

Dear All,

Following is an update on the risk of urea (AdBlue) shortages, prepared by DELWP Energy in consultation with DJPR and DoT. It includes key messages and a situation update.

DELWP, DJPR and DoT will continue to monitor the situation and liaise with DISER, the Australian Institute of Petroleum, VicFreight and other departments and agencies with an interest in the AdBlue shortage.

All sectors in Victoria should review and update business continuity planning to prepare for an AdBlue shortage and implement preparedness and mitigation actions where possible.

Further updates will be provided as new information becomes available – DJPR has flagged this is likely to include further information about industry impact and work underway within DJPR.

The key messages are:

- We are aware of an approaching global AdBlue shortage that will impact Australia.
- Initial indications are that the shortage will begin being felt across sectors by February 2022, however individual users and sectors may be impacted earlier.
- the Commonwealth are leading the response to the shortage, including exploring options to mitigate the impacts on affected sectors and supply chains.
- the scale of the impact on different sectors (including freight) is still being explored, noting that 2019 data shows 40% of Victoria's heavy vehicles rely on AdBlue.
- The Victorian Government is continuing to monitor the situation and liaise with the Commonwealth and industry, and seek new information particularly on the scale, duration and timing of the shortage.
- All sectors (including the Water sector) in Victoria should review and update business continuity planning to prepare for an AdBlue shortage and the impact this may have on their supply chains, and implement preparedness and mitigation actions where possible.

Situation as at 8/12/2021

Urea, a by-product of the natural gas industry, is used as agricultural fertiliser and to produce AdBlue, a diesel exhaust fluid which helps vehicles comply with national emission standards.

In late October/early November 2021 China, who supplies 80 per cent of the Asia Pacific region's urea, restricted its urea exports to protect its own domestic supply.

On 3 December DELWP and DJPR were advised approaching global AdBlue shortages, which will also impact Australia. Initial analysis by the liquid fuel industry and other sources indicates the shortage will begin being felt across sectors by February 2022, however individual users may be impacted earlier.

Vehicles with modern diesel engines (compliant with Euro4 emission standards and onwards) use AdBlue and cannot operate in compliance of emissions standards without it. Vehicles may be able to continue to operate with some modification of engine and/or control systems, but this may place them in breach of emissions standards.

Ambulance Victoria has raised concerns about the potential impact of shortages on its fleet and operations.

There has been increased media interest in this event since 3 December 2021, particularly referencing industry calling on the Commonwealth Government to lead a response.

Commonwealth Government response

The Commonwealth Government is currently leading the response to this issue.

Minister Taylor has been made responsible for coordinating the Commonwealth Government's response. The Department of Industry, Science, Energy and Resources (DISER) is working closely with the Department of Prime Minister and Cabinet, the Department of Foreign Affairs and Trade and relevant industry groups and organisations.

The Commonwealth Government convened Interdepartmental Committee meetings on Friday 3 December and Monday 6 December and is hosting an industry roundtable on Wednesday 8 December 2021. The roundtable will include representatives from multiple sectors, including from liquid fuel, vehicle manufacture and urea production/import businesses.

The Commonwealth Government is managing the AdBlue shortage as an industry and supply chain issue. It is likely that a National Cabinet Meeting (NCM) will be called, although the timing is yet to be confirmed.

It is unlikely that the National Oil Supplies Emergency Committee (NOSEC) will be convened. AdBlue/urea are not defined as liquid fuels. The liquid fuel industry does not hold a response role, as it is an end-user of AdBlue, which is imported into Australia through a fully third-party supply chain.

On 3 December 2021 DELWP sort advice and information from the Energy Emergency Management team in DISER, the Australian Institute of Petroleum (on behalf of the liquid fuel industry), and VicFreight (part of the Victorian Department of Transport) to better understand the impact of and response to this event.

Potential impacts on critical infrastructure sectors

Shortages will impact sectors that rely on diesel, including diesel dependent freight and generators.

In 2019 VicFreight noted approximately 40 per cent of Victoria's heavy vehicles require AdBlue. VicFreight is sourcing more up to date data to inform analysis of potential impact. Many emergency services vehicles use diesel, including the Ambulance Victoria fleet. Other sectors, including agriculture, food and grocery, manufacturing, mining, and freight and logistics (including liquid fuel distribution trucks) are heavily dependent on diesel vehicles and diesel generators.

Backup diesel powered generation is used extensively by Victoria's critical infrastructure and community assets across all sectors during power outages. Large scale diesel generators are also used as fuel-switching options for some of Victoria's gas-powered generators. DISER has noted the risk, and has committed to keeping DELWP informed of any new analysis or intelligence they receive on this potential impact.

Next Steps

DELWP, DJPR and DoT will continue to monitor the situation and liaise with DISER, the Australian Institute of Petroleum, VicFreight and other departments and agencies with an interest in the AdBlue shortage.

Further updates will be provided as new information becomes available from the Commonwealth Government or other sources, particularly on the scale, duration and timing of the shortage, and the impact to essential services and critical infrastructure (including business continuity in the event of power outages).

All sectors in Victoria should review and update business continuity planning to prepare for an AdBlue shortage and implement preparedness and mitigation actions where possible.

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Regards,

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