



29 May 2018

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Resources Safety and Health
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Dear Project Manager

Re: Feedback on Consultation – Draft Petroleum and Gas (Safety) Regulation 2018

Australian Pork Limited (APL) welcomes the opportunity to provide feedback on the Consultation Draft of the Draft Petroleum and Gas (Safety) Regulation 2018 (the “Draft Regulation”).

APL is the peak national representative body for Australian pig producers. It is a producer-owned company combining marketing, export development, research and innovation and strategic policy development to assist in securing a profitable and sustainable future for the Australian pork industry. The Australian pork industry employs more than 36,000 people in Australia and contributes \$5.2 billion in gross domestic product to the Australian economy. During 2015-16, the pig production sector in Queensland contributed around \$452 million (value-added) to the state economy, while supporting 2,854 full time jobs that generated \$216 million in household incomes for Queensland families.

APL is supportive of the proposed revisions to the Regulations but seeks clarification and consideration on the following:

1. Definition of Biogas

As the Draft Petroleum and Gas (Safety) Regulation 2018 currently stands, ‘biogas’ has not been defined and is categorised with other unrelated production systems such as waste disposal tips and sewage treatment plants. Having said that, APL is aware that the same area within Department of Natural Resources, Mines and Energy are in the process of preparing “A discussion paper for Queensland’s Biogas stakeholders – Biogas safety regulation”, which is developing and agreeing to a definition of biogas. Unfortunately, due to the sequencing of the development of the regulations and the review, the outcomes of the review cannot be easily integrated into the regulations. This is discussed in greater detail in point 4 below.

In the absence of an agreed definition there is little scope to appropriately consider and manage the costs to industry that seek to utilise these production systems. APL would welcome your consideration of including a definition of biogas such as that provided in the APL “Code of Practice for On-Farm Biogas Safety and Use (Piggeries)” as “a mixture of gasses produced by anaerobic digestion” and the biogas systems definition in the “National Environmental Guidelines for Piggeries” as “biogas systems capture the gases emitted as a product of anaerobic digestion and convert them into heat and/or power”. This approach would facilitate appropriate regulatory requirements and fees reflective of the nature of the production system relevant to pig production.

2. Subjective Wording

The wording in Chapter 8, Part 1: 139 (2) (q) and Schedule 7 (Part 3 – 13) is subjective and open for interpretation and requires clarification and amendment during the re-draft of the regulation.

Chapter 8, Part 1: 139 (2) (q) states ‘the operator of a facility that produces or processes any of the following’ (i) biogas. This clearly separates biogas as a product derived from a production system at a facility. However, Schedule 7, Part 3: 13 states ‘biogas or gas derived from a waste disposal tip or during treatment of sewage’ which suggests the fees specified are only at the identified specific production

systems (waste disposal tip or during treatment of sewage). This is inconsistent with the intent of Chapter 8 and consequently is an inequitable treatment of biogas producers.

APL would support these clauses be re-drafted to better reflect the nature of the product versus the production system. In doing so this will allow the regulatory body to appropriately consider the risk and associated cost of managing these production systems.

3. Fees

As you are aware, APL supports a range of research activities to demonstrate and promote the use of innovative and cost-effective solutions including on-farm biogas generation. APL believes the fees set out in Schedule 7 of the Petroleum and Gas (Safety) Regulation 2018 for the *'department's activities carried out for the purposes of safety and health matters relating to operating plant during each financial year'* are unreasonable and prohibitive to pig producers that have installed or are considering installing on-farm biogas systems.

Research and analysis from Alan Skerman (Principal Environmental Engineer, Agri-Science Queensland, Department of Agriculture and Fisheries) shows that currently there are five piggeries in Queensland with operating biogas systems. Biogas production at these medium to large size piggeries is estimated to range from 400,000 to 2,000,000 m³ biogas/year. These are medium to large pig producers however, APL believes that biogas systems (around 150,000 to 200,000 m³ biogas/year) will become economically viable at smaller piggeries, down to around 500 sows farrow to finish, in the future.

