

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into unconventional gas in Victoria

Sale — 30 June 2015

Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Shaun Leane

Ms Melina Bath

Ms Gayle Tierney

Mr Richard Dalla-Riva

Mr Daniel Young

Participating Members

Mr Jeff Bourman

Mr James Purcell

Ms Colleen Hartland

Mr Simon Ramsay

Staff

Secretary: Mr Keir Delaney

Research officer: Ms Annemarie Burt

Witness

Ms Mary Aldred (affirmed), chief executive officer, Committee for Gippsland.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — Welcome, Mary. If you can just give us your name and contact address, that will enable us to circulate transcripts and so forth.

Ms ALDRED — My position is chief executive officer of the Committee for Gippsland.

Ms SHING — Business address?

Ms ALDRED — It is [REDACTED].

The CHAIR — Mary, we will just ask you to make an opening statement and then we will ask some questions.

Ms ALDRED — Thank you to this committee for the invitation to provide input into the inquiry into unconventional gas in Victoria. By way of background, the Committee for Gippsland was officially launched in 2011 and is a not-for-profit, industry-led advocacy organisation for the Gippsland region. We have nearly 90 member organisations ranging from community groups and not for profits, a university and TAFE, through to large ASX-listed businesses and sole trader organisations. Industry sectors include food processing and agribusiness, transport, manufacturing, higher education, retail and small business, tourism, energy and resources, and the electricity and water utilities sectors. We advocate on priorities that are of benefit to the Gippsland region via policy submissions, workshops and advocacy. The Committee for Gippsland's vision for the region is to help make Gippsland a premiere destination in Australia to live, work, invest and play.

In approaching the issues under consideration by this committee, the Committee for Gippsland's response is based on the following framework. Firstly, that safety and the environment are paramount. There is no stepping back from these imperatives. There needs to be absolute regard for water, land and the environment. The evidence on this needs to be determined by expert advice. At times there has been potential for parts of this debate to be overridden by highly vocal activists, and that has at times clouded a fact-based approach to some very important issues. Everyone is entitled to an opinion, but expertise on scientific and highly technical areas should be determined by those who are actually qualified to make such determinations.

Beyond the immediate discussion around onshore natural gas exploration, Victoria, as well as other jurisdictions, has the potential to undergo a future energy supply deficit. Victoria is still home to many energy-intensive trade-exposed manufacturing businesses which rely on the affordability and availability of gas as their primary energy source. Australian Paper in Maryvale is a perfect example of the type of business that has a large chunk of its future predicated on Victoria being able to navigate its way through this difficult public policy debate and come out of it on the other side with its future manufacturing capacity and competitiveness intact.

Manufacturing businesses are already under immense pressure, and one of the reasons for this is around supply and price of energy. Australian Paper has already announced that manufacturing operations at its Shoalhaven, New South Wales, site will close this year. If Australian Paper closed its Gippsland operations, the impact would be catastrophic for thousands of jobs, small businesses and the livelihoods of many in our region. Australian Paper's current gas contract will come to cessation in the near future, and it is my understanding that it has not been able to secure a new contract at the present time. It is also not in a position to be able to pass through the price increases it is experiencing on its energy.

Australian Paper is not alone in its concern around energy supply and security. The CEO of a major dairy processing company in Gippsland wrote to me during the previous government's consultation period and said:

I am increasingly aware of the pressure on gas prices that we are facing and believe Victoria is staring down the barrel of gas doubling within three years. Onshore gas isn't necessarily a supply remedy but it could provide a competitive advantage, especially to Gippslanders.

There is real concern about gas pricing and availability from a wide range of manufacturing businesses in Gippsland. Their ability to remain competitive and in some cases just merely viable, particularly when they face strong international competition, is a real issue that the community and government need to face up to. With the car manufacturing industry already undergoing a phased exit from Victoria, we cannot afford to lose our remaining manufacturing base, and they cannot afford to continue to absorb avoidable duress.

Social licence is a big issue, and it needs to be considered as central to this discussion. Industry and businesses need to earn a social licence to operate, and the Committee for Gippsland believes there is scope within government agencies such as Regional Development Victoria to play a more proactive role in ensuring communities have access to factual and evidence-based information. Without that there is a vacuum quickly filled by other groups ready to impart their own facts, which are not always accurate and often do nothing to promote reasoned and informed community discussion. Government agencies can help to play a facilitator role that will assist in guiding an evidence-based discussion on this issue.

A lot of passionate rhetoric has been injected into this public discussion, and it has not always been entirely accurate or respectful of a diverse range of opinions on the subject. The community should have the right to be informed in a factual way and the previous government's public information sessions and independent facilitators around the state sought to help enable this. In contributing views on this issue, people also need to be able to feel free to speak frankly, even if their public opinions do not always accord with those of particular groups. That was a point made at times to a number of facilitators in the previous government's public consultation process on this.

