

s.22(1)(a)(ii)

From: s.22(1)(a)(ii)
Sent: Tuesday, 2 June 2015 1:59 PM
To: s.22(1)(a)(ii)
Subject: FW: 150601 Australias International Energy Agency (IEA) Oil Stockholdings ([SEC=UNCLASSIFIED]

Importance: High

From: Berne, Brendan
Sent: Tuesday, 2 June 2015 1:57 PM
To: Adams, Jan; s.22(1)(a)(ii)
Cc: Bryant, Rebecca; s.22(1)(a)(ii)
Subject: 150601 Australias International Energy Agency (IEA) Oil Stockholdings ([SEC=UNCLASSIFIED]
Importance: High

Jan, s.22(1)(a)(ii)

Please find a slimmed down and updated version of the IEA brief.

Regards
Brendan



150601 Australias
Internationa...

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FOI REF: 1506-F1199

Australia's International Energy Agency (IEA) Oil Stockholdings

Handling Note: Australia's non-compliance with its IEA treaty obligation to stockpile 90 days of oil is being considered as part of a broader Senate Inquiry into Australia's transport fuel security, which is expected to report in June 2015. There is overlap between members of the Inquiry and FADT.

Media reporting following the April release of Australia's Energy White Paper publically raised disagreement between Minister Bishop and Industry and Science Minister Macfarlane, with Minister Macfarlane emphasising compliance would cost 'billions', and Ms Bishop noting it was a global security issue and that she believed the cost estimates needed to be re-examined.

Is Australia compliant with its stockholding obligation under the IEA treaty?

- . No. We have been non-compliant with our 90 day oil stockholding obligation under the IEA treaty since 2012.
- . The **IEA requested Australia to provide a plan** to return to compliance at the upcoming 10 June Governing Board meeting in Paris.
- . The Government has taken an in-principle decision that **Australia will return to compliance.**
- . We will be advising the IEA Governing Board of this decision at the 10 June meeting
 - and that **we require 12 months to develop our plans** for returning to compliance.

How will Australia comply? How much will it cost?

- . This is a complex issue that requires discussion across multiple agencies (*the Department of Industry and Science is leading*).
- . We are working with other agencies towards the 2015 National Energy Security Assessment
 - which will help inform how we choose to comply.
- . The cost will depend on how we comply
 - options include purchasing tickets (*cheaper, covering other countries' oil reserves*), building domestic stocks (*more expensive*), or a mix of both.

Are there economic benefits to Australia being part of the IEA?

- . The IEA is widely recognised as the **world's preeminent global energy governance institution**.
- . The IEA assesses the **net global economic benefit** of the oil stockpile system to be US\$3.5 trillion over 30 years
 - this is equivalent to a net benefit value of US\$40/barrel per annum.
- . The IEA is reaching out to **China** and other non-IEA countries
 - which Australia is encouraging to sustain the relevance of the IEA and the stockpile system.

Background

The IEA has provided Australia a June 2015 deadline to provide a pathway to the compliance. Australia intends in-principle to return to compliance with its 90 day oil stockholding obligation, but will not be in a position to provide details to the 10 June Governing Board meeting in Paris. Australia will require up to 12 months to develop a realistic plan to return to compliance.

An April 9 ABC Lateline segment titled 'Cabinet ministers disagree over Australia's oil reserve' reported conflicting views within government on Australia's strategic oil reserves. Minister Bishop stated that it is 'important for global security for Australia to meet our obligations' and that Australia was 'working through a way' to achieve this. Minister Bishop stated that she did not 'believe that the figures that are being put about at present are accurate.' She further elaborated that she thinks 'that much more work needs to be done to determine what it would actually cost'. The Minister for Industry and Science, the Hon Ian Macfarlane MP, has publically questioned the need for Australia to comply noting that it would cost 'billions and billions of dollars to be compliant with an international treaty' and that this was 'part of the discussion we'll be having'. When prompted in another interview about the prospect of the cost being passed onto consumers, Minister Macfarlane noted that the 'numbers [were] between half and two cents a litre.'

On 3 September 2014, following a push by Independent Senator John Madigan, the Senate referred an inquiry on Australia's transport energy resilience and sustainability to the Rural and Regional Affairs and Transport Committee. Senators Heffernan (LNP) and Canavan (LNP), Senator Bullock (Labor) and crossbench Senators Xenophon, Lambie and Muir co-sponsored the inquiry. The inquiry focuses on options for introducing mandatory oil stockholdings; the role of Government in energy security, including maintaining refinery capability; and Australia's role regarding energy security in multilateral fora. At public hearings in February and April, Senators

have openly questioned the data, analysis and current policy regarding Australia's liquid fuel security. The inquiry will report on June 25.