Based on generating electricity to replace power sourced from the grid at a tariff of \$0.20/kWh, the biogas produced would have to generate 22,145 kWh of electricity to save \$4,429 (the fee for biogas producers 'per site' as set out in Schedule 7 of the draft Regulations). At 35 per cent electrical efficiency, this would require 63,271 kWh (227,777 MJ) of biogas energy; or 6,471 m³ methane = 9,955 m³ biogas. In summary, it would take about 10,000 m³ of biogas driving an electrical generator to save \$4,429 in electrical energy.

These figures clearly demonstrate that this is not financially viable for most producers and does not encourage use of alternative systems which support a closed-loop environment. This is in part because the effect that the annual cost of compliance has on the return on investment and subsequently the payback period of investment. This has been seen recently in Queensland where a breeder piggery (700 sows, 1400 SPU) recently abandoned their existing on-farm biogas system that was producing around 50,000 m³ biogas/year because of the costs associated with compliance with the gas safety legislation, including payment of the annual fee.

APL proposes that the fees set out in the Regulations should be based upon the generation of biogas production per site. APL understands that making these changes requires a regulatory impact statement (RIS) and is not possible prior to the new Regulations passing through Parliament. While this is our preferred approach moving forward, APL proposes an interim structure whereby a very simple two-tiered approach is established with possibly small and large producer categories. APL suggests that the information provided above would be a very good starting point for considering a suitable threshold/limit for each category that can be used in Schedule 7.

4. Sequencing of Queensland Government Biogas Review and the updates to the Petroleum and Gas (Safety) Regulation 2018

APL has some deep concerns with the sequencing of reviews being undertaken by the Resources, Safety and Health Division of the Department of Natural Resources, Mines and Energy. While APL commends the government for undertaking the review of biogas to ensure it is appropriately managed and supported to facilitate uptake by producers, it is concerning that the outcomes of the review cannot be integrated into the updates to the Petroleum and Gas (Safety) Regulation 2018. APL understands that this is due to the statutory timeframes required for the Regulations.

It appears that because of the poor sequencing of the review the Queensland Government is missing the opportunity to deal appropriately and fairly with the production sector that want the opportunity to utilise biogas as an on-farm solution. Feedback by stakeholders such as APL should be considered as part of the consultation process for the biogas review, and changes, if required, should be made to the Regulations to ensure alignment between the two. The existing approach has flow-on effects and potential ramifications for the Department as the proposed regulation conflicts with other Queensland Government initiatives such as the Department of State Development Biofutures (Advance Queensland) Program which is seeking to expand the use of biogas on-farm solutions across the state. This process not only seems highly inefficient, it appears

that the outcomes are likely to be perverse to both industry and the proactive initiatives of the government that seek to support biogas adoption as an alternative energy source.

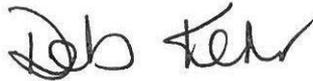
To address each of the issues raised above, a very simple stepped approach is proposed that would mitigate the risks associated with rushing through the Regulations which as they stand conflict with other internal reviews and government initiatives:

1. biogas is clearly defined
2. production systems relevant to biogas are identified and defined
3. fees are established for biogas production at industry-specific facilities that are appropriate to the scale and risk of the production system.

Noting the appetite for consistency across industry specific standards, APL recommends that the endorsed national guidelines, such as the National Environmental Guidelines for Piggeries and the Code of Practice for On-Farm Biogas Safety and Use (Piggeries) are utilised as part of the regulation to ensure consistency at a national scale.

APL would be happy to discuss the comments provided and the approach for implementing the guideline. Should you require further information or have any questions, please contact Grantley Butterfield on 02 6270 8820 or grantley.butterfield@australianpork.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Deb Kerr". The signature is written in a cursive, slightly slanted style.

Deb Kerr
General Manager, Policy