

ECONOMICS AND INDUSTRY STANDING COMMITTEE

Eighth Report - "Recovery and Recycling of Used Oil in Western Australia: Issues Paper"

MR R.C. KUCERA (Yokine) [9.56 am]: I present for tabling the eighth report of the Economics and Industry Standing Committee, entitled "Recovery and Recycling of Used Oil in Western Australia".

[See paper 3493.]

Mr R.C. KUCERA: As chair of the committee I toyed with the idea of using the title "The Good Oil or the Bad Oil" however, my colleagues overrode that decision.

The report, presented in the form of an issues paper, resulted from approaches made to members of the Economics and Industry Standing Committee from various stakeholders, in particular the motor trade industry and local government. I commend the approach made by Peter Fitzpatrick from the Motor Trade Industry and the informal discussions that we had when he approached me as both the chair and a member of the committee.

This report seeks a longer-term solution to the vexed question of the growing glut of used lubrication oil - lube oil - throughout Western Australia; indeed, throughout the nation. The overarching role of the committee - in addition to the issues that arise from time to time such as the recent request from the Parliament for the committee to inquire into water licensing - is to oversee many of the areas that constitute the collection, processing and marketing of this material; including those government departments for which the committee has oversight.

Preliminary investigations through a series of briefings certainly indicated a current problem with a burgeoning stockpile of used oil. Over the past five years, we have seen a doubling in the usage of lubricants by the resource sector and, indeed, by the motor vehicle trade, particularly since the advent of the larger computerised diesel motorcars that we now see in residential areas. In addition, there has been a failure in the market, which, until two years ago, was annually disposing of some 60 per cent of this material.

Briefings have also revealed that a number of short and medium-term solutions are currently being investigated. At this stage, I commend the Department of Environment and Conservation for its efforts in this regard. I will touch on those efforts in a moment. I commend the department for its interest and for its concern in making sure that this issue is addressed. The department, in turn, is also developing a raft of legislation that will assist with waste control generally.

Plans and proposals are underway for dealing with the whole question of waste oil. Those plans and proposals, if successful, could - I stress the word "could" - provide long-term solutions that the community will inevitably demand. The issue is not confined to Western Australia, nor are the long-term answers confined simply to this state. Eventually, this issue will need to be tackled as a partnership between federal, state and local governments, and the various industry stakeholders, all of whom make up the facets of the ultimate solutions that are required.

The committee sought briefings and information on the extent of the problem, including the cause of both the current glut of used lubricants and the collapse of the pre-existing markets. There is no doubt that there has been a collapse, particularly over the past 12 months. We also looked at the processes necessary for the conversion of waste oil into marketable commodities. We examined the options for the recycling and/or the refining of used oil, and the options currently available, or those that should be investigated, for developing a range of markets for used oil products, because, indeed, this is where the failure has occurred; that is, the breakdown of possible markets and existing markets.

The committee found that according to the 2005-06 statistics, Western Australia uses 522 megalitres of lubricant oil annually. That is an enormous amount of this product. This amount has doubled in the past five years, with the vast majority imported in the form of virgin oil from overseas refineries. This is an important point. We no longer produce lubricant oils in this state. In fact, the BP refinery was the last to produce this product locally. That ceased some time ago. Indeed, most of the storage facilities are now being used for the glut of used oil. In latter years, due to the collapse of the main market for used oil - namely, its use as a fuel source - Western Australia has amassed an enormous stockpile of used lubricants at recognised storage facilities, which I just mentioned, at local waste disposal sites and throughout industry generally. The product is now starting to bank up.

A more worrying aspect, however, is the deficit between the amount of oil that is sold and the amount that is collected each year. It is estimated that some 10 megalitres of this product are unaccounted for annually. This position is reflected right across the nation, and it has been recognised by all tiers of government. Nationally, in recognition of the need to dispose of used oil, the federal government has in place an industry stewardship program that imposes a levy per litre on suppliers at the point of sale. The stewardship fund is then distributed to the various stakeholders that are involved in the collection of this product. It is distributed to those various

stakeholders by way of a graduated subsidy to encourage collection, treatment and marketing of resultant products. The committee found that the levy has been very effective in setting up collection processes, particularly at local government level. However, it has been less successful in encouraging alternative processing, and almost non-effective right across Australia in creating new markets for waste oil products. For instance, Western Australia has relied almost entirely on using one or two industries as fuel sources. However, since the advent of cheaper related natural gas products, particularly in Kalgoorlie, where one of the main markets for this product, the lime industry, has now converted to gas, the market has collapsed.

