



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION  
COMMITTEE

**Estimates**

(Public)

TUESDAY, 28 MAY 2024

CANBERRA

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## ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

**Tuesday, 28 May 2024**

**Members in attendance:** Senators Bilyk, Cadell, Davey, Duniam, Grogan, Hanson-Young, McDonald, McKenzie, McKim, Nampijinpa Price, Payman, Barbara Pocock, David Pocock, Rennick, Roberts, Sharma, Urquhart and Van

**CLIMATE CHANGE, ENERGY, THE ENVIRONMENT AND WATER PORTFOLIO****In Attendance**

Senator McAllister, Assistant Minister for Climate Change and Energy

**Department of Climate Change, Energy, the Environment and Water****Executive**

Mr David Fredericks PSM, Secretary

Ms Kushla Munro, Acting Deputy Secretary

Mr Simon Duggan, Deputy Secretary

Ms Rachel Parry, Deputy Secretary

Mr Dean Knudson, Deputy Secretary

Mr Sean Sullivan, Deputy Secretary

Ms Luise McCulloch, Deputy Secretary

Ms Lyn O'Connell PSM, Deputy Secretary

**Corporate****Finance Division**

Mr Robert Hanlon, Chief Finance Officer

Ms Jill Mand, Branch Head, Property and Protective Security

Ms Michelle Crowther, Branch Head, Financial Management Branch

**Information and Communications Technology Division**

Mr Tim Spackman, Chief Information Officer

**Legal (Chief Counsel)**

Ms Jane Temby, Acting Chief Counsel

**People Division**

Ms Linda McGrath, Chief People Officer

Mr Nathan Hannigan, Branch Head, People Safety and Remote People Services Branch

Mr Andrew Oliver, Branch Head, People Branch

Ms Steph Bourke, Branch Head, Professional and Ethical Standards Branch

**Portfolio Strategy Division**

Ms Michelle Croker, Division Head

Ms Dana Sutton, Branch Head, Ministerial Liaison and Governance Branch

Ms Melina Saunders, Branch Head, First Nations Branch

Ms Miranda Lello, Branch Head, Portfolio Strategy and Integration Branch

Ms Anita Agett, Branch Head, Communications and Media Branch

Ms Claire Rochecouste Branch Head, National Security and International Branch

**Outcome 1****Climate Change Policy, Adaptation and Risk Division**

Ms Cathryn Geiger, Acting Division Head

Dr Nicole Mitchell, Branch Head, Climate Change Policy Branch

Mr Nigel Pinto, Acting Branch Head, Climate Active, Risks and Disclosures Branch

Ms Kathryn Smith, Branch Head, National Adaptation Policy Office Branch

**Electricity Division**

Ms Kirsty Gowans, Division Head

Ms Melissa Pang, Branch Head, Electricity Markets Branch

Mr James White, Branch Head, Branch Head, Consumer Energy Resources Taskforce

Ms Nadia Rosenman, Branch Head, Rewiring the Nation Office

Mr Paul Johnson, Principal Adviser, Rewiring the Nation

Ms Luana Cormac, Branch Head, Branch Head, First Nations Clean Energy and Supply Chains

#### **Emissions Reduction Division**

Ms Kath Rowley, Division Head

Mr Matthew Ryan, Branch Head, Land and Transport Branch

Ms Melanie Ford, Branch Head, National Inventory Systems and International Reporting Branch

Ms Kate Lea-Perry, Acting Branch Head, Carbon Crediting Branch

Mr Andrew Hutchinson, Branch Head, Net Zero Taskforce

#### **Energy Performance and Security Division**

Ms Clare McLaughlin, Division Head

Dr Peta Derham, Branch Head, Energy Performance Strategy Branch

Mr Chris Videroni, Branch Head, Home Ratings and Disclosure

Mr David Atkins, Branch Head, Industrial and Buildings Energy Performance

Mr Lachlan Bickley, Acting Branch Head, Security, Crisis Response and GEMS

#### **Gas and Liquid Fuels Division**

Mrs Paula Svarcas, Division Head

Mr Cris Cano, Acting Branch Head, Liquid Fuels Branch

Mr Hew Atkin, Branch Head, Gas Markets Branch

Mr Andrew Pankowski, Branch Head, Gas Transformation Strategy Branch

Ms Jennifer Anne, Branch Head, Liquid Fuels Branch

#### **International Climate and Energy Division**

Dr Sally Box, Acting Division Head and Branch Head, Climate Negotiations and Engagement Branch

Mr David Higgins, Branch Head, International Net Zero Branch

Ms Gaia Puleston, Branch Head, Strategic Partnerships Branch

Mr Sam Lowe, Branch Head, Renewable Superpower Taskforce Branch

#### **National Energy Transformation Division**

Ms Helen Bennett, Division Head

Mr Adam McKissack, Branch Head

Mr Matt Minchin, Branch Head

Mr Geoff Whelan, Branch Head

Mr Adam Sutherland, Branch Head

#### **Net Zero Industries Division**

Mr Shane Gaddes, Division Head

Ms Catherine Zerger, Branch Head, Hydrogen Strategy Branch

Ms Bronwyn Ray, Branch Head, Decarbonisation Initiatives Branch

Ms Edwina Johnson, Branch Head, Safeguard and CBAM Review Branch

Mr Paul Murphy, Branch Head, Offshore Renewables Branch

#### **Office of the Capacity Investment Scheme**

Mr Matthew Brine, Head of Office

Mr Salim Mazouz, Branch Head, Policy and Engagement

Ms Alison Wiltshire, Branch Head, Delivery and Governance

#### **Outcome 2**

##### **Biodiversity Division**

Ms Cassandra Kennedy, Division Head

Dr Ilse Kiessling, Branch Head, Protected Species and Ecological Communities Branch

Dr Fiona Fraser, Threatened Species Commissioner

Mr Glenn Block, Branch Head, Natural Heritage Trust Branch

**Circular Economy Division**

Ms Kate Lynch, Division Head

Mr Cameron Hutchison, Branch Head

Ms Chloë Bird, Branch Head

Ms Jackie Raynor, Branch Head

Ms Naomi Bocola, Acting Branch Head

**Environment Information Australia**

Ms Jane Coram, Division Head

Ms Juanita Pettit, Branch Head, Environmental Data and Analysis Branch

Ms Lisa Nitschke, Branch Head, Environmental Economics, Science and Reporting Branch

Mr Brendan Lynam, Branch Head, Environment Information Policy and Strategy

**Environmental Permitting and Compliance Division**

Mr Andrew McNee, Division Head

Mr Graeme Grosse, Branch Head, Compliance and Enforcement Branch

Ms Kate Elliott, Branch Head, Wildlife, Waste and Environmental Permits Branch

**Environmental Water and Aquatic Ecosystems Division**

Dr Simon Banks, Division Head

**Heritage Division**

Ms Michelle Dumazel, Division Head

Dr Wayne Beswick, Branch Head, Heritage Policy Branch

Ms Karen Najjar, Branch Head, First Nations Heritage Protection

Mr James Barker, Branch Head, World and National Heritage

**International Environment, Reef and Ocean Division**

Ms Katrina Maguire, Division Head

Mr John Foster, Branch Head, Great Barrier Reef Branch

Ms Belinda Jago, Branch Head, Ocean and Wildlife Branch

Ms Suzi Heaton, Branch Head, International Environment Branch

**Nature Finance and Market Division**

Mr Anthony Bennie, Acting Division Head

Ms Laura Higgins, Branch Head, Biodiversity Markets Branch

Ms Louise Perez, Branch Head, Global Nature Positive Summit Branch

**Nature Positive Integration Division**

Mr Greg Manning, Division Head

Dr Alison McMorrow, Branch Head, Regional Planning and Landscapes Branch

Ms Katrina Purcell, Branch Head, Environmental Policy Integration Branch

**Nature Positive Regulation Division**

Mr Bruce Edwards, Division Head

Ms Kylie Calhoun, Branch Head

Ms Tharanie Vithanage, Branch Head

Ms Kate Gowland, Branch Head

Mr Declan O'Connor-Cox, Branch Head

Ms Rachel Short, Branch Head

**Nature Positive Taskforce**

Mr James Tregurtha, Division Head

Ms Mahani Taylor, Branch Head, Nature Positive Law Reform and Standards Branch

### **Supervising Scientist**

Mr Keith Tayler

### **Outcome 3**

#### **Australian Antarctic Division**

Ms Kelly Buchanan, Acting Division Head

Ms Rhonda Bartley, Acting Branch Head, Science Branch

Ms Jemma Ball, Acting Branch Head, People and Culture Branch

Mr Phillip Boxall, Branch Head, Assets and Technology Branch

Ms Dani Yannopoulos, Branch Head, Operations and Logistics Branch

#### **Agencies and Statutory Authorities**

##### **Australian Energy Infrastructure Commissioner**

Mr John Sheldon, Interim Australian Energy Infrastructure Commissioner

##### **Australian Energy Regulator**

Ms Clare Savage, Chair

Mr Justin Oliver, Board member

Mr Geoff Purvis-Smith, Acting Chief Executive Officer

Ms Stephanie Jolly, Executive General Manager, Consumers, Policy and Market

##### **Australian Institute of Marine Science**

Professor Selina Stead, Chief Executive Officer

Mr Basil Ahyick, Chief Finance Officer

Dr David Wachenfeld, Research Program Director, Reef Ecology and Monitoring

##### **Australian Renewable Energy Agency**

Mr Darren Miller, Chief Executive Officer

Mr Chris Faris, Chief Operating Officer

##### **Bureau of Meteorology**

Dr Andrew Johnson, Chief Executive Officer and Director of Meteorology

Dr Peter Stone, Group Executive, Business Solutions

Ms Paula Goodwin, Group Executive Enterprise Services and Chief Operating Officer

Ms Elizabeth Johnston, Acting General Manager, Agriculture and Water

##### **Climate Change Authority**

Mr Brad Archer, Chief Executive Officer

Ms Eliza Murray, General Manager, Strategy Branch

Dr Matt Searson, Acting General Manager, Analysis Branch

Mr Joseph Hardwick, Acting General Manager, Corporate Branch

##### **Clean Energy Finance Corporation**

Mr Ian Learmonth, Chief Executive Officer

Mr Andrew Powell, Chief Finance Officer

Mr Simon Every, Head of Government and Stakeholder Relations

##### **Clean Energy Regulator**

Mr David Parker AM, Chair

Ms Mary-Anne Wilson, Chief Operations Officer

Mr Mark Williamson, Executive General Manager, Scheme Support Division

Ms Piet Powell, General Manager, Compliance Branch

Ms Jane Wardlaw, General Manager, NGER and Safeguard Branch  
Ms Michelle Crosbie, General Manager, Vegetation and Analytics Branch  
Ms Jennifer Bradley, General Manager, Soils, Emissions Avoidance and Contracts Branch  
Ms Bronwen Shelley, General Counsel, Legal Services and Governance Branch  
Mr Carl Binning, Executive General Manager, Scheme Operations Division

**Director of National Parks**

Mr Ricky Archer  
Mr Jason Mundy, Division Head  
Mr Alan Davidson, Branch Head, Major Projects  
Mr Ranga Parimala, Chief Operating Officer  
Dr Barbara Musso, Branch Head, Legislative Reform Taskforce

**Great Barrier Reef Marine Park Authority**

Mr Joshua Thomas, Chief Executive Officer  
Mr Richard Quincey General Manager Marine Park Operations  
Mr Fred Nucifora Acting General Manager Strategic Policy and Partnerships  
Dr Roger Beeden, Chief Scientist, Strategic Policy and Partnerships  
Mr Ian Walker, General Manager, Major Projects  
Mrs Jameelie Fletchett, Chief Operating Officer, Corporate Services

**Offshore Infrastructure Regulator**

Ms Sue McCarrey, Chief Executive Officer  
Mr Cameron Grebe, Deputy Chief Executive Officer, Strategic Regulation and Improvement  
Mr Owen Wilson, Executive Director, Offshore Renewables Regulation

**Offshore Infrastructure Registrar (within Oil and Gas Division, Department of Industry, Science and Resources)**

Mr Graeme Waters, Offshore Infrastructure Registrar  
Mr Steven Taylor, Director, OEI and Development

**Snowy Hydro Limited**

Mr Dennis Barnes, Chief Executive Officer  
Mr Roger Whitby, Chief Operating Officer

**Threatened Species Scientific Committee**

Professor Iain Gordon, Chair

**Committee met at 09:00**

**CHAIR (Senator Grogan):** I declare open this hearing of the Environment and Communications Legislation Committee into the 2024-25 budget estimates. I begin by acknowledging the traditional owners of the land on which we meet and pay respect to elders past, present and emerging. The committee's proceedings today will begin with Corporate Matters and general questions of the Climate Change, Energy, the Environment and Water Portfolio. The committee has fixed Thursday, 18 July as the date for return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance for questions at estimates hearings. Any question going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a

discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised, and I incorporate the public immunity statement into the *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

*(13 May 2009 J.1941)*

(Extract, Senate Standing Orders)

**CHAIR:** I remind all senators that, as we continue our work with implementing the *Set the standard* report, as chair I will ensure that proceedings are conducted in an orderly, respectful and courteous way. Before I welcome anyone, I'll just say that the corporate section is unlikely to stick to the advertised time frame. Just so everyone is aware, the program is very likely to be running late before it even starts, but we'll deal with that later.



**Department of Climate Change, Energy, the Environment and Water**

[09:03]

**CHAIR:** I welcome Senator the Hon. Jenny McAllister, Assistant Minister for Climate Change and Energy, representing the Minister for Climate Change and Energy. Minister, would you like to make an opening statement?

**Senator McAllister:** No, thank you.

**CHAIR:** I welcome Mr David Fredericks, the Secretary of the Department of Climate Change, Energy, Environment and Water. Mr Fredericks, would you like to make an opening statement?

**Mr Fredericks:** No, thank you.

**CHAIR:** Before we do commence with the Corporate Matters section, I remind people that this part of the program relates to matters concerning central departmental administration, such as building services, ICT, staffing levels and media procurement. Questions relating to individual policies and programs should be addressed to officials when specific programs are considered in subsequent sessions. If you are unsure, it's probably a good point now to seek clarification as we do the first round, if there are any areas that you're not sure of. We'll go directly to questions.

**Senator DUNIAM:** I'll start with the grant agreement for the EDO. I have had a look at the Review of the Environmental Defenders Office's conduct under the Commonwealth simple grant agreement document. If I can start on the summary page, paragraph 3 talks about the legal advice provided by Norton Rose Fulbright. The advice was that comments in the judgment do not provide a reasonable basis to conclude that the EDO had breached the terms of the grant agreement. As a very basic starting point, I wonder if I might be able to understand whether there's any further information that can be provided to the committee about how that conclusion was reached.

**Mr Fredericks:** You'll appreciate that's a difficult proposition for us. That independent advice is protected by legal professional privilege. To be really honest with you, we pushed the envelope to make sure that we could at least get to you and to others the generalised conclusion of the advice. It's very hard for me to give you any further detail of the legal reasoning behind that conclusion that the independent lawyers have reached. As I said, we were conscious of that, but we did our best to at least get ourselves pushed to the conclusion that we think it was fair for the public to know.

**Senator DUNIAM:** I appreciate the need to not waive legal professional privilege, given the nature of the advice. I come here on behalf of the taxpayers of Australia just wanting to understand the process that was gone through, the questions that were asked or the instructions given, which I know you probably won't be able to go to, either, so that we can at least satisfy those out there who pay their taxes about how their funding is being spent. If we look at, for instance, some of the comments that Justice Charlesworth made, they were scathing, I think, on any objective measure about the lack of integrity around the mapping exercise, undermining confidence in the whole summary of work that was provided. The admission by Dr O'Leary about lying to Tiwi Islanders; the creation of a document which the court rendered forensically useless; the criticism of the EDO consultant, where the judge was not satisfied that there was any real effort to ensure that the June O'Leary workshop was attended by a range of persons having cultural authority from a range of traditional owner groups, irrespective of any view they might have had about the pipeline. The concerning view in paragraph 1168 that the video depicts what could only be described as an EDO lawyer drawing on a map in a way that could not, on any reasonable view, truthfully reflect what the Tiwi informant had said. In addition, the EDO lawyer stated that 'that's where the sea starts', and it goes on and on. That's in the public domain. Justice Charlesworth has made her views very well known. The minister asked you to commission a review. A review has been commissioned. We have a document which, in effect, says that we've received advice that we can't disclose, but the judgement I've just referred to paragraphs from does not form a basis to point to a breach of the grant agreement. What assurance can you or anyone else in the department give us around how you've reached that conclusion?

**Mr Fredericks:** Yes, that's a very fair question. Just in relation to the summary, you'll see that we also referenced the advice that the Business Grants Hub provided as well.

**Senator DUNIAM:** We'll come to them.

**Mr Fredericks:** Of course, that advice isn't protected by legal professional privilege. We wanted to make sure that we gave a proper articulation of that advice, which of course also concludes that it would appear the EDO has been compliant with the grant conditions to date. Of course, at the end of the day, it was ultimately the departmental judgment that we rest on, informed by the independent legal advice, informed by the advice from the BGH as the sort of building blocks to that advice. It is important to note—and I think we discussed this when

we last discussed this matter—that one of the conditions of the grant agreement is that the EDO is required to comply with 'regulations governing legal practitioners in their state or territory'. That's important; we discussed that last time, and of course that is relevant in this case.

**Senator DUNIAM:** Yes, it definitely is relevant. I will come to BGH. In terms of the review conducted by the Business Grants Hub, you reference in the summary that there was no evidence indicating possible fraud. Is fraud the only characteristic that the BGH was looking for or assessing?

**Mr Fredericks:** No, and that's very important. Mr Hanlon can talk to this in more detail. In attachment C, which is the advice the BGH provided to Mr Hanlon on 6 May 2024, you'll see there is a discussion about fraud. In the third paragraph, the BGH goes on to say, 'However, on this occasion it would appear that the ETO has been compliant with the grant conditions to date', which is broader than just fraud.

**Senator DUNIAM:** The BGH assessed more than just fraud. In the summary it talks about there having been no possible fraud, as if that is the only threshold over which they may have been caught out on in terms of compliance with standards of conduct for legal practitioners in their home state. Why is that not referenced here specifically?

**Mr Fredericks:** In the fifth paragraph of the summary it states that the BGH concluded there was no evidence indicating possible fraud. That's your point. But then it says that the 'BGH also advised it would appear the EDO has been compliant with the grant conditions to date'. I think it's safe to say that's a conclusion beyond just the issue of fraud.

**Mr Hanlon:** There are two elements to this. Firstly, were there indications of fraud coming out of that case? That's the first step. The second one is that the next milestone report was due 30 April '24. That's been received. That's under assessment at the moment. That will look at expenditure, make sure that it's against eligible criteria, and that the grant conditions have been complied with.

**Senator DUNIAM:** When did you say that next milestone report was?

**Mr Hanlon:** The report was received on 30 April.

**Senator DUNIAM:** So, no payment yet?

**Mr Hanlon:** No payment yet.

**Senator DUNIAM:** It was due this month?

**Mr Hanlon:** The payment is due on 31 May.

**Senator DUNIAM:** I'm interested in why fraud has been singled out and then everything else lumped in with grant conditions?

