

8 September 2020

Energy Security Board

Via email: [info@esb.org.au](mailto:info@esb.org.au)

Dear Sir/Madam

**RE: Response to Consultation Paper and Draft Rules – Interim REZ framework**

The Australian Sugar Milling Council (ASMC) welcomes the opportunity to comment on the Energy Security Board consultation paper and draft rules regarding Renewable Energy Zone Planning (August 2020).

Whilst the problems associated with ad hoc renewables development are well documented, and there is a need for improved planning, ASMC remains concerned that the mechanisms designed to protect Good Quality Agricultural Land (GQAL) from competing land uses, and promote mill viability, will become increasingly compromised under the proposed REZ planning framework. The nature of our concerns and two suggested remedies, an “equally viable locational requirement”, and a separate “minimum public consultation requirement” are outlined for the Energy Security Board’s consideration.

***Background***

ASMC is the peak representative body for the sugar manufacturing sector, representing the five companies that collectively produce approximately 90% of Australia’s raw sugar at 17 sugar mills across Queensland. The Australian sugar industry – including millers and growers – is responsible for \$4 billion in annual economic activity and underpinning 23,000 jobs in regional Queensland.

Australian sugar mill co-generation plants utilise the by-product cane fibre (bagasse) to generate steam that is used to power internal processes (e.g. drive turbines on shredders) and for electricity generation (i.e. to drive powerhouse turbines of a generator). Of the 0.9 million MWh of electricity currently produced per annum from 429 MW of installed capacity, around 53% is used internally and 47% (0.42 MWh) externally. This electricity is flexible and can improve the reliability and security of the grid caused by renewable intermittency.

Sourcing around 30 million tonnes of cane per annum from 365,000 hectares of cane land, this land is almost all coastal, low lying and flat, and considered suitable for cropping or pasture (i.e. GQAL Agricultural Land Classification Classes A, B or C).

Almost 70 percent of all mill costs are fixed (e.g. maintenance, overheads and depreciation) meaning small reductions in cane volume and increasing under-utilisation of the mill can have significant impacts on earnings (EBIT). For example, a 2% loss in cane area (7,300 hectares) could reduce the sector’s earnings by around 4%.



## **Issues**

*The previous protections of good quality cane land are losing their primacy*

Industry investment in milling has been based on the expectation that successive governments will recognise the planning instruments that protect the status of GQAL. That is, once declared GQAL, a business or industry will not be required to continually defend the status of that land from alternative uses.

An example of an instrument relied upon by the milling sector was the former State Planning Policy 1/92, Development and the Conservation of Agricultural Land, Policy principles 1 and 2 which stated:

*“Good quality agricultural land has a special importance, and should not be built on unless there is an overriding need for the development in terms of public benefit and no other site is suitable for the particular purpose (section 3); and*

*The alienation of some productive agricultural land will inevitably occur as a consequence of development, but the government will not support such an alienation when equally viable alternatives exist, particularly where developments that do not have specific locational requirement (e.g. ‘rural residential’) are involved (Paragraphs 4.6- 4.7)“.*

Planning policies have evolved considerably since 1/92 as policymakers attempt to accommodate competing land uses. At the same time, renewable energy costs have decreased significantly with proponents continuing to favour proximity to neighbouring sub-stations and transmission and low and flat land to improve feasibility. As such, renewable energy generation is a new and emerging land use that is increasingly competing for land once exclusively GQAL.

The now ambiguous and conflicting nature of state planning policies, the policy and funding significance now given to achieving renewable energy targets, the potential for strong commercial rates of return from renewables projects, and two recent precedents means the sugar industry is increasingly vulnerable to area losses and mill closures from solar farm developments.

The precedents relate to two recent court and government decisions in favour of solar developments on prime cane land:

- (1) In 2018, the Queensland Planning and Environment Court in *Mirani Solar Farm Pty Ltd v Mackay Regional Council & Mackay Sugar Limited* overturned Council’s non-approval thereby allowing the project to proceed despite alternative and suitable land being available 5-10 kilometres away.
- (2) In 2015, the Queensland Planning Minister overturned the Local Council’s rejection of the Clare solar farm proposal and supported the development application on the grounds of land compatibility, renewable energy and job creation.



*Additional GQAL protections are required*

As a competitive sector, and in the pursuit of productivity and economic growth, we acknowledge the need for the sugar industry to compete with other agricultural sectors to maximise the productive value of land within our growing regions. We do however believe that competition for GQAL should be restricted to primary agriculture purposes only. This avoids the loophole of renewable projects also being considered agricultural projects due to mostly sub-economic, secondary activities like grazing and acknowledges that agriculture cannot often compete with other sectors on economic returns alone. Furthermore, this is unlikely to impede the development of renewables projects as the high likely returns of these projects means they can absorb higher CAPEX costs if they need to be moved further from existing infrastructure that may be on GQAL.

ASMC requests that the ESB give consideration to inserting into the draft REZ Planning rules provisions that gives effect to two important concepts:

- (1) 'Equally viable locational requirement'. In effect, and in acknowledging Queensland's considerable land mass, transmission infrastructure cannot be developed by a Jurisdictional planning body and AEMO if it would facilitate a renewable project on land that is important to existing industry reliant on GQAL, and moving to alternate and neighbouring land does not threaten the viability of the renewable project.
- (2) 'Minimum public consultation requirement'. In effect, and in acknowledging the threat to mill viability from lower cane area and volumes, transmission infrastructure cannot be developed by a Jurisdictional planning body and AEMO through any expedited planning instrument that may diminish the minimum public consultation requirements contained in any relevant Planning Act.

Please don't hesitate to contact David Rynne, Director Policy, Economics & Trade on [david.rynn@asmc.com.au](mailto:david.rynn@asmc.com.au) or 0431 729 509 for further clarification on the matters raised in this submission.

Yours sincerely

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