The nationwide volume of used oil is growing sufficiently to support a number of proposals that were advanced to the committee. These include short-term solutions such as seeking overseas markets for fuel oil. However, the long-term solutions lie in re-refining for lube oil and creating new markets such as bituminous products for road making. This is a very good point, and it is something that we examined both locally and nationally. For instance, some 750 000 tonnes of bitumen products are imported annually into Australia for use by all levels of government on road building and maintenance. The current specifications set nationally and by local government preclude the use of used oil as a bituminous base. Rather than seek a set of standards that would encourage refining of used oil for this purpose, the idea appears to have simply been put in the too-hard basket. In other words, the main roads departments across the nation do not see it as their core business to look at the standards that are set for bitumen products. I have no doubt at all, and the committee had no doubt at all, that should the standards be properly examined, they could be adjusted to allow for the use of this product and in that way almost cater for the vast amount that is currently imported.

Establishing long-term, viable solutions will need much greater government support - not just monetary support, but also the will that government needs to apply; for instance, in the example I just gave of using bitumen products. It is probably fortuitous that we have a new federal government that is willing to work with state governments. There will need to be a refocusing of the Product Stewardship for Oil program to facilitate new uses and to facilitate the setting up of new industries and new products. I might also say that the committee found throughout the motor trades industry and other areas that there is a public appetite for increased contributions to deal with this issue. In fact, many retail repair and maintenance shops, as well as local governments, are now charging a collection fee over and above the levy that is imposed at the point of sale. Many people are paying this, but the practice is not regulated in any way. One would have to ask the question about where this money goes when it is collected, because no evidence was given to the committee that there were schemes flowing from this collection levy that would assist.

From a personal point of view, the spectre of the misuse or the dumping of used lube oils is a very real possibility. As these additional levies are placed upon industry, particularly the motor industry, which is pretty well stretched as it is, there is a very real concern that we will see the kinds of practices that happened in the motor repair industry with the use of solvents, whereby we are seeing the increased dumping of that kind of product in our native forests and, indeed, in areas that could threaten our watertables. The one real concern is the volatility of this product. Just a small amount of lube oil in a potable water source can ruin it for many years hence, and that is a real concern. However, some excellent research is being undertaken, and we were heartened by the reports that we received from the Department of Environment and Conservation and the reports that were provided to us by the various stakeholders that are attempting to set up alternative industries in this area. Clear, but as yet undeveloped, solutions are proposed that would not only deal with the overall glut of used oil, but also dramatically cut the amount of virgin lube oils that are now being imported. This is vital at a time when the spectre of peak oil is looming. It seemed quite surprising to us, as a committee, that we are importing vast quantities of this product and yet seem to be making a limited attempt to actually deal with the product that is already here. Oil does not change in its nature. After the oil has been used in motors, and after the contaminants are removed, some 80 to 90 per cent of the product is just as good as it was when it was first put into motors. It can be quite easily re-refined and reused. The solution is re-refining and the marketing of new products.

The committee was given a number of examples of new products being developed, from point of sale to collection after use to re-refining and then resale as new products. However, the links between those examples across Australia are tenuous. Should one of the dominos in that process fall over, there is a real danger that these proposed solutions will fail. All the key stakeholders who provided information showed enormous enthusiasm and are obviously committed to both the short-term solution of the sale of fuel oil overseas and the introduction of long-term programs, particularly in the re-refining of lube oil, and its supply almost directly, particularly to the resource industry in the state. I need to repeat that used lube oil has the potential to become an extreme environmental hazard. In many of the areas where it is currently being used, there is little supervision, particularly in the mining and resource industries. There is no doubt that solutions exist, and the enthusiasm was there.

The lack of enthusiasm seems to flow from the lack of will on the part of the federal government, in particular, to extend its subsidy scheme to create additional -

Mr P. Papalia: The previous federal government.

Mr R.C. KUCERA: Yes, the previous federal government; I thank the member for Peel for that point. I hope that the new era that has dawned will see a change in this area, but I do not want to get into politics during the presentation of this report. The solutions do exist, and it is imperative that governments at all levels support the establishment of a seamless, circular process for the use, re-refining and reuse of lube oil products. That has the potential to do away with this problem. If all the proposals that were presented to the committee came to fruition, I doubt that there would be sufficient used lube oil to support them all. That will become an issue in deciding at local, state and federal government levels which of those solutions will be fully supported.

As chairperson, I express my thanks to all the committee members, firstly for accepting my role as chair in the first of the major reports that I have been involved in preparing. I thank my deputy chair, the member for Greenough, who is currently sitting in the chair of the house; the member for Maylands, whose expertise on the damage that this product can do to the human body was very much appreciated; the member for Collie-Wellington, who has been involved in the mining industry for a long time and knows full well the issues that can arise and the environmental and economic savings that can be made; and the member for Serpentine-Jarrahdale, for his balanced views on this issue, allowing us to present evidence that was vital to this report. I also thank Dr Loraine Abernethie. I am amazed at her enthusiasm and her capacity for work; if I had a quarter of that capacity, I would just about rule the world. She has an amazing capacity for work, and the way she cuts through the levels of BS is quite amazing; she is to be commended. I also commend Peter Frantom, who is leaving the committee and also Parliament. I extend my best wishes to Peter and his family, and thank him for the enormous amount of work he has done not just for this committee, but during the entire time he has been associated with the Parliament of Western Australia. I also thank all the stakeholders who gave freely of their time and resources.

