

- ▶ Eco-driving practices (smooth braking and accelerating, avoid idling)
- ▶ Improved maintenance (engine, tyres, road)
- ▶ Payload optimisation
- ▶ Low-cost modifications (e.g. tyres, roof spoilers, idle control)
- ▶ Improved planning and fleet management
- ▶ Mine site layout
- ▶ Higher use of most efficient vehicles
- ▶ Data gathering and analysis

BARRIERS

- ▶ Low awareness of opportunities, fuel efficiency of vehicles
- ▶ Industry fragmentation
- ▶ Ageing truck fleet, drivers
- ▶ Financial constraints for small operators
- ▶ Unfit regulation e.g. weight and curfew limits

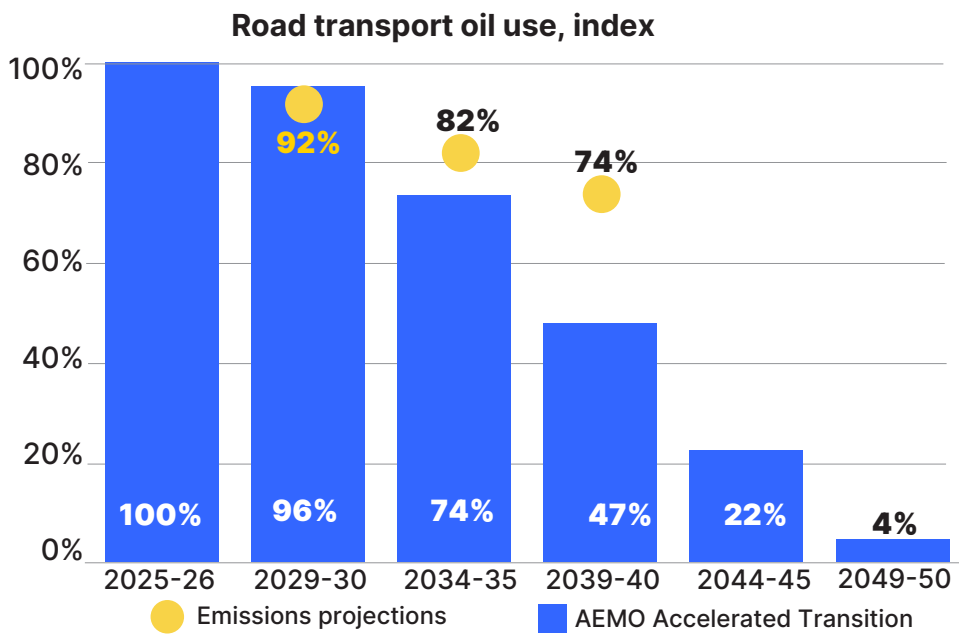
- ▶ Owner-contractor split incentive (owner pays fuel, contractor operates trucks)
- ▶ High churn, rotation of workforce
- ▶ Mine life and commodity cycles
- ▶ Fuel Tax Credits
- ▶ Poor industry co-operation

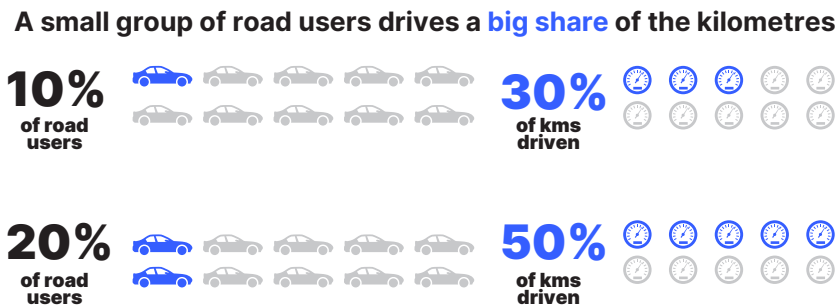
POLICY OPTIONS

- ▶ 10-20% diesel reduction target, with progress expected within 6 months
- ▶ Request fuel saving roadmaps for large users, with reporting on progress
- ▶ Improve access to information and training
- ▶ Lower barriers to industry co-operation
- ▶ Increase financial support for fuel saving solutions (at least for small operators)
- ▶ Establish incentives for savings (e.g. priority fuel allocation)
- ▶ Make fuel credits conditional on progress

Longer term: Electrify transport, starting with high road users

- ▶ Road transport represents >50% of oil use, and is the key link to inflation.
- ▶ Nearly all road transport could be electric by 2050, but it's not on track.
- ▶ While car electrification is progressing well, truck oil use is forecast to grow until 2040+.
- ▶ Battery electric trucks made up less than 1% of new trucks in Australia this year, when they represented 1 in 4 trucks in China last year.
- ▶ More financial support is needed for early electric truck charging and adoption.
- ▶ Focusing on high road users could deliver quick reductions in fuel use: the top 20% of road users represent ~50% of kms driven.
- ▶ A parallel focus on grid modernisation is also required – to support a scale-up of electricity generation, but also electric vehicle charging deployment and integration.





About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

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