**Mr Hanlon:** One of the conditions for cancelling a grant could be fraud. We asked and had a look at: is there potential fraud here? The answer was: we don't believe so.

**Senator DUNIAM:** What other reasons might there be that you would cancel a grant?

**Mr Hanlon:** So, changing government policy.

**Ms McCulloch:** If you give us a moment, we'll find out. If you want to go on to your next question?

**Senator DUNIAM:** They all link in. What I'm trying to get at is that fraud has been singled out in the summary, and then everything else is broadly lumped in with the grant conditions to date. You've referenced one, which is clearly not of any relevance, that is, the change in government policy; that remains the same, and almost stubbornly so. Maybe while we're looking for what I would have thought was a pretty straightforward set of conditions to be aware of—

**Ms McCulloch:** There are a number of reasons that a grant can be cancelled—whether there's a breach of the agreement, which was what the BGH actually looked at. Whether there are false or misleading statements; again, considered. And whether they have become bankrupt or insolvent or entered into a scheme of arrangement with creditors or come under any form of external administration, which was not relevant to this case. Or if there is a change in government policy or a change in the control of the grantee.

**Senator DUNIAM:** When you say 'false or misleading statements', to whom?

**Ms McCulloch:** Sorry?

**Senator DUNIAM:** You referenced one of the reasons a grant may be terminated or some other action taken, such as a review. You mentioned false or misleading statements. To whom?

**Ms McCulloch:** That is false or misleading statements in their application for the grant.

**Senator DUNIAM:** But not in their conduct anywhere else, like a court of law?

**Ms McCulloch:** No.

**Senator DUNIAM:** Has that been addressed at all, in any way?

**Ms McCulloch:** Their conduct?

**Senator DUNIAM:** Let me make a reference to paragraph 1027 of Justice Charlesworth's judgment, which states:

I have concluded that the cultural mapping exercise and the related opinions expressed about it are so lacking in integrity that no weight can be placed on them. I am satisfied that this aspect of the case does indeed involve 'confection' or 'construction', at least in part, and that it cannot be an adapted account of the kind discussed by the anthropologists.

It continues:

I've also concluded that the exercise created a situation in which the evidence of those Tiwi Islanders who participated in it should now be treated with considerable caution, not only with respect to the adapted Ampiji account, but more generally.

In fact, the terms 'confected' or 'constructed', I think, do point to a somewhat false or misleading account by those giving it, the EDO in this case.

**Mr Fredericks:** That reference in the contract is a reference to conduct at the time of entry into the contract. That is a reference to the conduct of the EDO, if you like, and in particular the lawyers. That's why I referenced the point about the guidelines, where they specifically have as a provision an examination of compliance with regulations governing legal practitioners in their state or territory.

**Senator DUNIAM:** So, to be compliant you must comply with the regulations, rules and other standards in your state or territory as a legal practitioner?

**Mr Fredericks:** I don't think it's as clear as 'must', as in—

**Senator DUNIAM:** It's an option.

**Mr Fredericks:** It does say you will be required to 'comply with'. But as you know, judgements around whether legal conduct complies with regulations governing legal practitioners in their states and territories require judgement. It's not black and white.

**Senator DUNIAM:** We have to exercise some judgement here.

**Mr Fredericks:** Legal advice is what provides that judgement. That's the difficulty here; that legal advice is protected by legal professional privilege. I'm trying to assist here, but that's—

**Senator DUNIAM:** I know you are, in the *Utopia* way.

**CHAIR:** Senator Pocock.

**Senator BARBARA POCOCK:** I would like to revisit a line of questions from February estimates concerning the department's contracts with EY relating to emissions intensive industries and the firm's failure to disclose its conflicts of interest related to its membership of fossil fuel lobby groups and its direct relationships with fossil fuel companies as clients. The department determined that, despite EY's failure to disclose its industry memberships and its client lists, including fossil fuel companies, some of which are directly affected by the safeguard mechanism and would benefit from inside knowledge, potentially, that there were no conflicts of interest present that would affect EY's work on the safeguard mechanism within the department. I just wanted to confirm that is correct, that understanding?

**Ms Johnson:** It's true that we did not consider EY to have had actual conflicts under that contract that we last spoke about in February, but you may remember that as soon as we were aware that EY had those memberships, in particular of AEP, we did advise them that we would have preferred them to have raised those with us due to the potential of a perceived conflict and to have shared with us their management approach of that potential perceived conflict.

**Senator BARBARA POCOCK:** You would have preferred that they had notified them? I'll come back to that, but I'm not sure it was ever explained why you perceived there were no conflicts. I understand the Commonwealth Procurement Rules relating to the Management Advisory Services Panel state that agencies are responsible for 'identifying and managing any perceived or actual conflicts of interest'. How did you arrive at the decision that there were none?

**Ms Johnson:** As I said, we do not consider it to be an actual conflict of interest, because the work that was underway was about providing advice on the lowest emissions intensity facilities internationally. Then the department took that advice, undertook calculations and publicly consulted on it. There was nothing in EY's interactions with us that we considered that to be an actual conflict of interest, but we did think that there was the potential for a perceived conflict of interest, which was our advice to EY.

**Senator BARBARA POCOCK:** Why didn't you pick up that in basic due diligence when you contracted EY knowing about their membership of bodies with an interest in these issues?

**Ms Johnson:** We weren't aware that they were a member of AEP when we contracted them. That contracting for those three contracts we last spoke about occurred in about October-November last year. We weren't aware until someone approached us in January this year that EY was a member of AEP. It was as soon as we found that out that we took this action that I've just described to you.

**Senator BARBARA POCOCK:** I'm aware of all of that. My question is: why were you not aware? What is your due diligence procedure when you're contracting very large consulting firms that clearly have very diverse client lists and memberships of industry bodies?

**Mr Fredericks:** You asked what our procedure is. I'd like Ms McCulloch to have an opportunity to give you a description of that. In deference to you, the reason we want to do that is that, since this line of questioning that you properly raised in February, the department has undertaken quite an extensive review of exactly the issue you're describing: 'What are our procedures?' We're grateful to you for that. I think it would be a nice opportunity now, in fairness to you, for Ms McCulloch to explain to you the extra levels of engagement we're going to deal with a question that you've raised and the processes we've undergone since you raised these questions. I think that will give you some degree of satisfaction.

**Senator BARBARA POCOCK:** That's great, but I'm very conscious of the time. I'm sorry. I don't want to be rude. I appreciate your effort, but if it could be summarised?

**Ms Johnson:** There are two things to point to. The Department of Finance is going through a whole-of-government exercise to look at a supplier code of conduct for consultants and the issue of industry membership is now being incorporated into that exercise. We decided not to wait for that exercise, and we have instituted some of our own additional assurances. Firstly, we did a desktop analysis of all of our active contracts with what we've referred to as the big seven to check their industry associations and to follow up with them if we thought there might be a conflict. We also have now instituted annual check-ins with firms that we have consultancy contracts with whereby we meet with them annually to discuss their conflicts, governance, training of their staff, and their arrangements for handling the confidentiality of our documents. Then we ask them to follow that up with assurances in writing. We're in the process of going through that now, and we've specifically instituted that arrangement since the issue of industry associations became a focus.

**Senator BARBARA POCOCK:** It's great to have a response on that front; I remain concerned about the conflicts of interest given the client lists, but I see the procedures you're talking about.

**Mr Fredericks:** It's a legitimate concern. We have it, too, because in many ways it affects our reputation. Transparency is the key. The problem in this instance was there was not transparency about that membership. We now absolutely are using every device we can to ensure transparency. Once you have the transparency, we're confident as a department we have a capacity to manage the conflict—and that's the important word. As to whether it's actual or perceived, sometimes the conflict won't be capable of being managed, in which case you won't proceed. There will be other occasions where it is capable of being managed and we'll think about what the appropriate way is to manage that conflict. None of that is new to us, because that's how we operate within the department as well. Your examination of us last estimates underscored the importance of the transparency issue. We leant in on that and it's allowed us to now think about more generally how we can manage conflicts, in particular at the whole-of-contractor level.

**Senator BARBARA POCOCK:** I agree with you that transparency is very important, but there are also the issues of consequences when a big four does a lot of work for you—many contracts for you—and fails to be transparent. I'm interested in the consequences for them. You've since given EY a contract, as I understand it, for \$220,000-odd for further work. Did you pause? Did you think, 'This company failed to meet an obligation to be transparent about its links into fossil fuel'? Did you think about a consequence for EY as a consequence of their failure to be transparent? It's not just about being transparent, it's actually making sure when someone isn't that they pay a price.

**Mr Fredericks:** Correct. That's always a relevant consideration. It is a relevant consideration. There are always going to be others. For a department like ours in contracting, that's legitimate under the procurement rules under the PGP Act. But, in fairness, I'll ask for that specific question to be answered.

**Ms Johnson:** We did consider it very carefully. I can talk you through the steps we took before we contracted EY again. We considered carefully whether another contract was required. This is really technical work that, as I've said, involves identifying world's best practice. It requires an understanding of how you apportion emissions across industrial processes and the comparison between those emissions and apportioning and Australia's

standards under the NGER and the safeguard mechanism. In particular, when we're thinking about identifying our world's best international practice, a consultant's ability to draw on global networks was really key in our decision that we did require another consultancy. We needed to have those conversations with people on the ground in different countries. So, Norway, America, Malaysia—there's a whole range of countries in which these facilities are found to be world's best practice. That capacity to tap into on-ground global networks was our decision that we did need to pursue another consultancy, but we did scope that in a way to make sure the scope was as small as possible in accordance with the APS Strategic Commissioning Framework, to make sure that we were really only seeking that consultancy expertise when we need it. We then went to three consultants on the Management Advisory Services Panel. EY was the only firm that put in a tender as a result of that request for tender.

**Senator BARBARA POCOCK:** Was that an open tender?

**Ms Johnson:** The Management Advisory Services Panel is created through an open tender process.

**Senator BARBARA POCOCK:** But you didn't give it to the whole panel? You have given it to three members of the panel?

**Ms Johnson:** We gave it to three members who we felt had particular expertise in emissions reporting.

**Senator BARBARA POCOCK:** You had only one application to the work?

**Ms Johnson:** That's correct.

**Senator BARBARA POCOCK:** From EY, and you gave it to EY?

**Ms Johnson:** We considered it carefully and considered the value-for-money of that proposal, as well as the need, as I've described. Before contracting them, we asked EY to provide all of their memberships in accordance with the process Ms McCulloch has described. So, we worked through that. At that point, there were 28 industry memberships that we considered against the production variables that we needed—emissions intensity best practice values—in this round. That's the 13 new EI values. We considered the potential, perceived and actual.

**Senator BARBARA POCOCK:** Will you be publishing this report?

**Ms Johnson:** What we released on Friday was the draft consultation rule that sets out the outcomes of the advice that then the department takes. We then calculate the draft emissions intensity values and publish that. I can take on notice whether we can publish the report.

**Senator BARBARA POCOCK:** We're looking at a process where only one, effectively, consulting firm was considered for this work, and it was EY, with which the department certainly in this process of estimates had concerns about. That's a worry for me.

**Mr Fredericks:** With the greatest respect, you said only one firm was considered.

**Senator BARBARA POCOCK:** In effect.

**Mr Fredericks:** No, that's not correct. Three firms were approached. In reality, this is not easy. This is such technical work requiring such an international footprint that at the moment this particular part of EY is the only firm capable of satisfying to our satisfaction value for money under the procurement rules. That's our highest order requirement, as you know.

**Senator BARBARA POCOCK:** Is it a single person's expertise that you're looking for?

**Ms Johnson:** No, it's a team of people.

**Senator BARBARA POCOCK:** If the safeguard mechanism is now a core element of government policy, why are you contracting out? I'm a long-term researcher. International comparison is a critical element of any new project and to find out how other people are doing things. Why is that not core and done within the department? That's a question for you, Minister. One of the key ambitions of your government is to have core work done within the department. Why is this being contracted out and why is key research work underpinning your goals not being done by the department?

**Senator McAllister:** You are correct that the government seeks to reduce reliance on contractors and consultants, and we are working to strengthen APS capability. I think you probably ask questions about this in other forums. You will know that we are bringing core work in house. The Department of Finance is developing a strategic commissioning framework that sets out the approach that will be taken across the government. However, it does not mean that there will be no use of contractors or consultants. They will continue to play a role to augment the capabilities of the Australian Public Service. The department has a quite clear framework, which Ms McCulloch was starting to talk you through, about how the department goes about deciding whether or not to use a consultant and the kinds of considerations that might then be given to managing any conflict of interest that might present under the circumstances where a consultant is engaged.

**Senator BARBARA POCOCK:** Thank you for that, Minister.

**CHAIR:** We'll need to rotate in a minute.

**Senator BARBARA POCOCK:** I want to pursue one more line of questioning which relates to transparency. This is a question for you, Mr Fredericks, or possibly the minister. At last estimates you took on notice a question I asked about how many EY officials are on secondment in the department. The answer I received from the department was that 'due to the limitations of the Department of Climate Change, Energy, the Environment and Water's database systems, a response to this question is not possible without an unreasonable diversion of resources'. That is a quote straight out of the playbook tabled in the last fortnight in the parliament, one that sadly we may hear more of. To be clear—

**Senator DUNIAM:** We might hear more about that.

**Senator BARBARA POCOCK:** Yes, we will probably hear more about that. To be clear, in the context of multiple inquiries into consultancies, numerous scandals in the big four, evidence from insiders in the big four about the active engagement of relationships by people on secondment or rotated through departments to harvest and create new commercial opportunities, the evidence we've heard about your department in relation to EY failing to disclose conflicts of interest, and after Mr Frederick said in estimates last time, as I understand it, that the department is very conscious of its responsibilities and we need to keep a very sharp eye on these issues, I find this response of refusing to give the parliament and the Australian community evidence about rotations because it's too much trouble really puzzling and inappropriate. I'd like to hear how many people are seconded. What kind of revolving door, as it's known in the industry, is underway, if at all? It is a matter of transparency.

**Mr Fredericks:** We can give that answer now. Can I just say in relation to the bigger question, though, it's not easy for us when we give those answers to say that it's an unreasonable diversion of resources, but I think it's well known that large volumes of requests are coming to us. We do our very best. So, if we haven't, please understand that, but we do have an answer for you now.

**Ms McCulloch:** There are two responses. Firstly, at the time we gave that answer our departmental systems did not allow for us to do the interrogation that was relevant to your question. As an agency that was brought together under a machinery-of-government change, our systems were still being built and we were working across three disparate systems that didn't talk to each other. So, we weren't able to give that answer with any confidence. What I can tell you is, to the best of our knowledge, we have no secondees from EY working in the department. We are just now developing a system that will allow us to do more of these interrogations in the future.

**Senator BARBARA POCOCK:** Do you expect in the future, for example, to be able to give an estimates committee an answer about how many of the big four, if any, are on secondment or recently recruited from?

**Ms McCulloch:** I'll have to take that on notice. I'd have to ask my systems people, but I do know for the first time, recently, we now have a single source of truth about our employees.

**CHAIR:** Senator Duniam.

**Senator DUNIAM:** When we left off I think we'd established that in terms of Beyond Fraud, as examined by the law firm Norton Rose Fulbright, there were other elements that would enable the cancellation, cessation or review of a grant agreement, including false or misleading information. It was stated that had to be either in the application or at the time the application was made. Is that right, Secretary; that false or misleading application was a point-in-time assessment, not beyond?

**Mr Fredericks:** My understanding is that it relates to conduct at the time the contract is entered into.

**Mr Hanlon:** Correct. That would also be the case if there was false or misleading in the milestone reporting as well; that could trigger us to investigate further and potentially cancel the grant if it was deemed appropriate.

**Senator DUNIAM:** I understand; the department isn't monitoring its IT systems and figuring out whether there are matters of integrity to deal with. So, the grant agreement does not, beyond those milestone reports or at the point in time the agreement is entered into, contemplate or manage those matters that have just been outlined as a reason for cessation, review, cancellation or whatever of the contract; is that right?

**Mr Fredericks:** That's correct.

**Senator DUNIAM:** That being the case, I note in the summary, Secretary, you say that you consider that further steps need to be taken. Given there were no breaches of the grant agreement, according to NRF, and BGH has determined that there was no fraud, why did you determine that we needed to take further action?

**Mr Fredericks:** Really for abundant caution and to use this as an opportunity for us to test whether we have the best assurance and the best provisions in place for this contract. In many ways, they're two separate but related issues. The nature of the review was about whether the conduct described by the Federal Court judge amounted to

a breach. For all of the reasons we've discussed, the conclusion was, no. But I thought it was prudent that we use this as an opportunity to check whether systemically the assurances systems in place for this contract were as good as they could be, and whether there was improvement that could be had in the provisions within the contract. In many ways, having done an inquiry which was specifically about conduct and breach, I then wanted to move on to consider system issues as well off the back of this experience.

**Senator DUNIAM:** You mentioned 'as good as it could be'. Is that an admission that the system wasn't as good as it could be?

**Mr Fredericks:** I don't think it is. Departments like ours and the BGH are always making sure that we're improving. We think that the additional assurance, which I can have Mr Hanlon talk to, is an improvement. I'm not ashamed at all to say that we should be trying to do things better, and that's what this was about. We are doing it better. On the contractual provision that we have negotiated now with the EDO to include, which is a specific reference to legal conduct—again, I regard that as a matter of abundant caution. As I've said to you before, the contractors that currently exist do reference the necessity to judge conduct of lawyers against regulations of their profession within each state. I personally took the view that I just wanted that to be more crisply and sharply articulated in the agreement, given the circumstances that we'd learned from this case.

**Senator DUNIAM:** So, legal advice says nothing is in breach. BGH says nothing is in breach. You don't necessarily link, from your statement earlier, are things as good as they could be? You say it's not the case that perhaps they weren't, but out of an abundance of caution you've acted. You've just now specified something with regard to the EDO, which is part of, I guess, a revised agreement I was going to come to shortly around legal conduct and how they interact with the regulations in their home state or territory. Again, that's something I was going to come to. Would you have made this change but for everything we've been through with the Santos case?

**Mr Fredericks:** That's a good question. I think if circumstances like this came to our attention in any other way, I suspect, yes. In fairness, we're always after continuous improvement. The BGH is always after continuous improvement. It's a bit hypothetical for me to say whether we would or wouldn't have done something in the future. As I said, this is a good thing for a government department to take a circumstance, do a review and try to do better. That's what I think the Australian public want from us and that's what we've done here.

**Senator DUNIAM:** I am fascinated at the delinking of what's happened with this Federal Court case with the changes that are now being made to grant agreements.

**Mr Fredericks:** To be fair, I didn't delink it. I said they're related. They're separate but related. They are related, for the reasons we've described.

**Senator DUNIAM:** You've taken action without in particular pointing to what's happened, is what you've said. What has happened is not the cause for the department's actions, you're always seeking to improve and I applaud you for that, but I do find it passing strange that Justice Charlesworth's judgement was not of such great concern that it was the catalyst for the action. You've sort of separated the two out.

