



QUEENSLAND FARMERS' FEDERATION

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Submission

16 February 2018

Ms Emma Fishburn
Financial Advisory
Deloitte Touche Tohmatsu Ltd
225 George Street
SYDNEY NSW 2000

Via email: CEFCreview@environment.gov.au

Dear Ms Fishburn

Re: Clean Energy Finance Corporation Statutory Review: Consultation Paper, January 2018

The Queensland Farmers' Federation (QFF) is the united voice of intensive agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture industry organisations, which in turn collectively represent more than 13,000 primary producers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Bundaberg Regional Irrigators Group (BRIG)
- Flower Association
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Pork Queensland Inc.
- Queensland Chicken Meat Council (QCMC)
- Queensland United Egg Producers (QUEP).

QFF welcomes the opportunity to provide comment on the Clean Energy Finance Corporation Statutory Review: Consultation Paper, January 2018. QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers. QFF and its members have worked closely with the Clean Energy Finance Council (CEFC) since it commenced operations.

The united voice of intensive agriculture



Background

Electricity prices in Australia are higher than overseas jurisdictions¹, disadvantaging commodity exports on the global market and leaving agricultural producers heavily trade-exposed. As Queensland's electricity costs rise, the viability of intensive agriculture is being eroded.

For example, Queensland agriculture is the second largest user of water and has the second largest number of irrigated agricultural businesses in Australia. Considering sources of agricultural water, Queensland is the largest user groundwater and recycled/recaptured water resources. The amount of energy and, in turn, the financial cost of using these sources of agricultural water is higher than utilising surface waters.

Irrigation electricity tariffs in Queensland have risen over 136 per cent over the past decade, and post-2020 this rise will be unsustainable with the withdrawal of these specific, 'non-cost reflective' (and thus transitional) irrigation tariffs. Electricity is fundamental to our economy and way of life, so it is important to note that over the same 10-year period, CPI increased by just 24 per cent.

There are about 42,000 electricity connections for businesses in regional Queensland. Almost a third of regional business connections are on eight different tariffs classified as transitional or obsolete. Almost half of connections are for agricultural purposes².

The impacts of rising electricity prices are clearly eroding Queensland's irrigation sector, and some primary producers are switching to dryland and other low-productivity farming practices as the price of electricity has already become unsustainable for many businesses. Queensland is experiencing a steady decline in the number of irrigation businesses as well as reducing productivity across the sector.

In response to price increases, farming businesses, including irrigators, have been installing energy efficiency measures and renewable energy, and in many cases simply reducing demand. Much of these gains have been diminished by the increasing electricity costs leaving farmers with no choice but to increase investment in ongoing energy efficiency and renewable technologies, often at the expense of on-farm process improvements.

Many farmers are now weighing-up options to 'switch-off' efficient irrigation technologies or leave the grid, taking up opportunities in advancing technologies and their reducing costs. Irrigation demands, through to the need for continuous power to refrigerate produce, have led some farmers to install hybrids of renewables and new diesel generation as they transition key infrastructure off grid. While diesel presents an attractive option given its relatively low-cost and high-reliability, there is future uncertainty on how diesel may be impacted by Australia's obligation to manage carbon. This also leaves a legacy for those customers who are unable to leave the grid and may have to pay increasing costs into the future, thus compounding negative outcomes.

Queensland, and indeed Australia, has seen much political toing and froing across emission reduction strategies, climate change policies and renewable energy targets and plans over recent years, resulting in lost opportunities and uncertainty. This has undoubtedly cost both business (especially agriculture) and the environment. It is a challenging time for businesses just to keep up with policy changes in this area. However, what is certain for business is the rising liabilities from climate and carbon related exposure. This includes increasing electricity costs; rising environmental compliance and obligations; the

¹ CME (2012). Electricity Prices in Australia: An International Comparison. A Report to the Energy Users Association of Australia. Carbon and Energy Markets, March 2012.

² Queensland Productivity Commission. (2016). Electricity Pricing Inquiry 2016. Chapter 10: Rural and Regional Industries – Transitional and Obsolete Tariffs.

increasing scrutiny of customers and investors; through to the possible reintroduction of a price on carbon.

Farmers understand better than most, the impacts from an increasingly variable climate and are actively seeking to participate in the de-carbonisation of the energy sector where ever practical. We have seen unintended consequences resulting from both high energy prices and poorly considered projects which have considered only energy (in the absence of water use) or precision high-pressure irrigation to reduce water use, at the expensive of increasing energy consumption.

Energy and water efficiency programs should be integrated – targeting efficiencies in water, energy and carbon to demonstrate water, energy and climate resilient design (for example, future operational costs and a climate change adaptation). This will require consistent and holistic cross-government agency and multidisciplinary policy to address the competing demands on natural resources (including water and energy), while maintaining productive farming systems.

As such, ongoing efforts to increase access (through finance and other measures) to energy efficiency mechanisms, demand management systems and renewable energy technologies is essential for the continuing viability of Queensland’s agricultural sector.

QFF would support expansion of the CEFC’s investment function to include measures which consider broader agricultural modernisation and ag-transformation and consider technologies which lead to decarbonisation of the agricultural economy beyond those already listed.

