



Government to Reopen South Australian Refinery?

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Topic: [Supply/Production](#)

The high petrol prices seen over the [long weekend](#) have caused the ACCC and the Federal Government to start talking about reopening Mobil's old refinery in Port Stanvac, South Australia, in an effort to increase competition in the local market (which I find more than a little ironic).

[The Age](#) reports:

The federal government is considering a plan to reopen a mothballed oil refinery in Adelaide's south to introduce greater competition and lower prices to the petrol market. Fairfax newspapers reported on Tuesday that government sources had confirmed the federal and South Australian governments had discussed re-opening the Port Stanvac refinery, which closed in 2003.

Assistant federal treasurer Chris Bowen, the minister with responsibility for petrol, supported the plan. "I certainly think there's a case for Port Stanvac to be operational," he told Fairfax. "I see this as a joint project between us and the Australian Competition and Consumer Commission."

But the SA government has selected the heavily polluted site as the best place for its planned desalination plant, the report said.

Before its closure, the refinery supplied about 10 per cent of Australia's petrol, and motoring groups said its closure caused a spike in SA fuel prices, the report said. The Howard government unsuccessfully pursued the refinery reopening.

The latest proposal has been revealed as the ACCC prepares to talk tough with the major petrol companies over high fuel prices. "I'm going to get all the relevant facts together over the next few days," ACCC chairman Graeme Samuel told ABC Television on Monday. "I'm not going to call them in together for a meeting, I want to deal with them each separately and deal with the chief executives. "Frankly, I will be saying to them that we are absolutely frustrated and bewildered at the fact that this new domestic excuse is now being provided ... and frankly, we're bewildered by the fact that they're just so insensitive to community anger and outrage at this sort of situation."

More at [The West Australian](#) and the [Sydney Morning Herald](#), which notes the breakdown in the connection between oil prices and local petrol prices.

THE nation's price watchdog is demanding answers from petrol companies after motorists were denied the benefits of a recent fall in the world price of oil.

The chairman of the Australian Competition and Consumer Commission, Graeme Samuel, said he would begin talks with each of the companies after the divergence between the Singapore oil price and bowser prices blew "off the graph" before the Australia Day long weekend. "I will meet separately with the oil chiefs in early February and we will start talking then about what has been going on and what can be done to avoid this occurring in the future," Mr Samuel said yesterday.

He said a gap of six to seven cents had emerged between what he thought petrol prices should have been and what motorists were paying after international prices fell last week. He criticised Caltex and Shell for blaming refinery breakdowns for price rises. If breakdowns could reduce the supply, the companies could import fuel to prevent prices going up, he said.

Shell said it had not linked refinery breakdowns to higher petrol prices, but that the company would be happy to assist the commission.

For those who think the idea that oil companies would consider manipulating prices belongs in the realm of conspiracy theory, I strongly recommend reading John Blair's book "[The Control Of Oil](#)", which summarises the US Senate hearings into multinational oil companies, in the wake of the oil shocks of the early 1970s, and the multi-decade history of price fixing that it studied.

From a peak oil point of view, if we are already at the peak, and we do see production declining within a few years, trying to retain sufficient competition in the local refining industry might be a futile task.

There is also an argument that high prices at the pump encourage efficiency and the development of alternatives. However I'd prefer the driver for this be carbon taxes instead of profit maximisation via market manipulation, if that is what is happening, or a sensible response in the face of imminent peak oil, if that is the reality of it.

Of course, if refinery capacity is being reduced because the oil companies view peak oil as imminent, it would good if they publically explained this, so that all sectors of the economy can plan an orderly response.



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