**Mr Fredericks:** No. If that's the impression I've created, I don't mean to do that. The fact of the matter is the review was a consideration of the terms of the agreement in the particular circumstances of the conduct of lawyers in court. The additional provision that we are negotiating with the EDO as an abundance of caution is also related to the terms of the contract insofar as they relate to the conduct of lawyers in court. That connection is absolutely there. That's why I deliberately say 'abundant caution'. The contract as it currently stands does deal with that issue in the way I've described. Does it deal with it as well as we would like? It's self-evident that it doesn't, and for abundant caution we're putting a more targeted provision into the contract?

**Senator DUNIAM:** So, the current contract deals with the issue. How?

**Mr Fredericks:** Let me come to the section. In 10.2 it says in particular you are required to comply with 'regulations governing legal practitioners in their state or territory'.

**Senator DUNIAM:** But that was determined not to be a breach. So, the activity as outlined in the Santos case quite eloquently by Justice Charlesworth has been determined through Norton Rose Fulbright's advice to you, BGH's review and the department's judgement to not be a breach; they're not in breach? I was looking at the Northern Territory—

**Mr Fredericks:** I have to be careful of legal professional privilege, which you will appreciate.

**Senator DUNIAM:** Yes.

**Mr Fredericks:** The conclusion which is described in the advice is that our legal advice said there was no breach of this contract, which includes those terms. I should just mention one thing. This is important. I did mention this in the report. Yes, those comments from the Federal Court judge are as you described. But as I note

in my report, the judge herself did not have cause to refer the lawyers to their legal professional body, which of course was her right, and didn't do that. I think there's an inference available there.

**Senator DUNIAM:** It's open to interpretation.

**Mr Fredericks:** Of course, but there's an inference that is available there. Secondly, of course, the court didn't impose any penalty of any nature on the parties, and I think there's an inference available there. The conduct is as described. There are inferences about what the judge did not do, having identified that conduct, and then we have legal advice that says there is no breach. There is a provision that refers to regulations governing legal practitioners.

**Senator DUNIAM:** Legal advice is based on the instructions clients provide. It's not some end of the road, definitive thing. I can get legal advice that says completely the opposite. So, let's take that into account.

**Mr Fredericks:** Of course. That's why I acknowledged before that it's always a judgement.

**Senator DUNIAM:** That's right, on the part of the department, which is what I'm trying to understand. I'm not going to read between the lines of Justice Charlesworth's judgement where she actually says that they confected and constructed evidence, they coached witnesses and that it lacked integrity. I think that's a damning assessment of any lawyer, whether they were referred to a body in their home—

**Mr Fredericks:** That was not acted upon by the judge.

**Senator DUNIAM:** We can read into that or read the actual words in the judgement. In terms of the Northern Territory Law Society regulations, it says in paragraph 17.28 that a practitioner, under the heading 'Integrity of Evidence'—and of course Justice Charlesworth refers to 'integrity' in her judgement quite extensively, or the lack of it—must not suggest or condone another person suggesting in any way to any prospective witness, including a party or the client the content of any particular evidence which the witness should give at any stage in proceedings. I would argue that covers what has gone on here. But you're telling me your legal advice, the review of the BGH and the department's judgement, is that has been met; that standard required by the Law Society of the Northern Territory, which applies insofar as the grant guidelines you've referred me to, has been met?

**Mr Fredericks:** So, that's the necessary implication of the legal advice that we've received and that I've advised you.

**Senator DUNIAM:** Would you table that legal advice?

**Mr Fredericks:** I will not.

**Senator DUNIAM:** On what basis?

**Mr Fredericks:** Fair enough. I will take that on notice.

**Senator DUNIAM:** Very good. Excellent. Just in terms of other elements of the grant guidelines, clause 6.2, assessment criterion 2, capacity, capability and resources to deliver the project, demonstration of prior skills, et cetera. Part B talks about culturally appropriate engagement. I'm sure there will be further questions on this as we move forward. In terms of what I've actually read to you, coaching of witnesses, and not actually reflecting the evidence that's provided and, as I said here, paragraph 10.27, cultural mapping exercise lacked integrity so much that no weight can be put on it. It's confected and constructed. Is that a breach of 6.2B?

**Mr Fredericks:** Again, we're just in this curious world where, at the end of the day, I have legal advice that says there's no breach of this agreement. We should just address that paragraph B, though, because it has been raised in previous estimates. I'll just ask Mr Hanlon or Ms McCulloch to address that particular paragraph for you.

**Mr Hanlon:** As part of the approval process in the guidelines, the EDO were asked about the cultural competency. The EDO had responded by saying that prior to dealing with that they have an obligation on their organisation to continually improve practices, policies and the ways of working with First Nations. They also stated that, in 2001, they engaged two Indigenous consultancies to help guide the development of their practice with First Nations communities. After receiving those reports, EDO appointed a First Nations director, an identified role sitting in the EDO executive team, and a First Nations strategic advisory committee. Alongside these appointments, the EDO require all staff to complete cultural competency training, establish a reconciliation plan, and undergo a review of their policies and procedures in an inclusive setting for First Nations staff.

**Senator DUNIAM:** I have a final question on the grant guidelines. I'm sure my colleague Senator Nampijinpa Price will come back on that particular one. Clause 12 of the grant agreement, 'How we monitor your grant activity', goes through a range of steps, including the information that you must furnish the department with. It then says that 'if you become aware of a breach of the terms and conditions under the grant agreement you must contact us immediately'. Did that happen in relation to what was going on with the Federal Court case and Justice Charlesworth's findings?



**Mr Fredericks:** No, it didn't happen.

**Senator DUNIAM:** So, there was no contact from the EDO at all about what could have been perceived until you've received your legal advice about a potential breach?

**Mr Fredericks:** Yes. Again, we're in this world of judgement. In a sense, in that world, we're reliant upon the EDO to make a judgement about that. Interestingly, in terms of abundant caution and improvement to what we do here, we are including into the contract a tighter requirement for notification by the EDO, where there is criticism of their conduct in court to the BGH.

**Senator DUNIAM:** Will you table your instructions to the Norton Rose Fulbright firm?

**Mr Fredericks:** I'll take that on notice.

**CHAIR:** Senator Pocock.

**Senator BARBARA POCOCK:** I just wanted to ask about the question of risk for the department in relation to the use of consultants. I'm conscious, in asking about risk, that we've seen some very high-risk issues arise in other departments. For example, in the Australian Federal Police there was discussion a year ago about sterile corridors between elements of the PwC, for example, that did audits for the Australian Federal Police at the same time as they were investigating PwC. That's been changed in the Federal Police to terminate those contracts so there is no reliance on a so-called sterile corridor. Do you believe you are relying on sterile corridors in relation to your contracting to EY, given their client list? Do you see any risk that EY may be exposed just by being present in the building or other behaviours and relationships to confidential information that could possibly be passed on to clients and monetised?

**Mr Fredericks:** This is a nice opportunity Ms McCulloch to give you a bit more detail on that whole-of-department and whole-of-contractor approach that we're taking, because that's exactly the sort of issue that Ms McCulloch and Mr Hanlon are meeting with the large consultancies to understand, that is, precisely how they do that. In reality, I think we're on a learning curve to understand that and we're well and truly on it. Ms McCulloch.

**Ms McCulloch:** Once a potential or actual conflict is identified we do have procedures in place to ensure that conflict can be managed. If it can't be managed, then we don't proceed with the contract. That will include assurances around how, as I mentioned earlier, the confidentiality and the arrangements that the firm has in terms of how they handle that information is secured on their IT systems, and who has access to it. We also get assurances around the training and awareness of the personnel that we're working with, and we get some assurances around their governance arrangements as well to satisfy ourselves that the governance is appropriate and that those conflicts can be managed to our satisfaction. The one thing I would note is there are perceived potential or actual conflicts that might relate to the firm as a whole, and then there's the individuals. I'm not sure what you mean by 'sterile corridors'.

**Senator BARBARA POCOCK:** That's the assurance or the hope that one part of an organisation doing work that could be monetised or could cause a conflict has an IT corridor or some kind of hope and structure that offers a corridor that minimises or prevents the risk.

**Ms McCulloch:** They're specifically the questions that we ask and seek assurances on. The other point that I would make is the managed advisory service that Finance manages on behalf of the public service do their own due diligence as to the integrity arrangements of the entities. You only get listed on that panel if you meet Finance's scrutiny. There are a couple of levels of protection there. You will be aware that in relation to PwC they're no longer on the Management Advisory Services Panel.

**Senator BARBARA POCOCK:** Have you ever found any issues with conflicts of interest in relation to EY and its work on government climate policy at any time?

**Ms McCulloch:** I'd have to take that on notice.

**Senator BARBARA POCOCK:** Has EY ever notified the department when potential conflicts of interest arise in areas of work, that is, on the front foot, have they notified you?

**Ms McCulloch:** Again, I would have to take that on notice.

**Senator BARBARA POCOCK:** Did EY notify the department when it was engaged by the Australian energy producers in late October 2023 because EY was doing work for the department during that time?

**Ms McCulloch:** I'd have to take that on notice.

**Senator BARBARA POCOCK:** Wouldn't it be a reasonable requirement for the department to request that EY not be a member of industry groups lobbying to influence the policies it's working for in the department? This is termed in the industry as walking both sides of the street, both advising the department on issues but also

clients. Isn't it a plausible action that the Australian community might see as the way to actually ensure there are no conflicts of interest, to require them to not be part of industry advisory bodies that could have such conflicts?

**Mr Fredericks:** That's a legitimate proposition. To be frank, I don't think it's right for us to be telling a consultancy firm what it can and cannot do in terms of membership of industry bodies. But given that you've raised this issue strongly, the department has acted very strongly. I think the better approach is the one we've been describing where we put in place both at the general level as described by Ms McCulloch and then at the specific level in relation to the contract the highest possible standards we can for transparency of actual potential perceived conflicts of interest and the management of them, in the knowledge that we'll be judging that in a world in which a consultancy has made its own decision to be in or to remain in an industry association.

**Senator BARBARA POCOCK:** When I look at contracts in the last couple of years with EY, they're very significant amounts of money and there are many contracts. From what I hear from your words, you are very reliant on EY's assurances about their governance, behaviour and their individuals. I've spent a year down in the mud pool of poor behaviour, and we know it happens, but we had to catch it in a very egregious example, by chance, before we were aware of it. Your governance is also really important. Leaving it to the entity to manage an obvious perceived conflict of interest is a real concern for me.

**Senator McAllister:** I don't think that was the evidence. I think the Secretary indicated to you that the department has put in place mechanisms to surface conflicts of interest so that the department may then make a decision about how best to manage them. That is clearly dependent on the nature of the work being undertaken and the nature of the specific conflict. I think it's not right to characterise the Secretary's evidence in that way. The department has indicated to you that they are intensifying their active management of these questions in the context of a broader uplift in government capability being led by the Department of Finance.

**Senator BARBARA POCOCK:** I see the actions are there, but I think it is very reliant on self-governance and self-reporting.

**Senator McAllister:** Perhaps Ms McCulloch can talk you through it again, because I don't think that's the evidence she gave you. She has stepped you through a range of assurance processes that the department has put in place. We can go through it again.

**Senator BARBARA POCOCK:** No, please don't.

**Mr Fredericks:** It is an important point. We understand the point you're making. We are leaning in very strongly to ensure we can make the best possible judgements, as the minister just described. So, it is on us and we interrogate, we probe, and we do it at senior levels to give ourselves the confidence that you would want us to have.

**CHAIR:** Senator Nampijinpa Price.

**Senator NAMPIJINPA PRICE:** Given the outcome of the case and the legal advice provided to the government, EDO's behaviour therefore sits within the current guidelines; is that correct? I just want confirmation. The conduct of the EDO sits perfectly within the current grant guidelines?

**Mr Fredericks:** The conduct of the EDO described by the Federal Court judge in this case does not amount to a breach of the grant agreement they have with the Commonwealth government.

**Senator NAMPIJINPA PRICE:** So, such exploitative behaviour is perfectly acceptable under the current guidelines?

**Mr Fredericks:** The question that was asked and answered in the context of this review was: was there a breach? We've discussed now at length the conclusion that there wasn't a breach. I don't think there's much more I can say.

**Senator NAMPIJINPA PRICE:** So, the guidelines are inadequate, basically?

**Mr Fredericks:** I don't concede that. What I've said to Senator Duniam is that we have used this as an opportunity to consider where we can make improvement. We've been transparent about that. As I say, I think that's a good thing and it's a good outcome from this case.

**Senator NAMPIJINPA PRICE:** I'm probably repeating this in a way, but you do only make changes, therefore, if there are grave concerns and ramifications, which evidently we've seen? Evidently the current guidelines are inadequate in order for them to require a change.

**Ms McCulloch:** The guidelines that were used are the guidelines that are provided by the Department of Finance, and they're the same guidelines that have been in existence for successive governments over many years. The actual guideline—and I don't have the exact wording in front of me—does actually refer to the legal practitioners needing to meet the standards of the relevant state. Our advice was they did not breach our

agreement with them, which was a financial agreement, and the judge herself decided not to refer them to the relevant law society.

**Senator NAMPIJINPA PRICE:** Nothing to see? Everyone can go away? That's all very well, I guess, at the level that we all operate on, but evidently there are ramifications for Indigenous people and traditional owners. We are dealing with people, we are dealing with land, and we are dealing with opportunity or lack thereof as a result of this level of conduct. The expectation is that such organisations work appropriately without using exploitation of our most vulnerable in how they conduct themselves. Evidently the change is occurring because this conduct is not appropriate behaviour; this behaviour has been found to be inappropriate? If I want to offer my opinion, it's utterly inappropriate. Is this the first time, therefore, such exploitative behaviour has been found to have occurred by a judge in a court?

**Mr Fredericks:** That's a very difficult question to answer. Perhaps I could take that on notice and we'll see what we can do with it.

**Senator NAMPIJINPA PRICE:** If you could take that on notice.

**Senator McAllister:** Perhaps you could narrow your question a bit. We have 100 years of legal cases.

**Senator NAMPIJINPA PRICE:** Specific to the EDO?

**Senator McAllister:** That is a much narrower question.

**Mr Fredericks:** Let's take that on notice.

**Senator NAMPIJINPA PRICE:** Minister, would you accept that such exploitative behaviour of the EDO is actually within the government's guidelines?

**Senator McAllister:** We discussed this last time, at the last estimates hearing, and we talked then about the fact that the minister had written to the CEO of the Environmental Defenders Office. She made it clear that, as with any other organisation in receipt of public funds, the government expects the EDO to exhibit the highest ethical and professional standards. She also, as is now a matter of record, asked the Secretary to review the allegations. That review is the subject we're discussing this morning.

**Senator NAMPIJINPA PRICE:** And now changes are going to be made to the guidelines, upon what has just occurred, even though there's nothing really to see here. Secretary, can you outline for the committee the changes to the grant agreement with the EDO that will prevent future occurrences of this sort of egregious behaviour?

**Mr Fredericks:** I think there are two, essentially. I've said before—and to be fair, you weren't here—the change that we're making in the contractual provision is essentially to call out more strongly that the conduct of EDO lawyers in their professional conduct in litigation is relevant to a consideration as to whether they may be, as an organisation, in breach of these guidelines. To Senator Duniam's point earlier, an express requirement for them to advise when that conduct is impugned; that will help in the circumstances that you've described. Secondly—and I should say Mr Hanlon really hasn't had a chance to say this—we have also asked the BGH, Business Grants Hub, who administers this grant for us over in the Department of Industry, to do an additional layer of assurance in their normal processes going forward on compliance with the agreement before further payments are made.

**Senator NAMPIJINPA PRICE:** You mentioned they will be called out more strongly. Will there be any consequences for such conduct should we experience a repeat of this kind of conduct into the future?

**Mr Fredericks:** As is the case now, but will remain the case, it will be relevant to whether the Commonwealth can exercise a right to terminate the contract for breach. In many ways, that's the ultimate sanction here.

**Senator NAMPIJINPA PRICE:** That's dependent on legal advice as to whether it is considered there has been a breach or not?

**Mr Fredericks:** It is.

**Senator NAMPIJINPA PRICE:** Effectively they could conduct themselves in such a manner as has been done and there's found to be no breach and therefore no consequences. But we're all sitting here understanding what has occurred. Traditional owners have been made absolute fools of, have lost opportunities to have economic development in their region for the benefit of their communities, the most marginalised, and with their children as well. However, the structures in place can be utilised in such a way that determines that there is, in fact, no breach. So, we were just chasing our tail?

**Mr Fredericks:** There are other means for bringing in particular legal conduct to account. The contract itself calls that out, but there's also the capacity for a lawyer to be referred to their professional authorities in a

particular state because of the nature of their conduct for further consideration. As I said to Senator Duniam, in this case the presiding judge chose not to refer the conduct of the lawyers to their professional organisations in the Northern Territory. But it is clear from the report; I have brought this judgement to the attention of the Law Society of the Northern Territory.

**Senator NAMPIJINPA PRICE:** There's the Law Society, the judgement and then the position in which this government sits to also provide accountability for such conduct, given the platitudes of acknowledgments and respect for Indigenous Australians in this country. I'd like to now go on to cultural competence training. Mr Hanlon, this might be one for you. What is the level of cultural competence training provided for the EDO?

**Mr Hanlon:** Specifically the EDO? That would be a question for the EDO. In terms of in general, general practice is to receive cultural competence training from certified trainers. It depends on locality as well. In terms of government, we have standardised training that we use AIATSIS for. In terms of the private sector, they will generally use localised training suited to the area they're in.

**Senator NAMPIJINPA PRICE:** Is there a particular process or this is just completely specific to the EDO, and the department has no connection to that?

**Mr Hanlon:** So, we don't provide the training? Is that what you're asking?

**Senator NAMPIJINPA PRICE:** Is there oversight of what level of cultural competence training the EDO undergoes?

**Mr Hanlon:** When they applied for it, we were advised that the requirement is for all staff to undergo the cultural competency training annually, establish a reconciliation plan, and undergo a review of their policies and procedures to ensure they provide an inclusive setting for First Nations staff. That was the work that we undertook when the grant agreement was put in place.

**Senator NAMPIJINPA PRICE:** Is there a particular standard that's supposed to have been met or an understanding by the government that there's a particular standard, a threshold, that has to be met? Or is there a box that they have to tick to say, 'This is who we've done our training with', to demonstrate they've in fact had appropriate cultural competency training? Or is it just a tick and flick?

**Mr Hanlon:** I'd need to take that on notice.

**Senator NAMPIJINPA PRICE:** I would appreciate that. This is interesting. I hear the term used not just in this committee but across committees when it comes to cultural competency. Quite often I'd like to understand exactly what that is supposed to mean more broadly, and whether actual respect for other human beings comes into play. Evidently this has not occurred with the EDO in terms of their conduct with traditional owners—basic, simple, non-exploitative behaviour. Will there be any element or a particular focus on exploitative conduct that will go into the guidelines moving forward? Or an expectation of some, to understand cultural competency also entails respectful conduct away from exploitative behaviour toward vulnerable Indigenous Australians? Is there any sort of element such as this that will be considered that will then be applied moving forward?