Division: [Division]	
Prepared by: s.22(1)(a)(ii)	Cleared by Branch/Division Head: Brendan Berne
Mob: _____ Ext: s.22(1)(a)(ii)	Mob: s.22(1)(a)(ii) _____
Date: 1 June 2015	Date: 1 June 2015
Consultation: Enter Div/Branch/Section.	Date:
Name: Type in Officer's name.	Mob: Type mobile. Ext: Type extension.
Cleared by CFO / FAS CMD:	Date:

s.22(1)(a)(ii)

From:

s.22(1)(a)(ii)

Sent:

Friday, 29 May 2015 2:35 PM

To:

s.22(1)(a)(ii)

Subject:

RE: Changes to Secretary budget estimates brief IEA ministerial differences
[SEC=UNCLASSIFIED]

Hi s.22(1)(a)(ii)

Here's our amended brief.



Budget Estimates
International...

s.22(1)(a)(ii)

Regards,

s.22(1)(a)(ii)

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Australia's International Energy Agency (IEA) Oil Stockholdings

Handling Note: Australia's non-compliance with its IEA treaty obligation to stockpile 90 days of oil is being considered as part of a broader Senate Inquiry into Australia's transport fuel security, which is expected to report in June 2015. There is overlap between members of the Inquiry and FADT.

Media reporting following the April release of Australia's Energy White Paper publically raised disagreement between Minister Bishop and Industry and Science Minister Macfarlane, with Minister Macfarlane emphasising compliance would cost 'billions', and Ms Bishop noting it was a global security issue and that she believed the cost estimates needed to be re-examined.

s.47C

What is Australia's IEA treaty obligation?

- . Under the IEA treaty, Australia must hold 90 days' worth of net oil imports.
 - Australia has been non-compliant since 2012.
 - Currently holds 54 days [as of January 2015] and is on a downward trend.
 - This is not likely to change without government action.

Why does Australia have a shortfall in oil stocks?

- . When Australia joined the IEA in 1979, we were a net oil exporter and did not need to hold stocks.
- . Since then we have become a net importer.
- . For many years, our IEA obligation was met by industry, which for their own commercial reasons held stock in Australia [stored in refineries etc.]
- . In recent years, Australia's oil consumption has grown and production has fallen.
 - industry held stocks are no longer large enough to cover Australia's IEA obligation.

Is this a global security issue?

- . Oil has long played a unique role in global security
 - underpinning economic strength
 - and, for many states, national security decision making.

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- . The existence of the IEA's oil stockpile has prevented states using oil supply cut-offs as an economic weapon against OECD countries, as occurred in the 1970s.
- . The IEA assesses the net global economic benefit of the stockpile to be US\$3.5 trillion over 30 years
 - this is equivalent to an insurance value of US\$50/barrel per annum and a net benefit value of US\$40/barrel per annum.
- . Furthermore the IEA is able to release oil to stabilise the market if there is a significant disruption in global supply
 - As it did in response to Libya (2011), Hurricane Katrina (2005) and Iraq (1991).
- . The IEA is also an important part of the international rules-based system which underpins global stability.

What are the costs of compliance? Do you agree that the costs need to be re-examined?

- . This is a complicated issue
- . There are multiple methods of complying with the treaty obligation, each with different costings
 - Building a stockpile, the most expensive option
 - 'ticketing', the purchase of options on oil held elsewhere, which is the least expensive option.
- . These cost assessments take time and require predictions about a range of economic variables
 - including future consumption and production, exchange rates, and the oil price.
- . The Australian Government is actively considering the pros and cons of all options.

When will a decision be made?

- . This is a complex issue that requires discussion across multiple agencies
 - Different agencies have different sets of expertise and experiences.
- . We are working together across government to best serve Australia's national interests.
- . The April Energy White Paper advised that a decision would be made in 2015.

Has the IEA set a June deadline?

- . The Governing Board of the IEA has asked for advice at the June Governing Board.
- . We are working to provide a response as soon as possible.

Are there economic benefits to Australia being part of the IEA?