The committee may be aware that in September 2014 a Deloitte Access Economics report was released on gas markets in Australia. It profiled Australian Paper as one of its case studies. It noted that Australian Paper operates three key facilities on Australia's east coast, including in Gippsland, which accounts for more than 95 per cent of Australian Paper's operations. The mill produces more than 580 000 tonnes of paper each year and is the largest private employer in Gippsland. It recently celebrated the opening of a \$90 million wastepaper recycling plant that will divert around 80 000 tonnes of wastepaper from Australian landfill. There are thousands of jobs and hundreds of contractors and small businesses whose livelihoods are tied to that business and the sustainability of many other communities in Gippsland. It cannot operate, though, without affordable and available fuel.

There is understandable concern about aspects of gas exploration, with legitimate questions asked. There is some concern in the community about the potential impact on the environment and agriculture in the Gippsland region. Many people who have raised these concerns are entirely legitimate and well-founded in their trepidation or opposition. There is an aspect of it, though, that has been fanned by a philosophy opposed to any form of mainstream energy development. Quite often the same groups that are running campaigns against onshore natural gas also have a fundamental opposition to coal-fired energy generation and at the other end of the spectrum even wind farm development. At some point it begs the question about how consumers can access affordable energy and how industry can continue to make things in our state.

Concerns about agricultural land, water and property rights need to be absolutely and fundamentally addressed in any part of this discussion via an engaged and informed community. This is where factual information and expert advice need to prevail on the outcome. This inquiry and before it the previous government's review and report have sought to facilitate important community engagement and investigate the scientific evidence required to make fact-based conclusions on the issues raised. That should be commended. At some point, though, industry needs both policy and investment certainty to make longer term decisions.

There has been a moratorium on gas exploration in Victoria for nearly three years. Either the evidence will be weighed up when the government considers the findings of this inquiry and there will be no capacity for an industry in Victoria to develop, or there will be an opportunity under tight regulations and rigorous safeguards. A decision either way is better than permanent indecision. Coming to no decision will adversely impact communities, industries and, more broadly, manufacturing businesses like Australian Paper which are already weighing their future ability to continue to operate.

The CHAIR — Mary, can I thank you for that submission and follow up with a couple of questions. I am particularly interested in this Deloitte study on the gas market. That is the eastern seaboard?

Ms ALDRED — That is correct, Chair.

The CHAIR — Yes. Is there work that looks specifically at Victoria — and even a step more narrowly, Gippsland — in terms of the gas market?

Ms ALDRED — They did a number of case studies in this particular report, and Australian Paper was one of them, along with agribusiness — with a particular food company which was outside Victoria — and another

manufacturing business. What they sought to do was look at a broader spectrum of energy-intensive, sometimes trade-exposed businesses and how their future competitiveness and profitability is impacted by the supply and availability of energy to their businesses.

The CHAIR — What I am trying to understand here is that essentially what I think you are trying to say is that there is evidence that if there are not new gas sources found, there will be increased costs and reduced or uncertain supply for industry in Victoria but more specifically in Gippsland.

Ms ALDRED — That is correct, Chair. Looking at the available evidence from that report and a number of other studies undertaken, there are two key challenges emerging. One is for industry, which I have touched on in my statement, but also for consumers. There is a very important issue around potential fuel poverty but also more broadly for consumers who cannot afford to pay any more than they are already paying for household energy.

The CHAIR — What is fuel poverty?

Ms ALDRED — Fuel poverty is something that in international markets — it has had quite a lot of coverage in England, where people literally cannot afford to pay their utility bills and suffer as a result of that. For example, there are pensioners in winter who cannot afford to pay their heating bill and so on.

Ms SHING — Hi, Mary. I have noted from your contribution today and also from my own understanding of what C for G's membership comprises that you have members who are directly invested in areas where relief for gas pricing is a priority, but also you have members for whom the future of the dairy industry and primary production in agriculture is paramount. So in terms of representing your members and understanding their respective positions on risk as far as risk to gas availability on the one hand versus potential for damage to agricultural product on the other goes, how have you formulated a position as the Committee for Gippsland that takes account of these tensions within your membership?

Ms ALDRED — Sure. As you would be aware, Deputy Chair, having had an extensive engagement with our organisation and a lot of our member businesses, we have a very broad spectrum of membership. We have got Australian Paper as a member. We have got water utilities as members, as well as dairy processors, Esso Australia and Lakes Oil as members — so a very broad spectrum of membership. We consult extensively with those members, but at the end of the day our policy positions are brought to the fore on the basis of overall benefit for the region, not one commercial interest for a particular member.