**Mr Fredericks:** We're mindful of the issues that you've raised. Just to go back to a point, the guidelines that we've got here, in particular the provisions we're discussing around cultural competency, are found in lots of grant agreements across the Commonwealth. It's not just relevant to this contract.

**Senator NAMPIJINPA PRICE:** I get that.

**Mr Fredericks:** I suspect that it's probably an issue that is more appropriately dealt with at a whole-of-government level, and whether there's an appetite at a whole-of-government level for some more work on this particular issue that you're discussing. I'd certainly see that as the better way forward here.

**Senator NAMPIJINPA PRICE:** I'd say, in light of these circumstances, it probably would open the door to that. The EDO has certainly led the way on the need for this to be looked into further. Mr Hanlon, from the department's point of view, if there's any information around cultural competency training requirements could you perhaps table that for the committee? Do you need to take that on notice?

**Mr Hanlon:** Yes, I'll take that on notice.

**Mr Fredericks:** We might consult the Department of Finance on that question.

**Ms McCulloch:** And also the Business Grants Hub, which administers the grants on our behalf.

**Mr Fredericks:** Yes.

**Senator NAMPIJINPA PRICE:** I think it's very important to understand that, when it comes to issues such as this, such as the exploitation of vulnerable Indigenous Australians, there's further impact that occurs. We know we experience the highest rates of violence within remote communities when family groups are in conflict. This

serves to ingrain that conflict further. We are dealing with human beings at the basis of all of this. This goes across all government departments, to have this understanding in mind that whether we're contributing to the ongoing conflicts and violence within communities, especially through the conduct of organisations such as the EDO—this must be kept in mind going forward so as not to create circumstances where more conflict is created. That is very important.

**CHAIR:** Senator McDonald.

**Senator McDONALD:** I want to continue with some questions that I had around the EDO funding and the issues that I raised at the last estimates. Specifically, I raised a social media post where the EDO appeared to engage in the coaching of people as relevant witnesses. I note that it did make it into the ministerial investigation into the EDO. How was this claim investigated? What was the process?

**Mr Fredericks:** We've been transparent about that. I accepted your Facebook post as subject matter for the review. I did that because, to be fair to you, you made the effort to actually provide an example. So, we sought advice from the Environmental Defenders Office about that to explain the circumstances. That advice is tabled as part of the report, the 9 May advice. It was very clear to us in its terms that particular work doesn't fall within the funded projects of this Commonwealth grant. Insofar as it relates to conduct under the grant, it's not relevant. It's not something that we could take a legitimate interest in. But I would note that, going forward, because of the enhanced assurance processes that Mr Hanlon still hasn't quite had an opportunity to detail—but we'll get there—that includes an independent audit. In effect, the advice that has been provided by the EDO will be ultimately subject to an independent audit, if you like, on milestone reporting. That will be our way of testing that advice.

**Senator McDONALD:** When do you expect that independent audit would be carried out?

**Mr Hanlon:** We've asked for an independent auditor from a registered accountant, a Certified Practising Accountant, a member of the Institute of Public Accountants, or a member of Chartered Accountants Australia, and that's for the financial year ending 30 June 2023. That's underway at the moment. That's part of the milestone reporting that was due on 30 April this year.

**Senator McDONALD:** Senator Barbara Pocock was asking some questions earlier around governance and around contractors, specifically EY and PwC. Is that the same kind of governance approach that you would take, a panel of accountants, to review that sort of work that you're now taking to the EDO's funding and other grant funding?

**Mr Fredericks:** I can understand your asking that. They're quite different contracts in many ways—a consultancy to provide services to us as opposed to government grant funding for the EDO to provide services to others. I think the core issue, the commonality, is to what extent does government lean in to assure itself of the information that's being provided by our contractor? This has been an issue. This has been an issue for many years, and it is why the assurance processes are so important. It is the only way that the government can get confidence that money is being spent for the purposes it's been allocated. The addition that has been introduced here of an independent audit of that is beneficial, because in many ways it's not going to be our judgement about whether there's compliance; someone completely independent to all of us will give the assurance that there's been compliance, and I think that's a good thing.

**Senator McDONALD:** Again, referring back to the previous questions around some of the consultant contracts, there's an ethical behaviour element here that, 'I'm a Certified Practising Accountant. We are people of high values', I'd like to think. This ethical element is a harder one to assess. So, thank you; I was trying to ascertain whether or not the department had just asked the EDO whether there had been any community members involved in the investigation, whether you had tested their assertion outside of them just being able to assert that there was no problem?

**Mr Fredericks:** I think I've explained the process by which in time that sort of advice will be able to be independently audited.

**Senator McDONALD:** I do believe this line of questioning, whilst it sounds similar, is different. I want to turn to the image that I also provided at the last estimates of the EDO appearing to write legislation for a teal candidate during the 2023 New South Wales election. Do you have that handy? Or would you like me to read—

**Mr Fredericks:** I'm not sure that was tabled.

**Senator McDONALD:** I did table it at the last one.

**Mr Fredericks:** I do apologise. I did ask my team to check, and I'm very happy to stand corrected, but I'm quietly confident that you tabled this document, which I then picked up and put in the report, and then you said

that you're intending to table something. I specifically in preparation for today asked my team to test whether anything from any senator had been tendered subsequently.

**Senator McDONALD:** It appears that I may have tabled it with the Department of Industry. I'm so sorry. Here we go; I'm tabling it today with you. Mr Fredericks, specifically this was a post from Joeline Hackman.

**Mr Fredericks:** Forgive me; I don't have a copy of it.

**Senator McDONALD:** Specifically, this post is from a candidate who specifically identifies that she's been working with the EDO on legislation ready to protect our koalas, not empty promises legislation, et cetera. It is a repost from the Bob Brown Foundation, but it's specifically identifying the EDO as preparing this legislation. Given that I tabled it with the Department of Industry, which didn't see fit to pass it over to you—because it was with the Business Grants Hub that I tabled it—and, again, a frustration I'm sure to anybody watching this at how would departments not communicate this sort of information between each other, given that the EDO inquiry was so topical, I want to understand this. How is it that the EDO could appear to write legislation for a candidate during an election period and be in receipt of funds? I'm very aware of the strict guidelines around taxpayer funding to research and development organisations. Anybody who receives taxpayer money is at great pains to explain that they cannot lobby, they cannot seek to change government policy if they're in receipt of taxpayer money. I'm curious and, again, frankly frustrated that nobody in the Business Grants Hub thought this was worthy of giving to you. I had raised that I was going to table this.

**Mr Hanlon:** Can I take that on notice? I haven't seen it. That has not come to my attention, but I will check with my staff in case they did pass it on to us. I don't have the answer for that now, but I will find that for you. Now that I've got that document, I'll ask the Business Grants Hub to consider this as part of the milestone reporting.

**Senator McDONALD:** The Business Grants Hub has it. I tabled it at the last estimates, and under 5.5 of the guidelines, what you cannot use the grant for: No. 5, lobbying and advocacy. And, No. 7, law reform and public policy development and debate activities.

**Ms McCulloch:** You're correct; those are the grant guidelines. The EDO is funded from multiple sources, multiple donors, and that's detailed in their annual report, the donors that they receive. The grant agreement with us is clear about the activities they can fund using Commonwealth grant money, and the milestone reporting and auditing that the BGH does on our behalf; that the funding that we have been provided is used for appropriate purposes and not for things that are outside the grant agreement.

**Senator McDONALD:** So, it would be okay for any organisation to carve off part of their activities, part of their funding, from other sources and do something that is definitely not in line with the government's expectation of a group that's receiving taxpayer funding?

**Ms McCulloch:** As I said, the agreement we have with the EDO—

**Senator McDONALD:** I'm sorry to interrupt. I understand what you said, for the activities that you're specifically funding. But what I'm asking is: is it okay for an organisation to say, 'Under this bucket of money we are compliant with all of the government guidelines. We are absolutely sure that not \$1 of it goes to funding shared funding of a staff member or a photocopier or whatever else it might be'? Because outside of that very tight management of that funding, we can do whatever we want?

**Ms McCulloch:** I can't comment on something that's seeking an opinion in relation to EDO.

**Senator McDONALD:** That's not an opinion. I'm seeking to understand, under the grant guidelines, as you understand them, so long as under this tight little bucket they're compliant, the government would provide no oversight and have no interest in what else that organisation does?

**Mr Fredericks:** In my past career, I've worked in the Attorney-General's Department and for a long time under a number of governments have been responsible for the provision of Commonwealth government support for legal services. It doesn't only happen in the environmental world, it happens in the charitable sector, it happens in the First Nations world. That issue has always been in place and always been a challenge. So, the reality is the system which, to be fair, has operated under both governments in this broad world of Commonwealth government assistance for legal assistance—for example, legal aid authorities—has always worked on the basis that the Commonwealth provides funding; it can use the agreement in order to regulate, if you like, the conduct of the legal service provider when it's utilising the Commonwealth funding. Big legal aid agencies and others get large amounts of money from the states and they get donations. They have large sources of funding elsewhere. They're charities and so they are controlled and regulated under the charities and not-for-profits act and the commission. They do get subject to regulation in what they do with all of their funding. But insofar as the Commonwealth

provides funding for legal services as a component of that, we're limited in our influence to that funding for that purpose. It's been ever thus.

**Senator McDONALD:** I understand what you're explaining to me. I'm still surprised that, given that this was tabled with the grants hub, it wasn't a part of the investigation. Does this mean that the investigation wasn't broad enough? Was it purposely kept out of the review?

**Mr Fredericks:** Can I answer that one question, because that's a potential reflection on me? The answer to the last part of the question is, no, and it's clear from the exchange that we've had that I was not aware of this. I gave you the courtesy of dealing with the other matter that you did table with me. I apologise on behalf of the collective that hasn't got to me but, no. As to the inference that I in any way deliberately excluded that—I did not.

**Senator McDONALD:** I'm sorry. I wasn't inferring that you had. It was: how was it that the grants hub had not brought that to your attention, and you can't answer that?

**Senator McAllister:** Indeed, this is the matter I wish to raise. Would it be possible for the Secretary, perhaps over the break or after lunch, to come back with information about whether or not the document was indeed recorded as tabled? Our staff have had a look and can't find it recorded as tabled. It may be that we have missed it, that we simply haven't noticed it in the register of documents that were tabled during the last hearings. But I think it would be helpful to understand whether or not it was tabled, and that might be something the Secretary could assist us with.

**CHAIR:** That would be very helpful, if you could, Secretary. I will caution Senator McDonald: let's get some facts.

**Senator McDONALD:** Indeed. That's exactly what I'm trying to do.

**Senator McAllister:** It wasn't tabled in the economics estimates at all.

**Senator McDONALD:** Given that I raised it at the last estimates, and I failed to table it with you but nobody came back to me and said, 'That document that you tabled—we're doing this review. We certainly don't want to be too narrow in our scope.' But I'll put a pin in that. I guess what I'm trying to understand is, in the new contract and the new tighter guidelines, do you think we can expect that this won't happen again? Do you think we can expect some specifics around what's happening outside of the specific grant guideline or am I being too ambitious in thinking that there would be direction to organisations in what other activities it would be reasonable for them to be undertaking?

**Mr Fredericks:** Under both governments, governments have not tried to achieve that outcome in the provision of funding. It is difficult and in many ways it's why the regulation of these sorts of organisations under the charities regimen exists. It's not like the activities of the EDO and other like agencies that are registered charities aren't regulated by the Commonwealth; in the Commonwealth system they are. I'll be honest with you. I'm comfortable with the current arrangement whereby we take the strongest possible governance and assurance process that we can as to how recipients of Commonwealth funding under this grants program expend that money.

**Senator McDONALD:** It seems that, if the EDO was providing legislative assistance to a candidate at an election, that should also have been tabled with the relevant body. In Queensland, it's the Queensland Electoral Commission, and whatever the New South Wales equivalent is, or potentially the Australian Electoral Commission, as a donation or funds in kind. We'll see if we can find a record of that.

**Mr Fredericks:** I can't comment on that.

**Senator McDONALD:** I'll just leave that on the *Hansard*. It's something that I think there needs to be further investigation of.

**CHAIR:** Are you moving on to another line of questioning?

**Senator McDONALD:** On pages 63 and 64 of the *Hansard* of 15 February 2024 it refers to my tabling this document with the Economics Legislation Committee.

**Mr Fredericks:** Can you give me the reference again?

**Senator McDONALD:** It's pages 63 and 64 of the economics committee, not yours.

**Mr Fredericks:** So not ours; the other one, yes. In this committee you flagged something for the future. To be fair, that's why I chased it up in preparation for today.

**Senator McDONALD:** I appreciate that you did take up that one, and I'll continue pursuing the other matter.

**CHAIR:** We will go to Senator Duniam to take us through to the break. We will break sharply at 10.45 am.

**Senator DUNIAM:** I'll just pick up where we were before. We've had two different approaches to the same sort of problem we're dealing with. We have established that under the advice we've not seen that the department

received from NRF there was no breach of the grant guidelines. The Business Grants Hub have determined the same, and it is the department's judgement that no breach occurred. We have had changes made to the grant agreement, and you outlined there are two; that is it, Secretary?

**Mr Fredericks:** Mr Hanlon might summarise that.

**Senator DUNIAM:** Could you run through them for us in detail?

**Mr Hanlon:** I can. There were two actions. Do you want me to recap on the assurances? That's one of them.

**Senator DUNIAM:** I think the Secretary wants you to take us out to 10.45 am; that's sort of what we're getting at there. If you do, that's fine because I'll be back.

**Mr Hanlon:** At the suggestion of BGH, as part of their review, they suggested some additional due diligence that could be undertaken for the next milestone report which, as I've said before, was due on 30 April '24. We've asked for an independent audit financial acquittal report for the period ending 30 June 2023 to 31 March '24. It's to be completed by either a registered company auditor, a Certified Practising Accountant, a member of the Institute of Public Accountants, a member of Chartered Accounts Australia New Zealand, and someone who is not a principal member, shareholder, officer or employee of EDO or related to a body corporate.

**Senator DUNIAM:** They've agreed to commission this?

**Mr Hanlon:** They have. So, that's No. 1. No. 2, we've added more detail into the grant agreement around notification on legal matters. There are two points we've put in there. The first one is that the grantee must ensure that its personnel working as legal practitioners comply with all applicable state or territory laws governing the legal profession, including by maintaining certification under the Community Legal Centres Australia National Accreditation Scheme, ensuring that all of its Australian lawyers hold a current practising certificate. So, that's No. 1. No. 2 is that the grantee must notify the Commonwealth immediately on becoming aware of, one, any disciplinary proceedings or orders made by a law society or other professional body against the grantee or its personnel engaging in legal practice in Australia. Or, two, any adverse comments or findings in a decision made by a court, commission, tribunal, law society or like legal professional body regarding the conduct and performance of the grantee.

**Senator DUNIAM:** Excellent. They've agreed to that also.

**Mr Hanlon:** That's been signed by both parties on 24 May.

**Senator DUNIAM:** Does that have any retrospectivity or that is from that date onward?

**Mr Hanlon:** From that date onwards.

**Senator DUNIAM:** With regard to the reference to the Northern Territory Bar Association or Law Society, you've referred this matter to them. Did you do that by way of correspondence?

**Mr Fredericks:** I did.

**Senator DUNIAM:** Are you able to table that correspondence?

**Mr Fredericks:** Can I take that on notice? I'm quite happy to table it, but I should just take it on notice. The reason that I'd like to take that on notice, if that's okay—

**Senator DUNIAM:** Yes.

**Mr Fredericks:** is I have had a response from the Northern Territory Law Society which has been marked as 'private and confidential'. I just want to understand the interplay between my letter and their letter on tabling.

**Senator DUNIAM:** Yes, and by extension, if you're taking it all on notice—

**Mr Fredericks:** I'll take it all on notice.

**Senator DUNIAM:** If possible. If not, I'd love to understand why.

**Mr Fredericks:** My predilection will be to table my letter.

**Senator DUNIAM:** Yes, that's understood.

**Mr Fredericks:** We'll see how we go.

**Senator DUNIAM:** You've taken that on notice. That's fine. With regard to your letter, it made reference to the case and the judge's references to the conduct of the EDO. Did it have a particular call to action or anything you as Secretary wanted to have happen as a result? Or was it just, 'Here. You might like to know about this'?

**Mr Fredericks:** No. I was very clear about that. Expressly I referred the judgement to the Law Society. I didn't ask for any call to action. There are two things. Firstly, I was confident that the Law Society, once seized of



the judgement, would be the best placed organisation to decide what action, if any. I didn't want to predetermine or predispose a judgement that's properly theirs, not mine.

**Senator DUNIAM:** We'll wait for those to come back on notice, if possible. What date did the minister receive the review?

**Ms McCulloch:** I'd need to take that on notice just to confirm. It was either the day before it was released or maybe a day before that. It could be two or three days before it was released.

**Senator DUNIAM:** Can you remind me what date?

**Ms McCulloch:** I'd need to take that on notice to confirm. It was either the day before that it was released or maybe a day before that. It could be two or three days before it was released.

**Senator DUNIAM:** Can you remind me what the date was?

**Mr Fredericks:** It was released on the—

**Senator DUNIAM:** On 16 May?

**Ms McCulloch:** Yes.

**Mr Fredericks:** Can we take it on notice specifically? I have the same recollection as Ms McCulloch, which was it was either the day before or the one before that. It was very close to when we externally provided it.

**Senator DUNIAM:** Perhaps through the break you might be able to verify that?

**Mr Fredericks:** We're happy to do that.

**Senator DUNIAM:** If possible. If not, I understand you've taken it on notice. Noting that we have a minute and a half before the break, the finalised review was provided—perhaps; you've taken it on notice—a day or two before 16 May. Were there any prior iterations of the legal advice itself or a point in time brief provided to the minister about the work of the review or was the review the only contact between the department and ministerial office around this particular issue?

**Mr Fredericks:** No. The review was conducted by the department independently of the office.

**Senator DUNIAM:** At the minister's request?

**Mr Fredericks:** Correct.

**Senator DUNIAM:** In completing that request, you've gone back to the minister at the end, not at points in time through?

**Mr Fredericks:** No. There was I think a formal noting brief at the end of the process.

**Senator DUNIAM:** And that was the one or two days before 16 May. I might pick this up after we have a cup of coffee.

**CHAIR:** We'll now suspend for a break until 11 am and we will return and continue on corporate matters.

#### **Proceedings suspended from 10:45 to 11:00**

**CHAIR:** We will continue on corporate matters and general questions. Senator Duniam.

**Senator DUNIAM:** Did the department manage to get any clarity around the exact date the minister was advised?

**Mr Fredericks:** It went up on a noting brief on 14 May. That's two days before the day that it was made public.

**Senator DUNIAM:** It was noted on that date or it went from the department? We don't know whether she's read it yet?

**Ms McCulloch:** It was noted on the 16th.

**Senator DUNIAM:** On the 16th, on the day of release. The agreement was reached between the EDO and the department on 24 May around the new conditions; is that correct?