- . The IEA is widely recognised as the world's preeminent global energy governance institution.
- . The IEA promotes the market-based principles that underpin our global economic system.
- . The IEA assesses the net global economic benefit of the stockpile to be US\$3.5 trillion over 30 years
 - this is equivalent to an insurance value of US\$50/barrel per annum and a net benefit value of US\$40/barrel per annum.
- . The IEA is reaching out to China and other non-IEA countries.
- . Australia strongly benefits from well-functioning energy markets.

Has the United States [or other states] raised concerns about Australia's non-compliance?

- . All members of the IEA are concerned about energy security and have an interest in Australia being compliant with its treaty obligations
 - most have raised this with us in recent years.

Does Australia have an energy security problem?

- . Complicated and important question which requires ongoing attention.
- . Even short-term supply disruptions have large economic impacts.
- . Important that we ensure our assumptions about the international market are continually updated.
 - And that we run scenario planning to ensure we are appropriately mitigating risk.
- . Working with other agencies towards the 2015 National Energy Security Assessment.

Background

An April 9 ABC Lateline segment titled 'Cabinet ministers disagree over Australia's oil reserve' reported conflicting views within government on Australia's strategic oil reserves. Minister Bishop stated that it is 'important for global security for Australia to meet our obligations' and that Australia was 'working through a way' to achieve this. Minister Bishop stated that she did not 'believe that the figures

that are being put about at present are accurate.' She further elaborated that she thinks 'that much more work needs to be done to determine what it would actually cost'. The Minister for Industry and Science, the Hon Ian Macfarlane MP, has publically questioned the need for Australia to comply noting that it would cost 'billions and billions of dollars to be compliant with an international treaty' and that this was 'part of the discussion we'll be having'. When prompted in another interview about the prospect of the cost being passed onto consumers, Minister Macfarlane noted that the 'numbers [were] between half and two cents a litre.'

The IEA has provided Australia a June 2015 deadline to provide a pathway to the compliance. The Energy White Paper states that government will make a decision on this issue in 2015.

The Energy White Paper includes the following passage on Australia's IEA stockholding situation:

Despite its view on security of supply and longstanding contribution to global energy security as a major net energy exporter, Australia's current oil stockholdings do not meet its obligations under the International Energy Agency (IEA) treaty (IEA 2014b). Current estimates are that meeting the IEA obligations would require an investment of several billion dollars in stocks and storage infrastructure over a decade. A decision on how to address this compliance issue will be made by the Government in 2015. (page 27)

On 3 September 2014, following a push by Independent Senator John Madigan, the Senate referred an inquiry on Australia's transport energy resilience and sustainability to the Rural and Regional Affairs and Transport Committee. Senators Heffernan (LNP) and Canavan (LNP), Senator Bullock (Labor) and crossbench Senators Xenophon, Lambie and Muir co-sponsored the inquiry. The inquiry focuses on options for introducing mandatory oil stockholdings; the role of Government in energy security, including maintaining refinery capability; and Australia's role regarding energy security in multilateral fora. At public hearings in February and April, Senators have openly questioned the data, analysis and current policy regarding Australia's liquid fuel security. The inquiry will report on June 25.

Division: [Division]	
Prepared by: Rebekah Grindlay	Cleared by Branch/Division Head: Rebecca Bryant
s.22(1)(a)(ii)	Mob: Type mobile. Ext: Type extension.
Date: 28 May	Date: Enter date last cleared.

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Consultation: Enter Div/Branch/Section.	Date: 29 May
Name: Type in Officer's name.	Mob: Type mobile.Ext: Type extension.
Cleared by CFO / FAS CMD:	Date: If brief includes financial or HR data, it must be jointly cleared with relevant FAS to ensure consistency and accuracy. Click this field to enter date brief was jointly cleared or enter N/A if not applicable.