Talking to our dairy processing members, they obviously have dual considerations of being an energy-intensive business but also being very concerned about environmental and land stewardship and wanting to ensure that in securing energy for their business there are no adverse effects to land or environment as well. So we have been able to encapsulate very broad, sometimes not always agreeable with one another, input on this issue.

Ms SHING — And from the agricultural perspective in terms of looking at everything, from — I don't know — green leafy vegetables right through to beef production, have you formulated any sort of specific position around the concerns those members of the Committee for Gippsland hold around potential risks to the land?

Ms ALDRED — The main area of feedback — and we consult regularly and often — is around energy supply and energy security. There are overall comments about the need to protect agricultural land, water and soil, but specifically it often comes back to energy availability.

Ms BATH — I was just going to ask a similar thing in terms of dairy production and dairy farming in general, and I am wondering whether or not in your 90-odd membership there is a group of representatives from the dairy industry there. Are they concerned? Do you talk to them, or is there discussion around the vetoing rights within that, Mary?

Ms ALDRED — Property rights are absolutely important to this discussion. Certainly the Victorian Farmers Federation has had a bit to say on that, and broadly we would support what they have said around vetoing rights and property rights.

Mr LEANE — I am just trying to get my head around the Committee for Gippsland and the concern the committee has about accessible, affordable energy supply, which leads the committee to believing that coal

seam gas exploration could be an answer. The concern I have is that we are only at a point where there is potential exploration to see if it is actually there. So if it is not there, what is the further answer? If it is not there, is the committee lobbying for some wind generation as a backstop if this is the policy and respective policy? If that is the committee's policy, is there a backstop, or is there a second or third or fourth answer that the committee could look towards, considering the dire concerns the committee has with some of the major employers and companies in Gippsland?

Ms ALDRED — We are certainly very interested in continuing to engage with particularly large energy users in the region, but we take a fuel-neutral approach, so we would not go out and earmark only wind generation, for example, to go and continue to develop. We are interested in looking at a range of technology opportunities that can benefit businesses, industry and communities in Gippsland. If expert advice comes back to this inquiry or the government and says, 'Actually, there is really limited to no opportunity in pursuing this particular avenue', then we would accept that and work with industry, government and other stakeholders to pursue other opportunities that would be able to provide a viable fuel source to those businesses.

Ms HARTLAND — I have two questions. I was interested in your comments about how you thought that the community consultation had been very well done. In evidence given to us from the shires this morning they felt that it was very poor. The evidence we have had from communities this afternoon was that they have felt it was very poor. So I am trying to understand how the people who have actually needed to be engaged in that consultation feel that it was very poor, yet you felt that it was quite good — or your organisation felt it was good.

Ms ALDRED — I do not think I used the words 'quite good' or 'very good'; I think I said this government's inquiry and the previous government's efforts at community consultation were commendable, and in speaking to the facilitator as part of the previous government's inquiry, it was very good to have the opportunity to be able to put those views in that forum. But I cannot speak for other stakeholders' experiences.

Ms HARTLAND — Could you also talk about your organisation in terms of — does everybody who belongs to your organisation support unconventional gas exploitation?

Ms ALDRED — No, I am sure they do not.

Ms HARTLAND — All right. That was not clear from your presentation. Could you give us an idea of how many members do support it and how many members do not?

Ms ALDRED — I could not, no.

Ms HARTLAND — Would you be able to supply that to the committee?

Ms ALDRED — That would depend on individual businesses having a stated view. As you can understand, there are many individuals and many individual businesses that do not have a stated formal view on that issue, and if they feel strongly about it, they are very entitled and welcome to forward those views.

Ms HARTLAND — But you are presenting today on behalf of your committee, which has a range of organisations, and I felt from your presentation you were saying that your organisation totally supports —

Ms ALDRED — No, I do not think I did say that, with respect.

Ms HARTLAND — I would have to go back and read it again, but that was clearly the impression I was getting. I would like that clarified. So you are saying that your committee does not totally support unconventional gas, or it does, or some of your members do, and some of them do not? I am sorry. I am just confused about what you are saying.

Ms ALDRED — Sure. Just to help you, we are very concerned about large manufacturing businesses in Gippsland not having availability and affordability of fuel, whatever generation source that may entail into the future. We are also concerned that there be an evidence and fact-based approach to this issue. I do not think that is unclear.

Ms HARTLAND — I will go back and re-read, and I will probably email you some questions, because I do not think that was clear at all.

Ms ALDRED — Okay.

Mr YOUNG — It has been suggested as recently as today that an export market created from this gas would drive costs up. How would you counter that argument, and what do you think could be done to mitigate that?

Ms ALDRED — I would not put a counter argument to that. I would suggest that there are some very comprehensive studies and economic modelling that might be able to provide some more insight on that.