**Mr Hanlon:** That's correct.

**Ms McCulloch:** With the Business Grants Hub.

**Senator DUNIAM:** With the Business Grants Hub in consultation with DCCEEW?

**Ms McCulloch:** That's right.

**Senator DUNIAM:** So, four days ago that agreement was entered into, 10 days after you'd provided the review to the minister. I heard you before, Mr Hanlon, talking about further payments being made. I just wanted to get my head around whether instalments will be delayed as a result of any of this or have been delayed?

**Mr Hanlon:** The payment is due on 31 May. So, it's not delayed at the moment.

**Senator DUNIAM:** That's three days time.

**Mr Hanlon:** That's right. It will depend on the quality of the information that's provided and the review that's undertaken of that information as to whether payment is delayed or not. I don't have a view on that at the moment.

**Senator DUNIAM:** You received the report at the end of the last month?

**Mr Hanlon:** The Business Grants Hub received the report on 13 April. They're undertaking their reviews, including the additional assurances that we asked for that I read out earlier. That process is ongoing. As of Friday no payment had been made and I haven't been advised that there's been a payment.

**Senator DUNIAM:** And no payments will be made until satisfaction is achieved with the Business Grants Hub?

**Mr Hanlon:** That's correct.

**Senator DUNIAM:** Given this summary of the review was provided to the minister, did the minister see the legal advice?

**Mr Fredericks:** Yes, I provided her with the legal advice when I submitted the review.

**Senator DUNIAM:** What else did you provide to the minister at the time of providing the review?

**Mr Fredericks:** The review and the legal advice.

**Senator DUNIAM:** That's it?

**Mr Fredericks:** That's it.

**Senator DUNIAM:** That was in a minute for noting on the 14th, signed on the 16th?

**Mr Fredericks:** Yes.

**Senator DUNIAM:** And no payments have been made since this issue became a matter of public interest to the EDO from the grants hub?

**Mr Hanlon:** Correct.

**Senator DUNIAM:** I want to go to the portfolio budget statements, page 57, relating to your department, and that's restoring funding to the Environmental Defenders Office and Environmental Justice Australia. In the forward estimates for the year 2027-28 there's a further \$2,247,000 listed. I was led to believe in previous estimates that the contract date with the EDO ceased in the year 2026?

**Mr Hanlon:** I don't know that I've got that. I have to take that on notice. But I can tell you that the funding is ongoing.

**Senator DUNIAM:** The funding is ongoing, you tell me? So, it's an ongoing measure? It is not one that is governed by contract?

**Mr Hanlon:** The contract date I'll have to confirm, because I don't know that, but it is governed by the contract. But the funding for that is ongoing. Whether the contract expires, which I'm looking for now; if the contract did expire, then it would be up for a renegotiation whether that was to continue. If it didn't continue, the funding would be returned to Consolidated Revenue.

**Senator DUNIAM:** According to the Grant Connect webpage, it was 15 June 2023 to 7 October 2026, the contract. That is where I've drawn that information from.

**Mr Hanlon:** That would suggest that we would review it and then, if so chosen, there would be another agreement. Or it could terminate at that. Does that make sense?

**Senator DUNIAM:** Please keep going.

**Mr Hanlon:** The funding is ongoing. For the grant agreement I think you just said the date. If it's terminating then at that point we would look at either extending that or not.

**Senator DUNIAM:** In answer to question on notice 001478, from November last year, I did ask you when the contract ends, the final date by which all activities funded through the grant must be completed. The end date is 30 April 2026. So, you're saying a decision will be taken at the cessation or prior as to whether it continues. I want to ask how we find ourselves in a situation where the budget handed down on 14 May has an additional \$2,247,000 in it, if the grant as agreed ends on that date?

**Mr Fredericks:** That's not unusual. The government has made a decision to give us an appropriation for this program called Restoring Funding to the Environmental Defenders Office and EJA. The government has decided

to have that appropriated out into those forward estimate years. That's, in a sense, a budgeting decision to provide us with that appropriation. There are various reasons the government might have chosen to do that.

**Senator DUNIAM:** We might ask the minister in a moment.

**Mr Fredericks:** But you're right; I'm just looking at the project period. The project must be completed by 30 April 2026. In many ways, the program has the certainty, and we have the certainty, as a result of that budget measure. It's very helpful to us as the policy owners of the program. It gives us greater budget certainty, and it does allow the process that Mr Hanlon has described. We know that as we come up to 30 April 2026 we'll need to give new consideration to the implementation of this program as appropriated going forward. So, that's a good thing.

**Senator DUNIAM:** I'll take your word for that.

**Ms McCulloch:** May I just also clarify that when this was announced in the October 2022-23 budget it was announced as a measure to provide \$9.8 million over four years from 2023, and \$2.6 million per year ongoing. That's what that amount refers to.

**Senator DUNIAM:** So, \$2.6 million ongoing. We've got \$2.247 million in the budget for that fourth year in the forward estimates?

**Mr Hanlon:** Yes, because as you recall Environmental Justice Australia was part of that, and they declined the offer of the grant.

**Senator DUNIAM:** So, it hasn't been reappropriated to EDO?

**Mr Hanlon:** No, it hasn't.

**Senator DUNIAM:** On that basis, the decision was made to continue placing this funding in the budget before the review had even been completed. In fact, we had the review provided to the minister on the day of the budget; is that correct?

**Mr Fredericks:** Yes, that would have been the day of it.

**Senator DUNIAM:** So, the decision to continue and provide ongoing funding to this organisation, which has been castigated by the Federal Court, which has necessitated a review into its activity by a law firm, the Business Grants Hub, at the request of the minister was given ongoing funding in a budget before the review was completed?

**Mr Fredericks:** To be fair, the department was appropriated with funding for the program going forward. The fact that funding is out into the forward estimates shows government saying, 'You will have an opportunity in the leadup to 30 April to consider how this program will be implemented going forward.' So, that's actually good budgeting, to give government and our department the certainty of an appropriation flow out into the forward estimates. It actually allows us greater opportunity to be able to come back and consider again the appropriate means of delivery of this program.

**Senator DUNIAM:** So, good budgeting versus good use of taxpayers' money are probably two different things. Minister, I'm interested in your views on this. The review had not been completed as requested by the minister, by the law firm, by the Business Grants Hub and ultimately by the department, yet a decision was made to simply continue the funding in the budget papers regardless of what this review might have found?

**Senator McAllister:** I think the other way to think about it is that there was an announced measure to provide an appropriation to the department for this purpose. That was ongoing, as Ms McCulloch has explained to you, and no change was made to that.

**Senator DUNIAM:** So, regardless of what the review found, the government was going to stick to its guns and give the EDO money?

**Senator McAllister:** I think that's an incorrect way of characterising the circumstances.

**Senator DUNIAM:** I think that's exactly what's happening.

**Senator McAllister:** The government maintained its existing policy settings, as you would expect, whilst the review was being undertaken. The government has now received the review, as the Secretary has explained to you. As the Secretary has further indicated, there will be an opportunity about the best way to meet the program objectives at the time when the contract expires.

**Senator DUNIAM:** I don't think that will provide comfort to salmon workers on the west coast of Tasmania, for example, who are waiting for a decision in response to an EDO initiated request for review around a 12- to 13-year-old decision around permits to operate salmon farming in a certain body of water. You can characterise it one way, but it's fact that the government hasn't waited for this review to be provided to it before indicating that it

would just continue on with what it said—with the best of intent, I'm sure—back in 2022. But things have changed, necessitating a government initiated review requested by the minister. So concerned was she that a review must be had that she also made a decision to continue budgeting for this organisation, which does these things, regardless of what the review would say.

**Senator McAllister:** I've already answered your question. There is an existing government decision to provide an appropriation for this purpose. At the time that decision was taken, as Ms McCulloch indicated to you, it was publicly communicated that the funding would be ongoing. There has been no change. You wouldn't expect that there would be a change to that while a review was underway. The review was underway. It's been received by the Secretary.

**Senator DUNIAM:** The Federal Court judgement outlining the findings it did is, I would have thought, pretty persuasive. It was persuasive enough to have a review that said there's nothing to see here, of course, which I find passing strange. But hopefully we'll see the legal advice and the letter of instructions that have been taken on notice. We'll see how we go with that process.

**Senator McAllister:** Senator Duniam, your last round of comments, which were not a question, implied that the government didn't take into consideration the remarks made by Justice Charlesworth. That is simply incorrect. We have been through, over two hearings now, the steps that the minister took in response to those comments by the judge in that case, and they include writing directly to the organisation setting out her expectations in terms of conduct. They also include initiating the inquiry, and from that has flowed a number of other steps, as has been detailed this morning. I've put these things on the record again because your commentary is not responsive to the information that's been put in front of you over the course of the matter.

**Senator DUNIAM:** I completely disagree with you when you make a statement like that. We've had a government initiate, a review off the back of a Federal Court judgement which could be described as nothing short of scathing, frankly, and the review says 'no breach of agreement'. I find it very odd and there's something not right here. For the government, the minister at the table, to turn around and say, 'We have been responsive despite the review having said there was nothing wrong. We've continued funding this organisation despite the concerns outlined by Justice Charlesworth', something isn't right here. Your response to my commentary I don't think passes the pub test. We'll see where it goes and we'll see what comes back on notice. Thank you, Chair.

**Senator McAllister:** You've had every opportunity this morning to ask questions of the department about the approach that they took. They sought legal advice, they engaged with the Business Grants Hub and they have instituted additional arrangements for assurance in relation to the performance of the agreed tasks under the grant agreement, working with the Business Grants Hub. I think it's quite clear that the government has responded to the issues in front of us and have done so in the appropriate way that you'd expect using the resources of the public sector.

**Senator DUNIAM:** Sure. Thanks for that.

**CHAIR:** Thank you, Minister. We will now go to Senator Sharma.

**Senator SHARMA:** Thank you, Secretary, and officials. I want to turn to the so-called PM&C estimates question on notice manual that was tabled in the Senate on 14 May of this year. When did the department receive that manual?

**Mr Fredericks:** Welcome to the committee.

**Senator SHARMA:** Thank you.

**Mr Fredericks:** I want to be completely clear. You're referring to the Department of the Prime Minister and Cabinet's manual—the government department?

**Senator SHARMA:** It is entitled: *Approaches to Senate estimates questions on notice asked of all (or multiple) agencies*. It's a 14-page document tabled in the Senate by the Minister for Finance on 14 May—an 18-page document, rather.

**Ms Croker:** The department received information on 27 February and 23 April this year general guidance from the Department of the Prime Minister and Cabinet's minister and parliamentary support branch in relation to the whole-of-government corporate comms advice.

**Senator SHARMA:** Was that 27 February or 23 April?

**Ms Croker:** It was 27 February and 23 April.

**Senator SHARMA:** Was the manual emailed to you? Was that how you received it?

**Ms Croker:** Yes, it was emailed to us.

**Senator SHARMA:** It was made clear it was prepared by PM&C? Is that right?

**Ms Croker:** Yes, it came from the Department of the Prime Minister and Cabinet.

**Senator SHARMA:** Who did it go to in your department?

**Ms Croker:** It came to the ministerial area within my division in the department.

**Senator SHARMA:** Then how was it distributed internally?

**Ms Croker:** I'll just ask my colleague, Dana Sutton.

**Ms Sutton:** That information, as part of our usual processes, would have been forwarded to the relevant officers in the department that had responsibility for answering those questions on notice.

**Senator SHARMA:** Does that mean it went to all senior executives within the department?

**Ms Sutton:** I would need to check. It would probably be forwarded to relevant parties. I would imagine to the extent that, if they had a question that would fall in scope of that, they would have received that email as well.

**Senator SHARMA:** Secretary, did it come from the secretary when it was distributed internally? Or did it come from—

**Mr Fredericks:** Do you mean did I distribute it in my name?

**Senator SHARMA:** Yes.

**Mr Fredericks:** No. I'm pretty confident on that. I'll take it on notice, but I think it was distributed by probably you, Ms Sutton?

**Ms Croker:** That's right. It came from my team—the Senate estimates team.

**Senator SHARMA:** Do you recall if it was discussed at meetings of the senior executive within the department?

**Mr Fredericks:** I don't think so. My recollection of that advice and why I was so careful in asking if you were talking about the PM&C advice is this is not uncommon. For many years, PM&C has provided, at various points in time, advice to government departments on broad answering to questions. The Clerk of the Senate has briefed the secretaries' board on these sorts of issues. It's really helpful. I'm not sure whether there's any specific issue raised that was discussed at any point. I am happy to take that on notice to make sure I give you a full answer, but I doubt it.

**Senator SHARMA:** If you wouldn't mind taking that on notice. How did the department see that guidance that came from PM&C on 27 February and 23 April sit with the government guidelines that had been issued by PM&C in February 2015? What did you assess as the relative status of those two documents?

**Ms Croker:** We consider that they're consistent with the government guidelines for official witnesses that are provided. We consider them in that regard. Of course, the department is committed to continuing to engage with the committees in a transparent and accountable manner.

**Senator SHARMA:** Has the guidance that you received on approaches to Senate estimates questions on notice changed the department's approach to handling appearances before the Senate or the answering of questions on notice?

**Ms Croker:** No, it hasn't changed our approach.

**Senator SHARMA:** We heard from the Clerk of the Senate—you might not be aware of this—this morning. In the Finance and Public Administration Committee, he suggested that parts of the PM&C guidelines distributed earlier this year were inconsistent with or contrary to the expectations in the guidelines of February 2015. Would that be your view?

**Mr Fredericks:** I can't comment on the Clerk's view. I mean, the Clerk, in that instance, fairly represents the view of the Senate, which is completely legitimate. The advice from PM&C fairly reflects the view of government. Those two views won't always be in sync. It is a bit like the relationship between the Senate and the House of Representatives. At the end of the day, we do make our own judgement. Ultimately, this department, notwithstanding what advice we receive, is accountable for the judgements we make about how we respond to questions in this chamber and on notice. Senator Pocock was testing us on that accountability this morning on particular issue, which was completely legitimate. So at the end of the day, our department is accountable for how we respond.

**Senator SHARMA:** Thanks, Secretary. There are two separate pieces of guidance here from PM&C. There are the ones from 2015 which stress that the guidelines are intended to persist in the freest possible flow of information to the parliament, and then there's the guidance you received earlier this year from PM&C, which, as

the Clerk mentioned this morning, seems to cut across that objective. I'm just trying to understand which document you give primacy to when you're responding to questions on notice.

**Mr Fredericks:** They're both sources of advice to us. We make our own judgement at the end of the day. I do want to be clear, I did try to say this to Senator Pocock this morning and it is well-known. It's a completely legitimate exercise of the role of senators and I respect that immensely, and it's a proper basis of holding government departments to account. But we are under a heavy load of questions on notice and our resource capacity to deal with that very large load is limited, so, from time to time, we do have to make judgements about what we prioritise and what we can't. I very honestly believe we do that in the best interests of trying to be cooperative, but there needs to be some fair recognition of the vast volume of questions on notice that this department and others are needing to respond to.

**Senator SHARMA:** Did the department seek clarification from PM&C when it received this updated guidance about what relative weight to give this document in February 2017? Do you know if there's any communication back and forth with PM&C?

**Ms Sutton:** Not to my knowledge.

**Mr Fredericks:** I'll take it on notice just so we can ensure we give you the right answer. But as I say, the accountability is ultimately on me and on the department as to how we respond. Guidance is gratefully received, but we're doing our best here to balance legitimate questions from the Senate with resource capability to respond to them.

**Senator SHARMA:** Do you see this recent document from PM&C as assisting you balance those requirements?

**Mr Fredericks:** It's a useful piece of advice for us to bring into our own consideration, so it has a utility, but it's not the end of the story. The end of the story is us, on a case-by-case basis, trying to make the best judgments we can on how we respond, in what detail and to what.

**Senator SHARMA:** Does the department provide the internal documents that give guidance to officials within your department about responding to questions on notice? Does the department provide its own advice, separate to these PM&C documents?

**Ms Sutton:** When we receive the questions on notice, we'll allocate those to the responsible areas. We'll refer to internal guidance—for example, the guidelines and other materials that support that.

**Senator SHARMA:** I was just wondering, is there separate guidance prepared and issued and circulated by your department without handling questions on notice? Or do you just refer them to PM&C?

**Ms Sutton:** That's right. There's no further guidance that we issue separately from our department.

**Senator HANSON-YOUNG:** That's a bit weird given you just said that your department makes its own decisions and judges this case by case. So the only advice that staff at the department have is what's come from PM&C?

**Mr Fredericks:** I think the way to describe that is—I've been up-front and honest—we are wrestling with the issue of trying to strike the right balance.

**Senator HANSON-YOUNG:** How about just answering the question?

**Mr Fredericks:** I'm trying to.

**Senator HANSON-YOUNG:** No, I'm saying why isn't that the guideline? Just answer the question.

**Mr Fredericks:** Sorry, why isn't that the guideline?

**Senator HANSON-YOUNG:** To tell your staff in the department that they should just answer the questions being asked.

**Mr Fredericks:** Because, on notice, we do have this issue of needing to strike the right balance between a very large load of questions on notice that are coming to us, our desire to be cooperative and to provide as much information as we can in response but there's a limit to our resource capacity to be able to do that. And so, it—

**CHAIR:** Mr Fredericks, I was wondering if you could help us by giving us a bit of a sense of the volume.

**Mr Fredericks:** Yes.

**Ms Croker:** The department received 374 questions on notice from the additional estimates hearings held in February. That's a similar volume to the October estimates hearings, where we received 363 questions on notice.

**Senator HANSON-YOUNG:** Perhaps staff could avoid saying, 'I'll take that question on notice,' answer more questions up-front and then it would be a reduction of questions on notice.

**Mr Fredericks:** We do our best. We do. We turn up here in good faith and we act professionally. I should say in relation to that number, a lot of those won't have been generated from officials taking questions on notice here. A lot of them will have been generated subsequently, so it's completely legitimate. I want to emphasise, it's completely legitimate. But I should just note in relation to those 374 questions: that's not the whole story, because many of those questions have multiple parts of 10, 15, 20, 25 sub-questions, so we are genuinely doing our best.

**Senator HANSON-YOUNG:** We're here with your department for two long days. Let's try and get some answers when questions are asked and avoid taking questions on notice. Then we'll see how we go. Let's try and put it into practice.

**CHAIR:** I will just say, Mr Fredericks, I do find your department's officers are very open and they do try very hard to answer the questions. I would just reiterate, from my understanding of the numbers, a significant number of those questions on notice, are the ones that are put on notice after the event; therefore, they're not actually about the department saying they're not answering at that point in time.

**Senator HANSON-YOUNG:** I'm not discounting that questions are put on notice after the fact. But I've also been in many an estimates session when question after question that's asked comes back with the response from officials at the table, 'I'll take that on notice.'

**Senator McAllister:** I don't actually think that's a fair characterisation of the period where I've been sitting at this table. Officials do come to the table and answer questions.