NOTE: When briefs are updated the dates above also need to be amended – then delete this line

s.22(1)(a)(ii)

From: Talking Points [mailto:SharePoint2010@dfat.gov.au]**Sent:** Wednesday, 8 April 2015 6:30 PM**To:** s.22(1)(a)(ii) DM Standard Talking Points; Niemann, Jan; zz [External] s.22(1)(a)(ii) zz

[External] s.22(1)(a)(ii) zz [External] Lachlan.strahan@pmc.gov.au; zz [External]

s.22(1)(a)(ii) zz [External] lynette.wood@pmc.gov.au; zz [External] Rhonda.Piggott@pmc.gov.au;

s.22(1)(a)(ii) Application Development; s.22(1)(a)(ii) zz [External]

s.22(1)(a)(ii) zz [External] steven@stevenciobo.com; s.22(1)(a)(ii) Growder, Michael; s.22(1)(a)(ii)

s.22(1)(a)(ii) Marcelo, Ray; s.22(1)(a)(ii) Bryant,

Rebecca; s.22(1)(a)(ii)

Subject: DFAT Media Talking Points - Australia's non-compliance with the International Energy Agency treaty - v1
[SEC=UNCLASSIFIED]

FOR OFFICIAL USE ONLY

Australian Government
Department of Foreign Affairs and Trade**MEDIA TALKING POINTS
DISTRIBUTION: STANDARD****Topic:** POLITICAL-ECONOMIC**Originating Division:** TED**Subject:** Australia's non-compliance with the International Energy Agency treaty**Version Date:** 08/04/2015**Reason for Update:****Version:** 1**Expiry:** 08/07/2015**Talking Points**

The Government recognises that Australia is not compliant with its oil stockholding obligations under the International Energy Agency (IEA) treaty

is actively considering how to address this.

This is a result of reduced production and increased consumption, leading to a shortfall.

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The issue of compliance with the treaty is related but separate to the issue of Australia's domestic fuel security.

Any use or disclosure of personal information about individuals and the incidents contained in this background should not be made public. To do so may constitute a breach of the Privacy Act 1988 (Cth).

Background (not for public use)

As a member of the IEA, Australia is required by treaty to hold 90 days worth of net oil imports. Australia currently holds around 50 days and has been non-compliant since 2011. Australia is the only non-compliant IEA country. The IEA has set a June 2015 deadline for identifying a pathway to compliance.

The Energy White Paper (EWP) (released 8 April) notes the following: "Australia's current oil stockholdings do not meet its obligations under the International Energy Agency (IEA) treaty (IEA 2014b). Current estimates are that meeting the IEA obligations would require an investment of several billion dollars in stocks and storage infrastructure over a decade. A decision on how to address this compliance issue will be made by the Government in 2015."

s.47C

On April 8, when asked about Australia's non-compliance, Minister Macfarlane noted that Australia was "committed to addressing that this year", compliance would cost "billions of dollars" and that the "cost will almost undoubtedly be borne particularly by industry and motorists".

DOIS and DFAT are currently working together to identify pathways to address this issue, including reconciling differences in DOIS s.33(a)(iii) and s.33(b) cost estimates. The cheapest estimate (using tickets) is \$110 million to \$300 million over 3 years. The most expensive method of compliance involves physical stockholdings which DOIS estimates would cost \$6.6 billion over 12 years.

Handling Notes

Media Interest

ABC news and news.com.au in the context of the Energy White Paper - Not raised with DFAT.

Approval	
Consultation	N/A
Author	s.22(1)(a)(ii) s.22(1)(a)(ii)
Cleared by	Rebecca Bryant s.22(1)(a)(ii)

Distribution

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5 / copy

s.22(1)(a)(ii)

From: Carpenter, Victoria <Victoria.Carpenter@industry.gov.au>
Sent: Tuesday, 3 March 2015 11:44 AM
To: s.22(1)(a)(ii)
Cc: Casey, Robyn
Subject: FW: IEA - Letter from Maria van der Hoeven for the attention of H.E., The Hon. Ian Macfarlane MP, Canberra [SEC=UNCLASSIFIED]
Attachments: VIBERG_VIERGE_0111_001.pdf; VIBERG_VIERGE_0117_001.pdf

Hi s.22(1)(a)(ii)

s.34(3) — as discussed yesterday – letter attached. This was provided by diplomatic cable/HOM, so you may have seen and happy to pass this on.