Synergies between the CEFC and other Programs

Energy Savers Program

The CEFC program aligns with, and compliments, QFF’s Energy Savers Program which assists Queensland’s farmers to reduce energy costs by supporting the accelerated adoption of improvements in on-farm energy use (see <https://www.qff.org.au/projects/energy-savers/>). This program is funded by the Queensland Government and includes an energy audit of the farm business but has not, historically, included any funding or grant mechanism to facilitate or incentivise the adoption of new, more efficient technologies. As such, smaller and medium sized farmer businesses have sought to finance audit recommendations using the opportunities provided through the CEFC Co-Financing Partnership arrangements (for projects under \$5 million).

The support offered by the CEFC to commercial lenders through the Co-Financing Partnership arrangements to offer lower interest rate loans for energy efficient equipment and renewable energy technologies is welcomed and supported by QFF. Farmers have commented on the ease of the process and the fact that the funding arrangement for them is ‘seamless’.

The range of lenders participating in the program has increased. However, QFF would welcome the opportunity to extend these arrangements with regional lenders. This would provide additional convenience for farmers who do not currently bank with the three participating lenders.

The National Energy Guarantee

In October 2017, the Federal Minister for the Environment and Energy announced the new government policy on the Australian Electricity Network – the National Energy Guarantee (NEG), developed on 49 of the 50 recommendations of the Finkel Review.

The Guarantee is made up of two parts that place requirements energy retailers across the National Electricity Market including a reliability guarantee to ensure that there is the right level of dispatchable energy, and an emissions guarantee (to meet the obligations under the Paris Agreement).

The policy commitment should result in no renewable energy technologies being favoured over others. Solar, wind and hydro still being recognised as lower emissions technology, but hydro and biomass would be rewarded under the proposed framework due to their dispatchable nature.

QFF believes that there is significant opportunity to further develop biofuel and biomass opportunities across intensive agriculture, predominantly based on renewable and/or sustainable biofuels including liquid fuels from waste feedstocks. This has been reinforced by Queensland initiatives, such as:

- Queensland's Biofutures 10-Year Roadmap which provides a vision for a \$1 billion sustainable and export-oriented industrial biotechnology and bioproducts sector attracting significant international investment, and creating regional, high value and knowledge-intensive jobs.
- The *Liquid Fuel Supply Regulation 2016 (Qld)* lists feedstocks that are considered wastes under the biofuels mandate, and specifies a framework for the sustainability criteria prescribed in the Regulation. This work has provided increased clarity to Queensland's biofuels industry by helping to identify when certain materials under the sustainability criteria, used to produce sustainable biofuels under the biofuels mandate. The Queensland Department of Environment and Science (DES) and the Roundtable on Sustainable Biomaterials (RSB) have now developed regional indicators for the RSB's Principles and Criteria based on Queensland's regulatory framework.

Australian Renewable Energy Agency (ARENA)

ARENA was established by the Australian Government on 1 July 2012 by the *Australian Renewable Energy Agency Act 2011* with the objectives of improving the competitiveness of renewable energy technologies and secondly, to increase the supply of renewable energy in Australia.

QFF notes the Australian Biomass for Bioenergy Assessment (ABBA), which seeks to catalyse investment in the renewable energy sector by providing detailed information about biomass resources across Australia. This information will assist project developers make decisions for new bioenergy projects, and provide linkages between potential biomass feedstocks - through the supply chain - to end users. To achieve this, ABBA collects datasets, on a state by state basis, about the location, volumes and availability of biomass, and publishes them on the Australian Renewable Energy Mapping Infrastructure (AREMI) platform: www.nationalmap.gov.au/renewables.

ABBA is managed by AgriFutures Australia, with funding support from ARENA; and, in Queensland, is delivered through the former Department of Science, Information Technology and Innovation (DSITI), now DES.

Data collected from the project is being presented on the AREMI platform as customisable layers and includes:

- the types, locations and volumes of existing biomass resources (where possible identifying both total and potentially available resources)
- the types, locations and volumes of existing bioenergy industries.
- land capability for future biomass
- other related information including energy infrastructure (and current energy requirements), power utilities, transport infrastructure, population and land use data etc.

In Queensland, data is also being made available through the Department of Agriculture's Web Based Agricultural Land Information (WALI) system <https://www.daf.qld.gov.au/environment/ag-land-audit/web-mapping-tool>.

The Queensland datasets already published on AREMI and WALI include information on sugar and forestry industries (see <https://publications.qld.gov.au/dataset/abba-tech-methods>). The next focus is on industries relating to cereal crops, cotton, intensive livestock and horticulture. Data about these industries anticipated to be available mid to late 2018.

This data is assisting commercial enterprises, both within and outside the agricultural sector, to identify opportunities to ensure the availability of feedstocks essential for technology investment.

To summarise, QFF believes that Queensland is entering an unprecedented growth stage and new opportunity potential for developing biomass and biofuel technologies and process systems.

While we welcome the continuation of the current programs and initiatives, **QFF also calls on the CEFC to consider the introduction of a new program (Agricultural Program or Land-Sector Program) which specifically addresses the new opportunities (modernisation, decarbonisation etc.) in the primary agricultural sector but also supports ongoing efforts by individual farm businesses of all sizes to increase energy productivity, energy efficiency and demand management.**

QFF notes the professionalism of the operational CEFC personnel which our sector regularly interacts with including, but not limited to, Yolande Pepperall, Associate Director – Aggregation Partnerships and Nick Williams Associate Director – Government and Stakeholder Relations. Both Yolande and Nick have offered support to QFF and our member organisations, participated in workshops and assisted us to develop communication materials. These materials and face-to-face participation are essential within our sector and we look forward to continuing our relationship with the CEFC.

Yours sincerely

Travis Tobin
Chief Executive Officer