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Dear Sir,

RE: Inquiry into Unconventional Gas in Victoria

Thank you for the opportunity to make a submission on the important issue of securing Victoria's energy future in an economic and environmentally sustainable manner. Australian Paper (AP) notes that a number of enquiries have been initiated, both by Federal and State bodies, over the years but, as yet, these enquires have not resulted in a balanced energy policy for our Nation.

Australian Paper

Australian Paper is owned by the Japanese-based organisation, Nippon Paper Industries (NPI), which is the 6th largest paper manufacturer in the World and has an overseas network of manufacturing companies and affiliates in Asia, Oceania, Europe, North and South America and Africa, covering production of pulp, paper, timber and chemicals.

Australian Paper is Australia's only manufacturer of fine white papers such as the well-known Reflex brand of copy paper, and employs approximately 1200 people at its Manufacturing facilities in the Latrobe Valley & Preston along with its head office in Mount Waverley. Australian Paper spends over \$700 million annually, over 95% of this in Victoria.

Independent studies by the Western Research Institute confirm that full-time employment of close to 6,000 people is created by Australian Paper. Furthermore Australian Paper significantly underpins all 21,000 forest industry jobs in Victoria through our integrated use of the primary renewable raw material for making paper - wood fibre.

The Western Research Institute has also confirmed that significant economic multipliers apply. Australian Paper drives over \$750 million in GDP and over \$430 million in Government revenues to Australia annually.

Australian Paper has just invested \$90 million in Australia's only office paper recycling facility forming a part of over \$1 billion in capital investments made by the company over the past 15 years, all in regional manufacturing in Victoria.

Our energy-intensive trade exposed (EITE) operations at the Maryvale Mill pulp and paper facility consume some 18PJ of energy annually making us one of the largest, if not the largest, energy users in Victoria. Some 55% of our energy requirements are generated on site from renewable energy and we have the largest bioenergy power plant in Victoria accounting for 42% of the installed bioenergy capacity of Victoria. Our renewable energy power plant, fuelled by Black Liquor, typically generates in excess of 240 GWh of electricity each year. The balance of our energy demand is purchased through contracts for the supply of electricity and natural gas, typically purchasing 7-8 PJ per annum of natural gas for the mill's requirements.

Gas Market

All of AP's investment and contribution to the Victoria is currently at risk due to the failure of the gas markets to provide long-term competitively priced gas to manufacturers and industry. Historically, AP has, along with other major industrial customers, been able to rely upon competitive long-term gas supply contracts to underpin its business and business investment. Such supply contracts are no longer available in the current gas market. Competition to supply AP's gas does not exist and a one-year or two-year supply contract is the best outcome if you can get an offer at all.

The lack of an holistic energy policy has contributed to the failure of the gas market but this has been significantly exacerbated by the actions of the Victorian and NSW jurisdictional governments in placing bans or moratoria upon all on-shore gas development, effectively creating a gas supply & demand imbalance versus the major liquid natural gas export facilities now in operation in Queensland.

Unconventional Gas

There are many forms of unconventional gas: CSG, Tight, Shale and Methane Hydrate to mention but a few. A major failing of existing moratoria is to lump all forms of unconventional gas together when in fact the gas is found in various geological strata and can be extracted using an number of techniques. It is recommended that the Standing Committee acquaint themselves with the Australian Council of Learned Academies publication "Project 6 Engineering Energy: Unconventional Gas Production" final report for a comprehensive report on both the types of unconventional gas and the issues to be resolved in bring gas to market.

It is readily apparent that one size does not fit all when considering ways and means of bringing on-shore gas to market. It is imperative that the various types of gas, and the means used to extract said gas, are considered individually and on merit. In particular, the issue of gas extraction using what may be considered to be conventional techniques should be separated from extraction methods employing fracking.

Environment and Community

Ensuring minimal/nil environmental issues is of great importance in developing new gas sources. A measured and scientific approach would seem to be the most credible way to consider the application of rules and regulations to the on-shore gas industry. In particular, evidence from world-wide government departments such as Environmental Protection Agencies, scientific bodies and respected think-tanks should be given weight in determining the best technical path ahead.

Engagement with the community is essential to effectively realise the benefits of new gas developments for all. Open communication and education is required with land-owners and the wider community to address genuine misunderstandings. Appropriate compensation to land-owners should be addressed and included in any approach for new gas developments. The approach taken by some gas companies in regional Queensland may offer a useful model in this regard.

It is important that the Government take a balanced view regarding sustainability. Community well-being extends beyond the important aspect of environmental control: the standard of living enjoyed by the community along with gainful employment is also of great concern. The current blanket moratoria places continued employment and living standards at risk:

manufacturing, agriculture and mining/electricity generation are the backbone of Victoria's prosperity. A decline in manufacturing stemming from uncompetitive energy costs will impact upon all Victorians.

Consequential Actions

Reviews of the energy sector have been in train since 1998 with very few of the recommendations from these various reviews being adopted by State or Federal governments. Victoria entered into a ban on on-shore gas development in April 2014 and we now have the prospect of continued impediment to on-shore gas development into 2016.

Whilst recognising the necessity of considering all issues and proceeding on a sound and sustainable footing, there is also a need for action if unintended consequences are to be avoided. It has been stated that inquiries are held to ensure that informed decisions are made. Whilst this may well be true, decisions do, nevertheless, have to be made. Informed opinion has been considering energy policy for over seventeen years with little progress being made.

Conclusion

AP supports the careful and considered approach necessary to develop an on-shore gas market in south-east Australia. Whilst recognising the need for environmental and social controls on any such industry, the approach adopted should be based upon scientific evidence, recognise the various types of unconventional gas and the associated exploration and delivery mechanisms. For Australian Paper and many other Victorian manufacturers it is essential that the supply and demand imbalance be addressed urgently, before it is too late.

Yours sincerely,

Brian Green
Energy and Regulatory Manager
Australian Paper