Mr DALLA-RIVA — Thanks, Mary, for presenting on behalf of the committee. I know this has sort of been touched on, but I have consistently asked during the day about the issues of the dairy industry and the agricultural industry, which are very important for export, and also about issues relating to the impact of having the unconventional gas industry placed in the area of Gippsland. Is there a view within the Committee for Gippsland about potential adverse impacts internationally from having such an industry in what is classed as a world-class dairy industry?

Ms ALDRED — Dairy is crucially important to Gippsland. We produce about 26 per cent of the nation's milk output. We have some incredibly important dairy processing projects underway at the moment. For example, Murray Goulburn in Leongatha have invested about \$20 million in outfitting their factory to be able to produce infant milk powder and export that to China — likewise Burra Foods in Leongatha. We are not just aiming to be the food bowl of the country, but the delicatessen of the world — being able to have that capacity to manufacture very high-value products and export them to international markets. Part of that is going to be predicated on being competitive and having affordable and secure access to energy; and for energy-intensive businesses like dairy processors and even at the farm gate, dairy farms, as a prominent producer area, having long-term certainty of planning availability in that energy area is crucially important to the ability of Gippsland's dairy sector to be able to develop at a world-class level.

Mr DALLA-RIVA — I understand the argument for low-cost energy and world-class facilities. There is an underlying assumption in your argument that, by having onshore gas, all of a sudden gas is going to be cheaper. Is there any evidence to suggest that is the case?

Ms ALDRED — With respect, I do not think I put that argument.

Mr DALLA-RIVA — Let us track back. I think we have all picked that as maybe a distant connection. I certainly got that as a direct connection, but correct me if I am wrong. We had world-class — —

The CHAIR — I think it might have been about supply, the reliability —.

Mr DALLA-RIVA — The supply of gas.

Ms ALDRED — With respect, Mr Dalla-Riva, there are two distinctions here. One is the availability of gas, because a lot of manufacturing businesses use gas as their primary source of energy fuel.

Mr DALLA-RIVA — Yes, I understand that.

Ms ALDRED — We are emphasising that as an important issue but certainly not making the direct correlation that exploration of onshore natural gas is the absolute answer to that.

Ms SHING — Richard, to clarify, there was a quote that Mary made earlier from a member about gas price increases. I think she read out that onshore gas is not necessarily a remedy, but it could provide — I am paraphrasing here — a competitive edge, so I think that probably gets to the heart of saying that it might provide some stopgap.

Ms ALDRED — Thank you, Deputy Chair.

Ms SHING — But it is not certain as to what it might do down the track.

Mr DALLA-RIVA — So there are no benefits by having onshore unconventional gas for the manufacturers directly.

Ms ALDRED — That is not a position I am putting forward.

The CHAIR — There may be. Is that what — —

Ms ALDRED — Yes.

Mr DALLA-RIVA — I am clear, I think.

Mr RAMSAY — Thank you, Mary. It is refreshing to hear from committees of towns and cities, because they tend to have more of a helicopter view about long-term strategies and investments, and you are quite a contrast from the council, which this morning took a view that was very strongly reactive to this issue. You take a longer term regional development and economic view. It is important for us to have that balance, and you have certainly raised issues around security of water and all the other things.

The bit I wanted to pick out was you said a decision is better than no decision, and I remember what the Greens — and in fact Ms Hartland — said when we talked about the RET and the indecision that was happening in Canberra that it was stifling investment in renewables, and we needed a decision.

The CHAIR — This might be beyond the terms of reference, I think.

Ms SHING — It a bit early for dinner party conversation, is it not, Simon?

Mr RAMSAY — The VFF considered an extra two-year moratorium in relation to their policy position, and they believe that would give enough time to provide the science, the community engagement and all the things we have talked about all day for a decision to be made one way or another. I am just wondering: has your committee, your membership, got a time frame when you might feel that a decision could be made in relation to whether the government will support exploration licences into coal seam gas onshore?

Ms ALDRED — Steering away from discussion on the national renewable energy target, I think the previous government's inquiry and consultation phase, the current government's inquiry and consultation phase and I understand the energy minister spoke in Melbourne this week and indicated that that would be considered in December this year — I think that is an appropriate time frame to collect evidence, engage with the community and come up with a decision.

The CHAIR — Mary, thank you. That is fantastic, and I really appreciate this. The secretariat may be in contact with you on a number of these points, and I am particularly interested to hear from a number of those industries. We may come back through your body to talk to those industries to actually understand the specific effects.

Ms SHING — Through you, Chair, can I ask Mary: I assume that members of the Committee for Gippsland have also been encouraged to make their own individual submissions.

Ms ALDRED — Yes.

Ms SHING — They are not simply relying upon one collective — that might then flesh out the issues, Colleen, that you were raising in relation to individual positions on the issue. Good. Thank you.

Witness withdrew.