The report is designed to highlight the work of people at present in the government, including in the Department of Environment and Conservation, and the people working on this issue right across the nation to come up with permanent solutions. It is vital that at all levels of government we reinforce the need to support their efforts. To this end, it is the intention of the committee to revisit this area one year hence to examine what progress has been made and to report back to this Parliament on progress made by government departments and the stakeholders we interviewed.

Finally, I wish all members of Parliament a joyous and peaceful Christmas. I look forward to seeing them all here - in whatever role they may be occupying - next year. I commend the report to the house.

MR M.P. MURRAY (Collie-Wellington - Parliamentary Secretary) [10.15 am]: I support the words that have just been spoken and the report of the committee. I also thank the research officers, Dr Loraine Abernethie and Peter Frantom, who have done a magnificent job in a very short time to bring about this report.

It is important to note that lube oil does not wear out, and we continually waste it. With the oil crisis facing the world in the future, many forms of alternative energy are being discussed. However, when we consider that oil does not wear out, we can see that our recycling efforts are very poor. The issue of waste oil was brought very strongly to the attention of the committee by local governments and other collection agencies as well as the refiners, and there is a lot of work to be done to make sure that this valuable resource is not just burnt. I am sure most members of the committee would agree with that. Oil can be re-refined right back to its original state. It may be an extra cost, but what will be the cost to the future if we do not do it? This is something that we have not looked at hard enough, because it is so easy, as large companies do, to buy a tanker full of oil to meet requirements and then dump it when it is used, as the previous speaker said.

It is refreshing to see that many local governments - they are listed in the report - have recycling services that previously were not available. The backlog has resulted from people beginning to use those services. I have seen the recycling facilities in Collie, where many oil containers have been left by people who do their own services on their cars. We could take a leaf out of the air conditioning industry, which has a policy of not providing new gas for air conditioning unless the old gas is returned. There may be a percentage of loss in the case of motor oil through burning or leakages, but there should be a recycling program under which waste oil is brought back before a new lot of oil is issued. I am sure that that will change the industry, and I am sure industry would complain very loudly about it. In remote camps in the mining industry, which might be 1 000 kilometres out in the desert, it is very costly to recycle, and one can only guess what happens in those areas. I hope that the right thing is done, but I am sure that some shortcuts are taken at times when the margins are very slim, although I am not pointing the finger at anyone in particular. Those issues must be addressed. Just because a mining company operates in a remote area does not remove the necessity for it to be environmentally responsible. Waste oil must not be tipped into landfill or poured down a drill hole, as happens from time to time. It is a major issue. It is disappointing that the large oil companies around the world have not embraced waste oil recycling technology. They say it is too expensive and they do not qualify for the rebate. However, they have a social

responsibility. Currently, the oil companies are making huge profits out of the industry. Oil prices have never been higher and they fluctuate without the barrel of oil price changing. It is about profits and sharing the risks. They are not putting their hands in their pockets and saying, "There is a problem here; let's fix it." It is a sad state of affairs when we see the way the corporate world projects its image through nice photos in glossy documents. In spite of that, those companies have a responsibility to ensure that they share their load of the recycling burden. After all, the planet is theirs as much as it is ours. That must sound strange coming from somebody with a mining background. However, I have seen what has happened in the mining industry and it is not nice. I must admit that there has been a change for the better, but the mining companies have not gone far enough.

The backyard mechanics pour waste oil down the drain or into the sewerage system and that causes problems. That will change through education. Currently, we do not educate the public on this issue. In the end, some deep thought must be given to the oil cycle - out of the oil well, into the car engine, out of the car engine and recycled. The recycled oil can be reused again and again. I cannot stress the importance of recycling oil. Oil gets contaminated, but it does not break down. We should look always to encourage the industries to ensure this happens. I used as an example the air conditioning industry.

I would like to thank the people who contributed to the report. The views on this issue vary. The local shire councils are anxious about the collection of waste oil. Having erected the tanks in good faith they are now being charged for the removal of the waste oil, which is something they had not budgeted for. Noises have been forthcoming from local governments about a subsidy because to them the removal of waste oil has become a cost that was not envisaged. At one time the removal of waste oil had a cost associated with it, but that cost was borne by the people who took it away and onsold it. Now there is a glut of waste oil, due mainly to the practices of the mining industry. The profits from removing the waste oil are not large enough; therefore, collectors must impose a removal charge. We cannot blame them for that. I hope people in the shires take note and do not get off the bandwagon, because it would cause further problems.

Oil spillages can create problems that can last for many years. Members would be aware of some famous cases of oil spillages around the world that are still creating a problem. On a smaller scale, the effect is the same if waste oil is poured down a drain and a recycling service is not used.

I commend the report to the house and thank my colleagues for the work the committee did in a very short time. There is a problem in the community and we need to fix it.