**Senator HANSON-YOUNG:** Let's judge the next 48 hours on this mark.

**Mr Fredericks:** Let's judge it in this context: the obligation that I and my officials have in this Senate is to provide accurate evidence. It is the most important obligation that we have, and there are consequences when we don't. So there will be times when we are not in a position to provide accurate evidence and, in fairness, as the Senate rules provide, we have a right to take those questions on notice, lest we accidentally mislead the Senate.

**Senator HANSON-YOUNG:** Yes, of course. But these guidelines and this memo that was sent out to departments from PM&C suggested that your officials should take more questions on notice when they're being asked. Do you reject that?

**Mr Fredericks:** I've said in answer to Senator Sharma I am accountable. We make the judgements in this department about what information we can provide on notice. We do it professionally. We do it in good faith. We do it noting our obligation to be truthful to the Senate and we do it cognisant of resource constraints that we're under.

**Senator HANSON-YOUNG:** Let's have a very fruitful and productive next two days.

**CHAIR:** Back to you, Senator Sharma.

**Senator SHARMA:** Secretary, was the most recent guidance for 2024 discussed at any of the secretaries' board meetings?

**Mr Fredericks:** I just cannot recall that. I'll have to take that on notice. I know, as I said, the Clerk of the Senate came and spoke to us—

**Senator SHARMA:** We're trying not to take questions on notice.

**Mr Fredericks:** Again, that's a classic example, right? It's a good litmus test, actually. I'm taking it on notice because, if I give an answer to you right now, as I sit here, I'm in danger of misleading you. I have a right, which I will now exercise, to take that question on notice.

**Senator SHARMA:** Thank you. You made some points earlier, Secretary, about resource burdens or constraints of handling questions on notice. Has this arisen recently? If you go through the guidelines from 2015, there are obviously various grounds on which your department can decline the answer questions—public interest immunity, commercial in confidence, evidence that should be heard in camera—but, unless I'm misreading them, there isn't a grounds of 'resource intensiveness'. And this isn't FOI; this is accountability to the parliament. FOI legislation has those provisions. How long has this been a feature of internal departmental considerations about how to respond to questions on notice?

**Mr Fredericks:** That answer—that there's a diversion of resources—has certainly been alive in my time as a secretary and deputy secretary, so that certainly takes us back to the previous government. I don't know if I can comment before then.

**Senator McAllister:** Perhaps I can give you some historical perspective, Senator Sharma, since you ask. The number of questions on notice being asked in the 47th Parliament has increased dramatically. For example, in the estimates round under the previous government, it was 3,846. In the last estimates round, the median number was

7,605. That median is across the period of the Albanese government, but, in the February round, there were 9,217 questions on notice across the committees. Despite that surge, as at the 27 May 2024, less than 0.05 of all of those QONs remain unanswered, from the first four rounds of Senate estimates in the 47th Parliament.

The government is responding and providing information in response to the questions that are being asked, and it contrasts with the approach taken by the Liberals, who left 360 questions completely unanswered when they left office in May 2022. Some of those dated back to October 2019.

**Senator SHARMA:** Minister, some of these questions have been answered by saying, 'This would be an unreasonable diversion of resources,' I presume. That counts as 'question answered', doesn't it? The box is ticked.

**Mr Fredericks:** I suspect the answer to your question is yes and it's been ever thus.

**Senator SHARMA:** Has the department had discussions with government or sought discussions with government about additional resourcing, given the resource burden being imposed upon your accountability to parliament requirements?

**Mr Fredericks:** I certainly haven't raised it.

**Senator SHARMA:** Has it been discussed at secretaries' board meetings?

**Mr Fredericks:** I will take that on notice.

**Senator SHARMA:** Thank you, Secretary.

**CHAIR:** Senator Cadell.

**Senator CADELL:** In light of that, if you're happy to divert or take some of these on notice, I'm happy with that. A bit of housekeeping first, just to make sure we get it in right spot. I've got a question regarding staffing in the section of water. Would I be better to do that in corporate now or wait for water day?

**Mr Fredericks:** Can we do that in water day, please?

**Senator CADELL:** That's what I wanted to hear.

**Mr Fredericks:** Can I just say, that helps—that you've put us on notice—so we'll be ready to not take that on notice.

**Senator CADELL:** And also for the Murray-Darling Rivers campaign, in corporate or would you prefer it on water day?

**Mr Fredericks:** Water day, please.

**Senator CADELL:** Thank you very much. That's that section done.

**CHAIR:** Roll on water day.

**Senator CADELL:** In Budget Paper No. 2, in between pages 65 and 73, there are 40 measures listed under the government's Future Made in Australia plan. That is \$22.7 billion of additional funding. What areas and what programs, under your portfolio, under DCCEEW—how much of that is going under you?

**Mr Fredericks:** Alright. Do we have—

**Mr Hanlon:** I can tell you, actually. First measure: Future Made in Australia, making Australia a renewable energy superpower, \$13.5 million.

**Senator CADELL:** And you're head on all these?

**Mr Hanlon:** These are for our department, yes, and there are some joint measures which we might get to in a minute. The next one was Future Made in Australia, strengthening approval processes, which was \$21.3 million.

**Senator CADELL:** Are there 40-plus of these?

**Mr Hanlon:** There's one more. The next one is workforce and trade partnerships for renewable energy superpower industries, and that was \$4.2 million.

**Mr Fredericks:** And just to be clear, Rob, those numbers you're giving are funding for 2024-25?

**Mr Hanlon:** Correct.

**Senator CADELL:** If possible, on notice, can I get those over the forward estimates?

**Mr Hanlon:** Can do.

**Senator CADELL:** Thank you very much. Are those ones departmental resourcing or administered funds as well?

**Mr Hanlon:** It would be a combination of both, but I can—



**Senator CADELL:** Can you break those up, going forward, and any ASL staffing associated with those going forward as well.

**Mr Hanlon:** I can take that on notice, if that's okay.

**Ms McCulloch:** Would you like us to take it on notice?

**Senator CADELL:** Yes, I'm very happy to get those details on notice. I'm asking lots of boring number questions, so I'm fine with that. Have you had input into a Future Made in Australia act or legislative instrument for it?

**Mr Fredericks:** I might let Ms Munro deal with that.

**Ms Munro:** Yes, we are in consultation with Treasury, who is leading the development of that act.

**Senator McAllister:** I don't imagine you're the only senator that wants to ask about Future Made in Australia. It probably sits for the most part in outcome 1. The budget outcomes properly can be discussed here, but—

**Senator CADELL:** I was going to go to who will have carriage of it—which department, minister.

**Mr Fredericks:** If it's convenient, that would be more convenient in outcome 1.

**Senator CADELL:** Okay.

**Senator McAllister:** Except to the extent, Senator Cadell, that you need the information to sort of work out where to ask your questions in the program—

**Senator CADELL:** Yes, correct.

**Senator McAllister:** If you do wish to clarify that now, we're quite happy to entertain that conversation.

**CHAIR:** Given that I know what you're trying to make sure you put the right things in the right spots, if we can just have a little bit of flexibility then when your questioning comes up in 1.1—

**Mr Fredericks:** Those questions are well and truly outcome 1. You saw Ms Munro starting, and she'll be able to deal with those.

**Senator CADELL:** I'm happy with that. I can move those to outcome 1—that's fine—if that's where it's going to be.

**Senator McAllister:** They'll all be in outcome 1.

**Senator CADELL:** On more numbers, the department published a contract with a hotel in Bonn, Germany for hotel accommodation—nearly \$160,000. What was that for?

**Ms Munro:** There is a very large intersessional meeting of the UNFCCC, so that is for accommodation for Australian public servants to attend those meetings.

**Senator CADELL:** How many went?

**Ms Munro:** Again, this is getting into very particular detail. We do have the right people here, just not in the room at this time.

**Senator CADELL:** Right. Okay.

**Mr Fredericks:** We'll answer that question in outcome 1.

**Senator CADELL:** You're outcome 1 for that one as well? I'm happy with that. In the budget papers, we're going for an average staffing level of 4,014 in 2023-24 up to 4,716 in 2024-25, which is an increase of 702 or 17.2 per cent. There is actually a slight decrease in total resourcing for the department over the same period. Where is the funding coming from for the average staffing levels changes?

**Mr Hanlon:** There are two elements to it: there are new staff, but there are also existing staff—staff that were associated with measures that terminated and have been renewed. So 389.4 ASL are related to the extension of terminating measures, 272.5 are new, and there's a change between the years 2023-24 and 2024-25 of 40 ASL as a net movement.

**Senator CADELL:** Okay.

**Ms McCulloch:** Senator, may I also just clarify that departmental funding is for more than employee expenses. Supplier costs will also be included in those figures.

**Senator CADELL:** I know, overall, there's the whole kit and caboodle. But, from reading the papers, which is increasingly difficult with accountancy practices, it just seemed that there is a 17.2 per cent jump in staff levels but no extra resourcing for them to do their jobs. It looked odd in the budget papers themselves.

**Ms McCulloch:** Senator, I can assure you, for those additional staff—both the renewal of existing staff and new staff—we were funded for those positions.

**Senator CADELL:** Okay. Going through the pages for each outcome, 'other programs' seems to be approximately 500. What breakdown can you give me from that on the extension of new hires—

**Mr Fredericks:** Sorry, what are you looking at, Senator?

**Senator CADELL:** Page 72.

**Mr Fredericks:** Of—

**Senator CADELL:** I recreated it so I could try and understand it.

**Ms McCulloch:** I actually think we will need to take that on notice—

**Senator CADELL:** Yes, okay.

**Ms McCulloch:** because I don't think we have—

**Senator CADELL:** I'll specify the question better to you on notice. That's fine. Okay. If I've cleared up those to outcome 1, I'm largely clear.

**CHAIR:** You want to go again?

**Senator DUNIAM:** Is it alright?

**CHAIR:** Of course it's alright, Senator Duniam. Please, go ahead.

**Senator DUNIAM:** I wanted to ask you about your role on the National Security Committee, without going into the detail of the meetings and what you discuss. When were you appointed or invited to join?

**Mr Fredericks:** I'm not on the National Security Committee.

**Senator DUNIAM:** You're not?

**Mr Fredericks:** No.

**Senator DUNIAM:** So that's all rumour and hyperbole. Where did that come from?

**Mr Fredericks:** I can't possibly answer that.

**CHAIR:** That might be a question better addressed to yourself, Senator Duniam!

**Mr Fredericks:** But can I say, Senator—genuinely—thank you for the opportunity to clarify.

**Senator DUNIAM:** Now that it's clear, and having resolved five questions which I'm sure I know the answer to now, I'm going to move on to performance contracts and KPIs.

**Senator SHARMA:** Just to clarify, you're not on the Secretaries Committee on National Security either?

**Mr Fredericks:** I am on the Secretaries Committee on National Security.

**Senator SHARMA:** So you're on SCNS?

**Mr Fredericks:** I am on SCNS.

**Senator SHARMA:** Have you been on SCNS throughout your term as secretary?

**Mr Fredericks:** As secretary of—

**Senator SHARMA:** As secretary of this department?

**Mr Fredericks:** Correct, yes.

**Senator SHARMA:** You have been. Forgive my ignorance: when did you commence as secretary?

**Mr Fredericks:** When the department was formed. There are two answers to that—

**Senator McAllister:** The department was formed on 1 July 2022.

**Senator SHARMA:** You've been on SCNS since 1 July 2022?

**Mr Fredericks:** Yes.

**Senator SHARMA:** Alright.

**Senator DUNIAM:** You're done with that?

**Senator SHARMA:** I'm done with that.

**Senator DUNIAM:** Okay. I'll go to performance contracts and key performance indicators. Does the department have KPIs or performance contracts in place for senior executive service officers?

**Mr Fredericks:** Do you mean in SES contracts?

**Senator DUNIAM:** Yes—or in addition to any instruments that would incentivise certain performance or outcomes?

**Mr Fredericks:** I think defined like that, no.

**Ms McCulloch:** What we do have, Senator, are performance agreements which specify behaviours, deliverables and expectations of our SES, and they're struck on an individual basis.

**Senator DUNIAM:** Is there a framework for striking these agreements?

**Ms McCulloch:** There's a template that guides the discussions, but it's not mandated.

**Senator DUNIAM:** Okay. Is that a DCCEEW-specific template, or is it something that came from the APSC?

**Ms McCulloch:** We have a DCCEEW-specific template that is informed by the guidance that we receive from the APSC.

**Senator DUNIAM:** Would you be able to table that template?

**Ms McCulloch:** I can't see why not, Senator.

**Senator DUNIAM:** If you need to take it on notice, that's fine. That would be great. How many of your SES officers are currently beneficiaries of a performance agreement, or what percentage—

**Ms McCulloch:** Senator, I'd have to take that on notice, because our expectation is that the majority do—in fact, all are supposed to have.

**Mr Fredericks:** Everything that you have just discussed is our standard form agreement that is reached with the SES, and they have performance expectations in them as described by Ms McCulloch. So that is a standard form for everybody. The question that I think we'll take on notice is: do we have a DCCEEW agreement in place for every SES of that nature? I'm pretty confident that the answer is going to be yes. We just want to check.

**Senator DUNIAM:** To be clear, because I might be questioning at cross-purposes here—

**Mr Fredericks:** Yes, we could be.

**Senator DUNIAM:** there is an employment contract for SES officers.

**Mr Fredericks:** Yes.

**Senator DUNIAM:** Is this performance agreement separate to that or a part—

**Ms McCulloch:** Separate.

**Senator DUNIAM:** It is separate. Okay. So an SES officer has an employment contract which specifies their terms and conditions, remuneration et cetera. Then the performance agreement says, 'These are the things that we would like you to achieve.' Now, is there, generally speaking, a benefit or performance bonus or anything that comes as a result of having met the conditions in this performance agreement?

**Ms McCulloch:** There are no financial rewards attached to the performance agreements.

**Senator DUNIAM:** It is just an appendix to the employment contract or the agreement between—there's no—

**Mr Fredericks:** I don't think it's even an appendix. It's a separate agreement.

**Senator DUNIAM:** Is it like a letter of expectations—a charter letter?

**Mr Fredericks:** Correct. That's the best analogy for it.

**Senator DUNIAM:** Okay. Fine.

**Mr Fredericks:** It's not a performance contract in the notion of 'do this'—

**Senator DUNIAM:** Sure, the word 'performance'—

**Mr Fredericks:** 'and you'll get this additional reward'. It simply sets expectations that a manager has of each of their SES about what their priority is for the year, what the expectations are around conduct, what some of the training expectations are that we have, and it is an agreement that helps drive the work of the SES officer for the upcoming year. But there are no traditional performance awards attached to it at all.

**Senator DUNIAM:** No 'you'll get 10 grand'—understood. So there are no performance benefits across the entire department?

**Mr Fredericks:** None.

**Senator DUNIAM:** That's fine. Okay. You may have to take this on notice, Ms McCulloch. How many senior executive officers have, as part of their performance agreements, speeding up environmental approvals?

**Ms McCulloch:** I would have to take that on notice.

**Senator DUNIAM:** Yes, I expect you would. I'd be surprised if you could tell me today that seven or 12—but that's fine. That takes me to the end of my questions.

**CHAIR:** Are we all done? Okay. I'll just clarify one point before we move off this topic. The document that Senator McDonald had tabled, and she was quite vexed that no-one paid any attention to it—it appears that it was

not tabled. It was not tabled in Economics. It was not tabled here. It has now been tabled. But, just on a point of clarification, it was not ignored; it was not actually tabled. On that, we will conclude the examination of corporate matters for the Department of Climate Change, Energy, the Environment and Water.

[11:47]

**CHAIR:** I now call officers of the department in relation to outcome 1, program 1.1, Reducing Australia's greenhouse gas emissions.

**Mr Fredericks:** Chair, can the corporate team be excused?

**CHAIR:** The corporate team may be excused.

**Mr Fredericks:** Thank you.

**CHAIR:** While everyone's getting themselves sorted and the right people are coming to the table, I will acknowledge that we are running considerably over time, but there is a confidence that we will do some catching up a bit later. So, anyone on the agenda, don't necessarily pay a great deal of attention to the time you are listed for. Just be alert but not alarmed! Okay. We're going to start with Senator Roberts.

**Senator ROBERTS:** Thank you for appearing today. The Australian National Audit Office report by the title *Governance of climate change commitments* found that you are 'unable to demonstrate the extent to which specific Australian government policies and programs have contributed or are expected to contribute towards overall emissions reduction'—'emissions' meaning carbon dioxide from human activity. Last estimates, you said you disagreed with that, yet you agreed with all five recommendations from the auditor, didn't you?

**Ms Geiger:** Yes, we did agree with all the recommendations in the report.

**Senator ROBERTS:** The Audit Office responded to you, disagreeing, and said:

... DCCEEW does not have a single, structured plan or strategy that links activities being undertaken to the achievement of emissions reduction targets ...

... As outlined at paragraph 2.26, DCCEEW's monitoring of the progress of climate- and energy-related work does not include an indication of what contribution measures will make towards emissions reduction targets. Because of this, DCCEEW is unable to demonstrate the impact of its work on climate change targets, as set out at paragraph 2.28 and in Recommendation no.1.

That's the end of the ANAO statement. Do you still maintain that you can demonstrate the specific, quantifiable effects your policies have had on the reduction of carbon dioxide from human activity, despite what the Audit Office said?

**Ms Geiger:** We have a range of ways that we measure the impacts of our different climate change initiatives towards the emissions targets. Ms Rowley might be able to talk through the specifics that balance both the forward projections and the contributions that particular initiatives might make to our targets, as well as annual updates of how our emissions are tracking.

**Ms Rowley:** As we discussed at the hearing in February, we do have a range of ways that the government tracks the progress towards its emissions reduction targets and quantifies the impact of its most important emissions reduction policies and measures. In our February hearing, I talked you through some of the specific findings from our 2023 emissions projections report, which is one of the key ways that we track progress towards our target, and explained—

**Senator ROBERTS:** Excuse me; you're tracking progress in implementation with a projections report?

**Ms Rowley:** We track both: progress to date in our *National inventory report*, which is published every year and reports on Australia's greenhouse gas emissions from all sources across the economy—that's a backwards look; and our emissions projections, which are based on a range of assumptions looking forward, look at what current policies deliver in terms of our expected emissions for the future, and they run out to 2035.

**Senator ROBERTS:** Just for clarification: are they actual impacts of the reduction of carbon dioxide from human activity or just reductions in carbon dioxide from human activity?

**Ms Rowley:** It covers all greenhouse gases, not just carbon dioxide. The projections include detail of the projected impact of some of our major emissions reduction policies and measures.

**Senator ROBERTS:** That doesn't answer the question. What would be the impact of those projected decreases, and what is the impact of the reductions to date? Do we see any difference in temperature? Do we see any difference in rainfall, snowfall, storm severity, frequency, duration, droughts, floods, sea levels? What are the specific impacts?