Regards,

Victoria

Victoria Carpenter
Assistant Manager
Liquid Fuels Security
Energy Security Branch
Energy Division

Department of Industry and Science
Industry House
10 Binara Street, Canberra City ACT 2601
GPO Box 9839, Canberra ACT 2601
Ph: 61-2-6243 7755

s.47F(1) —
Email: Victoria.Carpenter@industry.gov.au
Internet: <http://www.industry.gov.au/>
ABN 74 599 608 295

Please consider the environment before printing this email. Thank you

From: Locke, Chris
Sent: Saturday, 14 February 2015 7:04 AM
To: Grassia, Gino; Ryan, John; Casey, Robyn
Subject: FW: IEA - Letter from Maria van der Hoeven for the attention of H.E., The Hon. Ian Macfarlane MP, Canberra [SEC=UNCLASSIFIED]

Chris Locke
Head of Energy Division
Department of Industry and Science
Ph: +61-2-6243 7512 s.47F(1) —
Email: chris.locke@industry.gov.au

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Internet: <http://www.industry.gov.au/>

-----Original Message-----

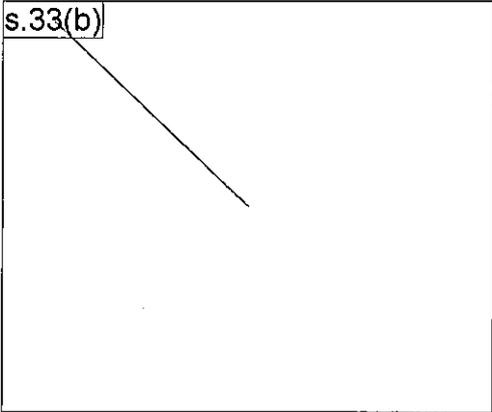
From: s.22(1)(a)(ii) [redacted]
Sent: Saturday, February 14, 2015 06:04 AM AUS Eastern Standard Time
To: Locke, Chris; s.22(1)(a)(ii) [redacted] Sill, Tim
Subject: FW: IEA - Letter from Maria van der Hoeven for the attention of H.E., The Hon. Ian Macfarlane MP, Canberra [SEC=UNCLASSIFIED]
s.22(1)(a)(ii) [redacted]
Chris, [redacted] and Tim

I'm not quite sure who I should forward this to for it to be transmitted to the Office. Let me know if I need to forward to someone else. You might want to mention this letter in the reporting cable.

s.22(1)(a)(ii) [redacted] Acting HOM
Australian Delegation to the OECD
4, rue Jean Rey
75724 Paris Cedex 15
s.22(1)(a)(ii) [redacted]

s.33(b)

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2 2015

s.22(1)(a)(ii)

From: Grindlay, Rebekah
Sent: Monday, 23 February 2015 9:18 AM
To: Choi, James
Cc: Bryant, Rebecca; Riordan, Sam; s.22(1)(a)(ii); Gerovich, Sam
Subject: IEA non-compliance oil stockholding - lower costs [SEC=UNCLASSIFIED]
Attachments: Australia non-compliance February 2015.docx

James

See below and attached FYI an IEA note on Australian non-compliance with its IEA oil stockholding obligations.

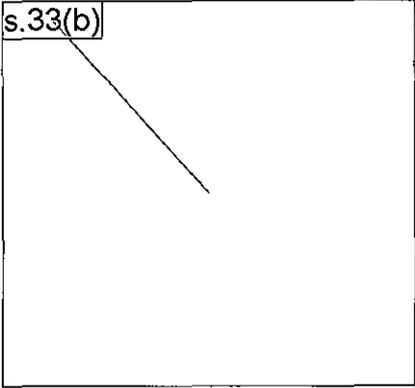
s.33(b)

Regards,
Rebekah

s.33(b)

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s.33(b)



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D 15/546811

12, 1981

s.22(1)(a)(ii)

From: Grindlay, Rebekah
Sent: Sunday, 15 February 2015 6:11 AM
To: Bryant, Rebecca
Cc: s.22(1)(a)(ii)
Subject: FW: Australia IEA [SEC=UNCLASSIFIED]
Attachments: s.33(b)

For information – a bit complicated but I will explain further tomorrow. RG

s.33(b)

s.22(1)(a)(ii)

BS627878L

Title: Energy: International Energy Agency Governing Board meeting February 11-12

MRN: BS627878L 14/02/2015 05:01:27 PM CET

To: Canberra; OECD Member Posts

Cc: RR : APEC Posts, EU Posts, Paris OECD

From: Brussels

From File:

EDRMS

Files:

References:

s.33(b)

Response: Routine, Information Only

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Summary

The International Energy Agency (IEA) Governing Board (GB) met in Paris on 11-12 February. The key issues on the agenda of specific interest to Australia were Compliance with IEP Agreement Stockholding Obligations, s.33(b)

s.33(b) A number of presentations were provided regarding developments in energy markets that may be of interest.

