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HD **BP to close Bulwer Island refinery**

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Undecided on whether to convert plant into an import terminal

BP Australia will cease refining at its 102,000 b/d Bulwer Island oil refinery in the east coast city of Brisbane by mid-2015, making it the fourth of Australia's original eight oil refineries to close.

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"Over the years we have invested heavily in Bulwer," company President Andy Holmes told a live broadcast press conference in Melbourne Wednesday.

"A major upgrade [in 2000] to make low sulfur fuels was about trying to improve our competitive position, but the business environment has changed. The emergence of very large, modern export-based refineries in Asia that can operate at a much lower cost base has transformed the industry and presented the Bulwer operation with an insurmountable challenge."

Holmes said the decision would not impact Australia's energy security.

"Australia is well served by diverse, regionally integrated and reliable supply chains. We know from experience that these supply chains have effectively and efficiently delivered competitively priced fuels to customers through disruptions and through the demand growth that we've experienced both domestically and in China," he said.

"Also, as Australia is a price taker in the region, the decision whether to refine or to import petrol does not have an impact on Australia's wholesale or retail fuel prices."

BP also operates a 146,000 b/d oil refinery at Kwinana in Western Australia, which Holmes said had an advantage in both the feedstock it could process and its ability to produce modern, high-octane fuel.

"Provided [Kwinana] continues to deliver best in class safety and reliability performance and it continues to improve its efficiency, we believe it has a strong future," Holmes said.

He conceded however, the BP could not give "open-ended commitments to any parts" of its business.

Australia's refining and marketing sector has undergone significant restructuring in recent years. The industry is characterized by aged facilities with capacities of around 100,000 b/d and all four domestic refiners—BP, Caltex, ExxonMobil and Shell—have struggled to compete with new, larger plants operating in the Asian region.

ExxonMobil mothballed its 78,000 b/d refinery at Port Stanvac in South Australia in mid-2003, and Caltex is implementing plans to convert its 135,000 b/d facility at Kurnell in Sydney into an import terminal later this year.

Shell Australia converted its 79,000 b/d refinery at Clyde in Sydney into an import terminal in September 2012 and two months ago, the company sold its 120,000 b/d Geelong plant and 870-site service station network to European trader Vitol for $2.6 billion.

According to figures from the refining industry's Australian Institute of Petroleum, national consumption of oil products was 949,500 b/d in the financial year ended June 30, 2013. The domestic refineries produced 635,900 b/d of products, of which around 9% was exported, with net imports from more than 20 countries accounting for about 40%, or 387,800 b/d, of total consumption.

Holmes said that as refineries had closed, the industry had shifted its focus to investment in product import facilities around Australia's coast, to take advantage of the supply overhang in the region.

"In future, the industry will channel investment into product imports and distribution infrastructure and sharing, rather than duplicating, should be the norm," he said.

Caltex-BP supply agreement

In a separate statement, Caltex Australia said it had signed an agreement to supply BP with gasoline and diesel from Brisbane's other refinery, the 109,000 b/d facility it operates at Lytton. The supply contract will "provide ongoing safe and reliable supply to BP, and enable Caltex to place more of its Lytton refinery production in Brisbane," Caltex CEO and Managing Director Julian Segal said.

In order to supply BP's terminal on the north side of the Brisbane River, a new pipeline and associated works costing around A$30 million ($28 million) will be constructed by Caltex from its Lytton refinery and fuel storage facilities on the south side of the river.

Holmes said alternate arrangements would also be made to import jet fuel.

The **company** added that it expected the implementation of changes required to maintain supply and safely shut down the process units would take around 12 months.

Once processing has been halted, the import jetty, aviation fuel tanks and associated pipelines will remain operational while other storage tanks and pipelines will be placed on a care and maintenance basis pending a decision to convert the **site** to a multi-product import terminal, BP said. Holmes added that in the medium term there was a "very strong case" to convert Bulwer **Island** into a full import terminal.

BP's current staff of around 380 at the refinery is expected to fall to about 25 after the closure. The plant also employs around 300 contractors, some of whom will be retained.

Australia's wholesale and retail sector has also seen rationalization and increased entry by independents and international players. The number of retail sites across the country has decreased from 20,000 in 1970 to around 6,300 in 2013, although the reduction in numbers has plateaued since the mid-2000s.

BP supplies transport fuels to around 1,300 service stations, and has a 15% share of the Australian retail fuel market by brand.

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