**Ms Rowley:** If you're talking about the impact of Australia's greenhouse gas emissions on the global climate, obviously the global climate and the observed impacts of climate change are a function of Australia and all other countries' greenhouse gas emissions. The key reports that we refer to in our work and draw on are things like the IPCC assessment reports, as well as work done domestically by groups like CSIRO and the Bureau of Meteorology. That looks at the impacts of climate change to date, which, as I said, are the cumulative effect of global greenhouse gas emissions. It is, I think, rather more difficult to attribute any single change in the tonnes of emissions from Australia to specific changes in the global climate, not least because it is a cumulative effect. But it is also very important to note that the cumulative effect of climate change is reflective of global greenhouse gas emissions and that, with the reduction in the global greenhouse gas emissions, the projected impacts—and, over time, the observed impacts—of climate change will be less, and Australia is contributing to that as part of the global action on climate change.

**Senator ROBERTS:** It sounds like the ANAO was right. The Australian National Audit Office was absolutely correct. You cannot measure the impact of what you're doing, and you're not.

**Ms Rowley:** I think that the ANAO was particularly interested in drawing connections between Australia's policies and measures and Australia's greenhouse gas emissions. And, as I said, our emissions reports—both backward looking, through the inventory, and forward looking, through the projections—do seek to quantify the impact of policies and measures on Australia's emissions. As I said, that's just one of many things that we do to track the implementation and progress. Specific policies and measures, when they're out for consultation, include analysis of the likely impacts on greenhouse gas emissions. For example, recent consultations on the new vehicle efficiency standard included specific analysis of the likely impact on greenhouse gas emissions.

**Senator ROBERTS:** Excuse me; that's not what I'm after. We've already discussed that you can project reductions in carbon dioxide, but you can't tell me what the impact will be. You claim you can. Can you please provide on notice the specific quantifiable effect of each of your policies, since you claim you have that? So let's have that, please. Can you provide it on notice?

**Ms Rowley:** I think perhaps you're making a different point to the ANAO's. The ANAO was interested on the impact on Australia's greenhouse gas emissions from our policies and measures. You're asking about the impact of Australia's mitigation action on global climate change. Is that correct?

**Senator ROBERTS:** No; I'm asking about what the impact is on climate factors like temperature, snowfall, rainfall, drought severity, frequency and duration. We have been told the world is coming to an end—that these things are going to happen. I would like to know the impact of your specific reductions on those climate factors.

**Ms Rowley:** As I said, those are intermediated through global emissions and global action.

**Senator ROBERTS:** So you can't provide it?

**Ms Rowley:** We can certainly provide, as we have in the past, information about both the global outlook and the impact of global reductions in emissions.

**Senator ROBERTS:** No-one anywhere in the world, Ms Rowley, has provided the specific quantified effect of carbon dioxide from human activity on any climate factor—no-one ever.

**Ms Rowley:** Senator, I'm not sure that that's correct.

**Senator ROBERTS:** If you can prove me wrong, I would love to have that. If you can take that on notice, that would be great—the specific effect of carbon dioxide from human activity on climate factors, such as air temperature, troposphere temperatures, stratosphere temperature, heat content of the air, heat content of the ocean, heat exchange and storm frequency, severity and duration. You pick them.

**Ms Geiger:** We accept the international science on the impact of greenhouse gases on climate change.

**Senator ROBERTS:** I know you do. That's what bothers me.

**Ms Geiger:** We can provide on notice further background on that. But the premise is that we accept—

**Senator ROBERTS:** I'm not interested in further background; I'm interested in hard specific numbers that should be and must be the basis of any policy that is going to gut our energy sector. The specific quantified effect of carbon dioxide from human activity on any climate factor is what I want to see. That's what I want to see. I'm happy for you to take it on notice.

Let's move on to the freedom of information request that I put in. The request was LEX76280 and was in relation to the Powering Australia Tracker. You redacted a single measure on page six of that document. What's that measure, please?

**Ms Geiger:** I understand that the freedom of information request was about the tracker. My colleague Dr Mitchell might have that information to hand.

**Senator ROBERTS:** The one that was redacted on page six.

**Dr Mitchell:** We have provided the response that explains why that line was redacted in more detail. It said that it's redacted on the basis of cabinet in confidence.

**Senator ROBERTS:** Really? Can you take on notice to provide a table with all of the policies in the Powering Australia Tracker, detailing the cost of each of them by year over the past three years and their budget over the forwards?

**Ms Geiger:** We can take that on notice.

**Senator ROBERTS:** Thank you. Let's move to fuel security. We covered the minimum stock holding obligations for petrol, diesel and jet fuel at some length last Senate estimates. You gave to me on notice, in SQ24000046, that the refineries may also report crude oil and unfinished stock as liquid fuel. Do you have a breakdown of how much of the reported stock holding is actually finished liquid fuel versus crude oil—not a projected conversion of existing crude into future petrol, diesel or jet fuel, but the actual quantities of the four measures, as it exists now?

**Mrs Svarcas:** Just so I'm really clear, for the MSO obligation, you're asking how much of the crude oil do we count as petrol, jet fuel and diesel?

**Senator ROBERTS:** Yes. Can you also provide to me the actual amount, right now, of crude oil as it is, jet fuel as it is, petrol as it is and diesel as it is, and not projected conversions of crude oil into those things?

**Mrs Svarcas:** I will have to take on notice the projected for crude oil into those things. The MSO does allow, under the reporting obligations, for an entity to effectively say they've got a bucket of crude oil, and they will be converting X amount of it through their normal operations—and how much of that is going to be diesel, how much of that is going to be jet fuel et cetera. I would have to take on notice how much of the crude is crude, if you will, and how much is fuel.

**Senator ROBERTS:** Thank you. That'd be good. You explained previously how there's the domestic minimum stockholding obligation for petrol, diesel and jet fuel put in place by the government then there's the International Energy Agency agreement for 90 days of crude oil. Last estimates, you told me we were at 55 International Energy Agency days of crude oil. What's the latest figure for that, and is all of that stock in Australia's exclusive economic zone here?

**Mrs Svarcas:** The actual figure of that today—the last report was from March 2024—is 53 days and that figure captures all of the things. It might be helpful if I describe what's captured in that. It's crude oil as crude oil. It's diesel, petrol and jet fuel. It also includes other refined products. For example, the oil that you would put into your car is included under the definition provided to us by the IEA. It's those stocks that are on land in Australia and in our domestic waters. But, importantly, the difference between the IEA days and the MSO calculation is that it does not include the product that's in our EEZ; it's just the product that's in Australian waters or physically in Australia.

**Senator ROBERTS:** So is there any double counting then?

**Mrs Svarcas:** No, there's no double counting. There's a difference between a vessel that is in Australian waters—how it's included in the IEA days—and stock that is in the EEZ that is counted in the MSO days. It might also be useful, if you'll indulge me, to explain the difference between the measures that we have in place so that you can get an idea of what we use it for. As I described, the IEA days are one single calculation of all of the fuel and fuel products as defined by the IEA. We also have our consumption cover days. They're the days that we report every month publicly, and you'll find those on our website. They are a measure of how long the stock will last. So they give us a really good indication of what we've got every month, and how long, based on average consumption, that will last. That's all publicly available. Then we also have the MSO, which is slightly different, and the purpose of that measure is to set that minimum stockholding obligation to give us the insurance policy of making sure, from our perspective, how much fuel, liquid fuels and things we should have in Australia should there be a market disruption. So the purpose of each of those reportings is slightly different, which is why what goes into them—what we count and how we count them—is also slightly different, because they have different purposes.

**Senator ROBERTS:** I look forward to the numbers that you're going to give me. Our strategic reserve—

**CHAIR:** If you've finished that line of questioning, we will need to rotate.

**Senator ROBERTS:** I've just one more question on strategic reserve. You told me at last Senate estimates that Australia has sold all of the oil reserves in the United States' strategic reserve?

**Mrs Svarcas:** That is correct.

**Senator ROBERTS:** That was 1.7 million barrels—nearly two years ago—in June 2022. That hasn't been reported anywhere, as I understand it.

**Mrs Svarcas:** No, I believe it was publicly reported. I'll be happy to table that report.

**Senator ROBERTS:** Did anyone at the department announce that the 1.7 million barrels had been sold?

**Mrs Svarcas:** Like I said, I believe it was. I'm happy to be corrected if my evidence is wrong but I do believe it was made public at the time.

**Senator ROBERTS:** Thank you.

**CHAIR:** Senator Hanson-Young.

**Senator HANSON-YOUNG:** Thank you. I've got some questions in relation to emissions not going down enough. According to the quarterly emissions report that the department produces, since the Albanese government was elected, pollution has only reduced by 0.16 per cent, or if you prefer to use the trend figures, 0.05 per cent. I'm wondering in which quarter of which year are we expecting a real reduction?

**Ms Rowley:** The quarterly, as you know, tracks Australia's historical greenhouse gas emissions, so emissions to date. Our annual projections report is the document that looks at the forward-looking trends for emissions. That does a year-by-year pathway rather than a quarter-by-quarter pathway, but the most recent projections, which were published in November 2023, indicated that over the period to 2030, under current implemented and well-developed policies, our emissions are expected to be 37 per cent below 2005 levels. With the additional measures scenario, which at that time included the 82 per cent renewables target because there were still details being worked through of how it would be implemented, and the measures under the National Electric Vehicle Strategy, most particularly the new vehicle efficiency standards, we'd be on track for 42 per cent below 2005 levels by 2030, which is just shy of the government's legislated 43 per cent target.

**Senator HANSON-YOUNG:** And back to my original question: perhaps you could tell us what the current reduction sits at.

**Ms Rowley:** As reported in the most recent National Inventory Report, which was released last month in April, Australia's greenhouse gas emissions are currently sitting at 29 per cent below 2005 levels. That's the most recent estimate.

**Senator HANSON-YOUNG:** And how much have emissions reduced since May 2022?

**Ms Ford:** We don't have that detail in front of us, so we would need to take that on notice.

**Senator HANSON-YOUNG:** You must have some idea, under this administration, the Albanese government, of how much pollution has reduced by. Surely. It's the crux of the work of this particular part of the department.

**Ms Ford:** Senator, as Ms Rowley said, we do release quarterly emissions inventories each quarter. The next quarterly is due at the end of this month, and that will provide estimates of emissions to December 2023.

**Senator HANSON-YOUNG:** I put it to you originally, in my first question, that pollution's only reduced by 0.16 per cent since the Albanese government—do you refute that?

**Ms Rowley:** Senator, we won't have figures for May of 2022, but we would have figures for the quarter ending in June 2022—and we could compare that, or you could compare that based on the most recent quarterly report—to the emissions as at the end of September 2023. At the end of this month, we'll have new figures for emissions as at the end of December 2023. I think it's important to note that aggregate national figures are reflecting a number of different factors, and that the trends at the sectoral level vary. We are seeing material reductions in greenhouse gas emissions from the electricity sector, including over the last two years. We are, at the same time, seeing some increases in greenhouse gas emissions, particularly from the transport sector, that largely reflect the bounce back in transport activity, particularly following the relaxation of COVID related movement restrictions. We saw a big step down in transport emissions with COVID restrictions, and they've progressively recovered.

**Senator McAllister:** Senator, perhaps I can add something to the official's answer, which is this: the transformation of an economy to net zero doesn't come about by merely flicking a switch. It actually requires sustained, focused policy attention, it requires legislation and it requires Australian industry and Australian consumers to engage in a significant change process occurring over time. The government was elected two years ago, and since that time we have signalled our intention to increase our ambition for emissions reductions to 2030.

We have put in place the policies that will get us very close to 43 per cent. We are currently projecting a 42 per cent emissions reduction based on the current suite of policies, as the official has just advised you, and that is dependent on taking action through the parliament, including through the Senate.

**Senator HANSON-YOUNG:** Thank you—

**Senator McAllister:** I would point you to the legislation about the new vehicle efficiency standard, to the safeguard—

**Senator HANSON-YOUNG:** Could we stop my time—stop my clock?

**Senator McAllister:** to the Capacity Investment Scheme and to the Rewiring the Nation program. Implicit in your question is an expectation that those measures overnight produce a result.

**Senator HANSON-YOUNG:** No, this is precisely—

**Senator McAllister:** The great tragedy of the last nine years—

**Senator HANSON-YOUNG:** No, this is precisely the question I asked, Minister.

**CHAIR:** Senator Hanson-Young, thank you.

**Senator McAllister:** The great tragedy—

**CHAIR:** No—just one moment. We will proceed on a basis of not shouting over the top of each other. The minister will finish her answer, and then you can ask another question, Senator Hanson-Young.

**Senator HANSON-YOUNG:** I didn't actually ask the minister a question.

**CHAIR:** She was adding value to the evidence from the department, and you will get—

**Senator McAllister:** The standing orders are very clear that the minister may answer questions put to the table. I simply was going to conclude by saying, Senator Hanson-Young, that the great tragedy of the last nine years is that it would have been better if many of these things had been done during that period. But we had a government, under Mr Morrison and those that came before him, that were absolutely determined to continue on without taking climate action, and our government is remedying that.

**Senator HANSON-YOUNG:** My question was exactly, to the point of the ministers: at what point are we going to start to see reduction? We haven't yet. So, with a forecast and an aim to be reducing pollution by 42 per cent by 2030, when is that big reduction going to come? It ain't comin' yet. It hasn't come yet. When is it coming? When do you expect that we will see a significant drop in pollution?

**Ms Rowley:** Senator, I note that, per my previous answer, in the 2023 emissions projections, we set out, year by year, Australia's projected emissions to 2035 and we anticipate significant reductions over the period to 2030—under the 'with additional measures' scenario, including government policy—to 42 per cent, which is significantly below current levels. I could add a little bit of detail based on the most recent quarterly if it's of assistance.

**Senator HANSON-YOUNG:** I've got lots of other questions, so hold that. I do want to ask in relation to the December figures, which you keep saying will be released by the end of the month, which of course is the end of this week—so in three days time. Do we expect it on Friday, do we expect it on Thursday or do we expect it tomorrow?

**Ms Ford:** Those figures will be released by the end of the month.

**Senator HANSON-YOUNG:** Which is this week.

**Ms Ford:** That's correct.

**Senator HANSON-YOUNG:** So will it be released on Friday?

**Ms Ford:** I can tell you, Senator, that there's a Senate order that requires a tabling of the quarterly. That needs to occur by the end of the month.

**Senator HANSON-YOUNG:** So it will be Friday.

**Unidentified speaker:** By Friday, I would say.

**Senator HANSON-YOUNG:** By Friday—so now we get a different answer. I'm wondering, seeing as we had Senate estimates today on this particular outcome, why you wouldn't have been able to release them so that we could ask questions about them today.

**Ms Rowley:** The quarterly reports are released, as the title suggests, every quarter on a regular cycle. The department is mindful of the Senate order which requires them to be released by the end of the month. You might imagine there's quite an extensive quality assurance and quality-checking process that we go through as we



finalise those documents before they're published. It is always the most recent information available, so we do our best to make sure that it is the best information. The timing of any particular estimates hearing isn't really the key issue; it's about having the document ready for publication.

**Senator HANSON-YOUNG:** And is the document ready for publication?

**Ms Rowley:** It will be by the end of the month.

**Senator HANSON-YOUNG:** So it's not finished. You'll still be working on it in the next three days?

**Ms Rowley:** It is still being finalised and gotten ready for publication.

**Senator HANSON-YOUNG:** Do we expect to see a substantial drop in the December accounts?

**Ms Rowley:** One of the key things that we're doing through the December quarterly, which will provide the latest information, is mapping the updates to the Australian Greenhouse Gas Inventory that were made in the *National inventory report 2022*, which was released last month. That included a number of improvements and updates to reflect the latest science and data, and we'll be flowing those through to the quarterly. There will be material changes to the figures because of the flow-through of those changes from the inventory report.

**Senator HANSON-YOUNG:** Did last year's emission projections report assume that Eraring in New South Wales would be closing or extended?

**Ms Ford:** We assumed that Eraring would close in 2025 in the 2023 emissions projections, as was publicly announced at the time the projections were put together.

**Senator HANSON-YOUNG:** What then are the consequences for the extension of this polluting power station until 2030?

**Ms Rowley:** We'll be exploring that in the 2024 emissions projections, which are due by the end of this year. We update those annual projections every year, taking account of both market announcements like that of Eraring and changes in policies and measures at the federal and state and territory levels.

**Senator HANSON-YOUNG:** Do you expect that this will mean your previously projected emissions will be higher?

**Ms Rowley:** The impact on aggregate emissions will depend upon all of the changes, not just the change in the Eraring announcement. If that was the only change then it would depend upon what the alternate generator is. That's not a straightforward matter, which is why we use electricity models to try and get a handle on what's going to happen in the market when one generator's available or not. We haven't modelled the impact of that yet but we will, as I said, be considering that in the 2024 projections.

**Senator HANSON-YOUNG:** Has the minister sought advice as to what the impact of this extension of this dirty coal-fired power station will mean for the government's commitments around reaching 42 per cent?

**Ms Rowley:** Not to my knowledge, but—

**Mr Fredericks:** The process is clear by which this will be brought to book. It does require that level of sophistication in the analysis and in the modelling that Ms Rowley referred to. I think that needs to be respected. I think the minister respects that process. We would want the opportunity to carefully work that modelling through, as we always do, in advance of the projections at the end of this year, and I think that's what you would expect of us.

**Senator HANSON-YOUNG:** There's been a lot of public debate about this decision to extend the life of this pollution machine. How come, in the midst of all of this public debate, the minister wouldn't have asked for advice as to what the impact would mean for the government's commitments?

**Mr Fredericks:** As I say, everybody is respecting the usual, thorough, considered, modelled process by which the public is advised, ultimately, of the impact of a decision like this on Australia's projected emissions.

**Senator HANSON-YOUNG:** Are you confident that the commitment to a 43 per cent emissions reduction target, which we've now only got six years to meet, will actually be met?

**Ms Rowley:** I think the best stab that we have at Australia's outlook is through the annual emissions projections. They do, of course, like every piece of analysis of the future, rest on assumptions. The key assumptions in the projections relate to both what's happening in global markets and demand for Australia's commodity exports and what's happening domestically. With full implementation of the government's current policies including 82 per cent, the New Vehicle Efficiency Standards and the suite of other measures that are in place, the latest projections suggest that we're very close to meeting the target in 2030, and we would overachieve against the target in budget terms, which looks at cumulative emissions between 2020 and 2030. Our best analysis at this time suggests that we're getting very close. I would note that the 2023 projections don't include all policies

and measures. There are some that weren't at a stage of development or design for us to be able to incorporate them. My understanding is that the government is confident that, as more policies are rolled into the projections, it will indicate that that target can be achieved.

**Senator HANSON-YOUNG:** You've said 'latest projections'. Are you talking about the projections that'll be released in this week's release of the quarterly report or the previous one?

**Ms Rowley:** Sorry. The emissions projections are an annual publication and the most recent ones are the ones from 2023 and published last November. The quarterly report is not a projections document; it's historical emissions, emissions to a date. The next ones are for the quarter.

**Senator HANSON-YOUNG:** It's the accountability measure.

**Ms Rowley:** It's how we're tracking to date.

**Senator HANSON-YOUNG:** And all of your answers are without understanding that set of data. Is that what I'm hearing from you?