The International Energy Agency (IEA) Governing Board (GB) met in Paris on 11-12 February. The Australian delegation was led by Dr Chris Locke, Head of Energy Division, Department of Industry and Science (DOIS), and included s.22(1)(a)(ii) (Chargé d’Affaires, Paris OECD), s.22(1)(a)(ii) (Counsellor, DOIS, Brussels), Rebekah Grindlay (Director, Resources and Energy Section, TED), with Kevin Nixon (ED, OPO) and s.22(1)(a)(ii)

s.22(1)(a)(ii) for the item on s.33(b) s.33(b)

2. The key issues on the agenda of specific interest to Australia were Compliance with IEP Agreement Stockholding Obligations s.33(b)

s.33(b)

3. The agenda, along with the following presentations provided at the meeting, are attached for information:

s.33(b)

s.22(1)(a)(ii)

BS627878L

s.33(b)

4. The Governing Board will next meet on 10-11 June 2015.

text ends

Sent by:

s.22(1)(a)(ii)

Prepared by:

Approved by:

Topics:

ENVIRONMENT/Climate Change, TRADE/OECD General

D15; 1102688

5 bags
/ /

s.22(1)(a)(ii)

From: Casey, Robyn <Robyn.Casey@industry.gov.au>
Sent: Monday, 2 February 2015 12:30 PM
To: Grindlay, Rebekah; s.22(1)(a)(ii)
Cc: Boon, Ann; Carpenter, Victoria
Subject: Written report for Feb IEA GB [DLM=For-Official-Use-Only]
Attachments: Archived attachment list.txt

Dear Colleagues FYI

Please find attached Australia's most recent required report to the IEA Governing Board (GB) on stockholding noncompliance. s.33(b)

s.33(b) The IEA GB meets at IEA Headquarters in Paris 11-12 February. As you may know, John Ryan, Associate Secretary, Department of Industry and Science is now Australia's GB rep.

As always, I am happy to discuss any background/questions given new faces since the preparation of our joint report to government last year.

Best Regards

Robyn Casey
 Manager, Liquid Fuel Security
 Energy Security Branch
 Energy Division
Department of Industry
 GPO Box 9839, Canberra ACT 2601
 Ph: 61-2-6243 7767 Fax: 61-2-6162 0211
 s.47F(1)
 Email: robyn.casey@industry.gov.au
 ABN 74 599 608 295

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Australian Government
Department of Industry and Science

Associate Secretary

Mr Edmund Hosker
 Chair of Governing Board
 c/-International Energy Agency
 9, rue de la Federation
 75739 Paris Cedex 15
 France

30 January 2015

Dear Mr Hosker

AUSTRALIAN IEA OIL STOCKHOLDING OBLIGATIONS

I refer to s.33(b) an explanation
s.33(b) about the way in which the data reporting obligations formerly fulfilled by the Bureau of
 Resource and Energy Economics (BREE), will be continued by the Department s.33(b)
s.33(b)

The Australian Government consideration of its stockholding obligation continues to be informed by the Energy White Paper process and the Senate Inquiry into Australia's Transport Energy Resilience and Sustainability. The findings of these processes will inform further consideration of this issue s.47C

I am pleased to be able to provide an update on Australia's progress on improving our data reporting since Australia's last update to the GB in December 2014. As advised in the December report, the BREE was incorporated into the Department within the Economic and Analytical Services Division and is now known as the Resources and Energy Economics Branch. In addition, the Prime Minister announced Machinery of Government changes in December 2014 whereby the Department of Industry became the Department Industry and Science.

These changes have not detrimentally affected the Department's capability or the continued effort to improve Australia's energy and petroleum data and statistics. Significant progress has been made s.33(b) through further developments in data sharing arrangements across Australian Government agencies for energy data and information collected on a mandatory basis. The Department continues to work with these agencies to further enhance our petroleum statistics and thereby our reporting to the IEA. Further detail on these developments is attached to this letter.

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Industry House - 10 Binara Street, Ca

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ov.au
 ustry.gov.au - ABN: 74 599 608 295

Unfortunately I give my apologies as I am unable to attend the February GB meeting. Australia will be represented by Dr Chris Locke, Acting Head, Energy Division, Department of Industry and Science and Ms Clare McLaughlin, the Department of Industry and Science's Counsellor in Brussels.

Yours sincerely



John Ryan
Associate Secretary

cc Mr Pascal Laffont, Chief Legal Counsel, IEA