**Ms Rowley:** Without understanding—

**Senator HANSON-YOUNG:** Well, I've just asked you if you're confident we will meet 43 per cent. What I would like to know is: is that confidence based on the report that will be released this week and how we've gone so far?

**Ms Rowley:** I relied mostly on the 2023 emissions projection, because that's the one that looks forward and how we're tracking towards 2030. The emissions reports vary each quarter given economic, climate and other cycles but they are tracking our progress to date. They're helpful in understanding the outlook towards meeting our 2030 target, but the emissions projections go much more directly to that question.

**Senator HANSON-YOUNG:** Aside from Eraring, which was wrongly factored in as closing in 2025, which we now know will be extended till 2030, are there any other key changes that have happened since the most recent projections?

**Ms Ford:** Senator, I was just going to add that when we put together our emissions projections, we put them together based on the best information that we had at hand.

**Senator HANSON-YOUNG:** Yes.

**Ms Ford:** Eraring had been publicly announced to close in 2025, which was why that was reflected in the emissions projections. At that time, as Ms Rowley said, given the extension has now been announced, we will incorporate that into our next round of projections in order to ensure that we are taking into account the latest information that we have when putting together those pieces of work.

**Senator HANSON-YOUNG:** I would expect that, but that wasn't my question. My question was: aside from Eraring, have there been any other changes or new information that you are now aware of which would also impact on what the next projections report will look like?

**Ms Rowley:** On the policy front, things like the announcement of the government's Capacity Investment Scheme, which is to support achievement of the 82 per cent target, have been more fully developed and are now being implemented, so we will incorporate those into our emissions analysis. The New Vehicle Efficiency Standards design was finalised and has been legislated, so that will then be rolled in—

**Senator HANSON-YOUNG:** Wasn't that already thought of? We knew about that. We knew the government wanted to do that. Surely that was factored in.

**Ms Rowley:** That was included in the 'with additional measures' scenario, because it was still, at that point, out for consultation. We'll now be able to bring it into our baseline scenario. Then there will be, inevitably, other market developments as well as policy developments over the course of the year, which we will take account of and bring into the projections.

**CHAIR:** We'll need to rotate the call, Senator Hanson-Young.

**Senator HANSON-YOUNG:** Okay. That's the end of those ones, anyway. I'm happy to come back.

**CHAIR:** Senator Rennick?

**Senator RENNICK:** Hi, guys. How are you going? I'll just follow up on all those questions about emissions targets and things like that. Are those targets and calculations used to calculate emissions and offsets, given that we're going to net zero? Are those calculations audited? Is it possible to provide a copy of how those calculations are performed? We're all just sitting here talking about emissions, but no-one's actually looking at the detail.

**Senator McAllister:** Are you talking about the reports on emissions in the past or the projections for emissions in the future?

**Senator RENNICK:** I'm talking about the actuals. Let's say, for example, that we've reduced emissions by 30 per cent since 2005 or whatever. I'm happy to look at the modelling as well, because, in theory, that should be very close to the actual calculations. What I want to know is: when you're calculating these figures, what assumptions do you use? They shouldn't be assumptions; they should be facts. What calculations do you use? Let's say Australia is 7.7 million square kilometres. It's made up of x square kilometres of rainforests, mangroves, grasslands, crop lands and natural forests et cetera. Is there documentation on how much carbon dioxide per biodiversity area—per biosphere—each acre or square kilometre absorbs? In terms of calculating our emissions, how do you go about calculating what CO<sub>2</sub> emissions come from each sector—whether it's mining, agriculture, consumption in cities or public transport in cities et cetera? Have you got it working? I did ask the CSIRO for this, and they gave me a heap of financial modelling. I'm not after the financial modelling. I'm after the raw calculations used to calculate emissions produced by Australia and then the natural offsets.

**Ms Rowley:** Sure. You might be pleased to know we publish a very extensive report each year on Australia's greenhouse gas emissions. It's called our *National inventory report*.

**Senator RENNICK:** I have read that.

**Ms Rowley:** That runs to many hundreds of pages and sets out, in quite a lot of detail, both the data sources, methods and the resulting emissions for Australia's greenhouse gas emissions over the period since 1990. It produces a full-time series each time. That's probably the best single source—to go to the questions that you're asking. It includes extensive treatment of Australia's land sector, which covers different land uses and types, as you referred to. It sets out both the kinds of areas associated with different activities and the consequent emissions and sequestration associated with those activities. We do all of that work in accordance with the rules of the UNFCCC—the United Nations Framework Convention on Climate Change—including the Paris Agreement, and guidance provided by the IPCC, or the Intergovernmental Panel on Climate Change.

**Senator RENNICK:** Do your emissions include the offsets? Let's say we've got a square kilometre of rainforest. I'm assuming rainforest would be absorbing more, rather than emitting more. Do you have a measurement by area or size of: 'This is what this particular area emits, and this is what it absorbs'?

**Ms Rowley:** It sets it out by land type and land use activity, and it sets out areas. Then we also present both emissions and sequestration for different types of land use across the country. We use the term 'sequestration' rather than offsets, because offsets is a different concept. I'll briefly address the question you had about audit and then see if my colleague wants to add any specifics. Australia's Greenhouse Gas Inventory is subject to independent expert review each year as part of the UNFCCC.

**Senator RENNICK:** Who does that?

**Ms Rowley:** UN experts—inventory experts from other countries.

**Senator RENNICK:** Hmm, experts. Yes, okay.

**Ms Rowley:** Yes. We do like to use experts for these sorts of tasks. Part of the UN climate change framework is that countries are obliged to report, but that's also subject to independent scrutiny so that we can all have confidence in each other's inventories and can learn from each other.

**Senator RENNICK:** Thank you for that. You can take this on notice: in that inventory report, can you refer me to what page it's broken down line by line. Could you also indicate, using whatever the measurement or the scale is—say it's a square kilometre of rainforest—how much CO<sub>2</sub> that either absorbs or emits, so I can take it to my so-called experts and say, 'Do you agree with the idea that this rainforest only absorbs, say, five kilograms of CO<sub>2</sub> per square kilometre?' Do you know what I'm saying? I want to actually audit independently from your experts and get my experts—because often experts disagree—to use the actual calculations used in the amount of CO<sub>2</sub> either emitted or absorbed by whatever scale or unit you're using. Is that possible?

**Ms Ford:** The only thing that I'd probably want to add is that there's also a website which has a lot of detail that you are able to—

**Senator RENNICK:** I love the detail. That's what I want.

**Ms Ford:** As Ms Rowley said, we report our emissions consistent with our Paris Agreement obligations, which require us to report under different IPCC categories. Those categories have a range of information about emissions from different sources and also the sequestration and storage that occurs that is associated with those storages. That website is the Australian National Greenhouse Accounts website.

**Senator RENNICK:** Can you put all that down on notice for me?

**Ms Ford:** Sure, but, in the meantime, because it does take a little while to respond to some of these questions on notice, I'd refer you to the Australian National Greenhouse Accounts website. The user can go through there and have a look at the net emissions reported under those different categories. As Ms Rowley said, there is a range of information that's included in the National Inventory Report about the calculations that are used to put together our estimates, which you might also find useful. To be able to respond to your exact questions, we would have to have a detailed look through the inventory to see if we can pull that out for you.

**Senator RENNICK:** If you could, I'd appreciate it. That would be great. I just have one more question, Chair; is that alright?

**CHAIR:** One last one.

**Senator RENNICK:** Thank you. It is on a slightly different topic: I want to talk about charging stations. I know that the target's been withdrawn, but I think we're looking at about a five per cent take up of EVs in our vehicles by 2030. Let's say there are 20 million cars on the road. About five per cent of that means that we're going to have about a million EV cars on the road by 2030. Who is going to actually be responsible for providing enough charging stations to ensure that those cars can be charged, the public sector or the private sector?

**Ms Rowley:** I might just get us started, then my colleague might like to add. I think that it's true to say that it's a joint responsibility. The EV drivers often install chargers at home or just use their existing infrastructure to charge their cars at home. For publicly accessible charging stations, we're already seeing a mix of public and private solutions. Some businesses, including petrol stations, are installing EV chargers to attract that growing segment of vehicles, and we're seeing public investment both at the national level and in state, territory and local governments in public access charging infrastructure as well.

**Senator RENNICK:** I'll actually put a question to the minister. In regard to, say, private dwellings—

**CHAIR:** We're going to need to rotate, Senator Rennick.

**Senator RENNICK:** Yes, it is a similar topic. Private dwellings—

**CHAIR:** Yes, but the timeframe.

**Senator RENNICK:** Some of the feedback I'm getting from people who own apartment blocks is that EV users are using the general plug in the parking basement, so the body corps paying for the power rather than the individual, and they're getting a little bit frosty about the idea that they're paying for someone else's energy. Is there an intention to put in laws to protect the body corps? I know some of this touches on state rules, but this is an ongoing issue or will be an ongoing issue that will become more prevalent as more EVs are taken up, in regard to making sure that people don't pay for power that they're not using. Is there some sort of plan to deal with that?

**Senator McAllister:** Perhaps I can start, and officials are likely to have a little more information. You're right that, for this technology and a number of other technologies too, including solar and batteries, strata living presents some of the biggest governance challenges. We are very conscious that that is an area where, to the extent that the Commonwealth has levers to support people living in strata, we would like to do so.

There are some caveats on that—and you've pointed to that in the way that you asked the question. The laws that govern strata sit with the states and territories, and many of them have started thinking about that. I know in my home state of New South Wales there is guidance issued to strata about the options available to them to deal with the circumstances you described. There are different models that a strata committee might choose to manage that situation. It is one of the more complex governance areas. It is not really restricted to these technologies; the governance issues for strata are complex right across the board, if we are honest.

**Mr Ryan:** A piece of work we are committed to under the National Electric Vehicle Strategy is to look at the charging in multi-dwelling apartments. Over the last three to four months, we have been working to put together the different pieces of work. It is a little difficult because, as you and other have alluded to, it is different state by state and there are different challenges depending on the strata law.

We are looking to provide some consistent advice across each of the jurisdictions, and we are working with the states and territories as well with some of the industry groups, like the associations that look after renters or owners in multi-dwelling establishments, to put together some advice on what might be the way you can approach it and some of the common things we are seeing that have been pitfalls for people and how to approach them and get over them—whether it is just a power point or maybe a big charger that you want to be able to put in to be able to charge your EV or some of the access issues with the cabling.

**Senator RENNICK:** Insurance is another thing, because you have to pay more insurance if you have an EV. But I will leave that as a comment.

**Senator McKIM:** Good afternoon, folks. I have some questions on the Powering the Regions Fund. Have all grants determined to fall under that fund been made public?

**Mr Gaddes:** The Powering the Regions Fund has a range of different funds within it. It has the Safeguard Transformation Stream and the Critical Inputs to Clean Energy Industries Stream, which has a number of sub streams as well. Not all of the rounds have closed; so not all of the assessments are complete and not all of the grants will have been announced—because we are partway through the process. Do you want us to go through each one?

**Senator McKIM:** Not quite yet. I might ask you to take some stuff on notice later on. Which of those subsections did the grant Minister Bowen announce for the Cement Australia for its Railton facility in Tasmania fall under? Which one of those groups did that fall under?

**Mr Gaddes:** That was the Critical Input to Clean Energy Industries—cement, lime, alumina and aluminium stream.

**Senator McKIM:** What was the nature of the advice that the minister received in determining who would be successful through that funding round?

**Mr Gaddes:** We are stray now, Senator, into your other question on notice which the department is currently considering. There are some commercial-in-confidence issues at play here. I will try to be as helpful as I can but we might butt up against some of those commercial-in-confidence issues.

**Senator McKIM:** Thank you.

**Mr Gaddes:** There was an expert panel—and my colleague Ms Ray might help me out here.

**Senator McKIM:** Could I specifically ask who was on the expert panel? Is that publicly available?

**Ms Ray:** We normally do not provide advice on who is on an expert panel; we usually protect that information. I understand that's practice.

**Senator McKIM:** So, just to be clear: these people are giving advice on the disbursement of massive amounts of public funds and we are not allowed to know who they are? Is that the advice that you are giving me?

**Mr Gaddes:** Maybe we could take that on notice and come back and tell you their positions rather than their individual—

**Senator McKIM:** I am actually interested in who they are.

**Mr Gaddes:** Okay. Again, there might be some issues at play there. But we will take that on notice and come back to you.

**Senator McKIM:** I wasn't expecting to find such a roadblock so early in my line of questions. But you can take that question on notice; that is fine. The question is: who are they and what is the basis for their membership of this panel? Have any of them declared any conflicts of interest to the department regarding their membership of the panel, and, if so, could you please disclose what those conflicts are. To ensure that the people on such a panel making advice about the disbursement of 100s of millions and potentially billions of dollars of taxpayers' funds, what due diligence does the department do to make sure that they don't have a conflict of interest?

**Mr Gaddes:** I can tell you. I chaired a number of those panels, and we do take that seriously. Each member has to go through and declare any of their conflicts of interest. At the start and end of each meeting, we checked in again to make sure that nothing arose during that meeting. The additional probity requirements are covered by a probity advisor, so we have a probity advisor that sits through the full assessment criteria. Whenever we stray into an area where we think that we might be getting close to the line in probity or governance, we seek a decision or advice from that probity advisor live. It's taken pretty seriously.

**Senator McKIM:** Could you also, as part of your response on notice, provide the qualifications and professional credentials of the people, or at least respond to those questions. Could you step me through the process now. Does the panel advise the department which then advises the minister, or does the advice of the panel go straight to the minister?

**Mr Gaddes:** Each of the panel go away and do an assessment of the projects. In some cases we have another independent adviser advising the technical feasibility of the project. The panel comes together, collates their scores, and we go through them. Where there's a large difference between the panel members' scores, we go through and we work through why those differences are there and discuss what different panel members saw in each project. That then gets collated up by the Business Grants Hub into an overarching report, which then gets a cover brief put over the top of it by my division and it then goes to the minister.

**Senator McKIM:** Did the panel advise through that process that Cement Australia should receive funding for its Railton facility?

**Mr Gaddes:** Yes. The panel advised that this was a project which was suitable for funding and consistent with the guidelines and the objectives of the program.

**Senator McKIM:** Alright, thank you. Mr Bowen's announcement made it clear that in the change of feedstocks for the kiln at Cement Australia Railton that a significant amount of the post-renovation—if I can call it that—feedstock would be wood fibre. Is that wood fibre coming from plantation or native forest?

**Mr Gaddes:** That's where we're starting to stray into the question on notice. The company is currently negotiating contracts to purchase the wood waste and the tyre-derived fuel waste. We don't want to release their negotiation strategy before they've finished that process.

**Senator McKIM:** Mr Gaddes, do you accept that plantation woodchips have a different emissions profile to native forest woodchips?

**Mr Gaddes:** Do I acknowledge—?

**Senator McKIM:** Yes. I don't think that is contentious in carbon accounting terms.

**Mr Gaddes:** We might get someone who's a bit more of an expert.

**Senator McKIM:** We might get some other people. I'm not trying to ambush Mr Gaddes here.

**Mr Fredericks:** You're not and I respect that. I don't think that Mr Gaddes is the right person to answer that question, because he's here to talk about.

**Mr Gaddes:** We can take it on notice.

**Mr Fredericks:** We'll take it on notice.

**Senator McKIM:** Well I might come back to it after lunch. I'm sure you've got some folks sitting behind you here that could probably go to that. I'll just place on notice that I have some other questions about carbon accounting in the land use and forestry sector after lunch. We'll park that for a minute. So, Mr Gaddes, you're unable to disclose whether the wood fibre comes from plantations or native forest because you believe that's a commercial-in-confidence matter. Is that right?

**Mr Gaddes:** Well, I suppose it's under active consideration, because we haven't responded to your other question on notice. So we're working through. We've spoken to the company. It's told us that some of those issues might be harmful to their commercial interests. We're trying to work out the balance.

**Senator McKIM:** Have you spoken to the company?

**Mr Gaddes:** We have spoken to the company, yes.

**Senator McKIM:** No worries.

**CHAIR:** You have two minutes left, Senator McKim.

**Senator McKIM:** I'll just wrap up this particular line of questioning. Thank you for the reminder, Chair. What criteria does the independent panel assess applications for funding against? Would a project have to demonstrate an emissions reduction?

**Mr Gaddes:** Yes.

**Senator McKIM:** For that to be the case, you must know whether those woodchips are coming from native forests or plants—actually, sorry, I withdraw the question. I'll come back to that later. It's the same question, asked in a different way.

**Mr Gaddes:** To help you out a bit there, we release grants opportunity guidelines, and those grants opportunity guidelines set out all of the criteria.

**Senator McKIM:** But this is a competitive process, right?

**Mr Gaddes:** Yes.

**Senator McKIM:** Presumably, a lot of companies bid into this process. My assumption is not all will be successful or not all will receive exactly what they ask for. It's an oversubscribed program, is it not?

**Mr Gaddes:** They generally are, yes.

**Senator McKIM:** They generally are, because it's taxpayers' money going to the private sector. They love it, right? I guess my question is, do you run through exactly what the emissions reductions scenario, or the emissions benefit, is for each project?

**Mr Gaddes:** Those are outlined in the detailed application by the proponent. I don't have that in front of me, so I couldn't go through and tell you whether it's native or woodchip.

**Senator McKIM:** But without saying whether it is native forests or woodchip, do you know whether it's native forests or woodchip? Did the company describe itself—

**Mr Gaddes:** As I said, I don't have that material before me, so I couldn't tell you. I can tell you that there was a range of figures given on the total emissions. There were figures in there about—

**Senator McKIM:** Well, woodchip doesn't disclose itself.

**Mr Gaddes:** how much forest waste product was in there and how much tyre-derived fuel was in there. But, again, that's where we start to stray up against the commercial-in-confidence issue that we're grappling with before we release your questions on notice.

**Senator McKIM:** Last question, Chair, if I could sneak one more then I'm done with the Railton cement issue. What is the total make-up of the feedstock? I know there are some tyres that are going to be burned, there's woodfire but can you make that up to 100 per cent for me?

**Mr Gaddes:** That gets to the same issue, though.

**Senator McKIM:** Does it? Alright.

**Mr Gaddes:** What I would say, though, is that this is an old facility. It's been operating for 100 years. It's been operating on coal. The grant is to upgrade the kiln so that it can be more flexible and reduce waste, which goes to landfill or otherwise.

**Senator McKIM:** I do understand that, Mr Gaddes. But I would make the point that native forest woodchips have a higher emissions profile than coal in many circumstances.

**Mr Gaddes:** We will come back to you on that issue.

**CHAIR:** Great. On that point, we will suspend for the lunch break. We will return at 1.45 with program 1.1 again—reducing Australia's greenhouse gas emissions. Thank you very much.

#### **Proceedings suspended from 12:47 to 13:45**

**CHAIR:** Welcome back. We will continue now with program 1.1: reducing Australia's greenhouse gas emissions. We will start with Senator Cadell.

**Senator CADELL:** We were talking about the quarterly statements and the plan. We were going on about that the last time. I think, Mr Fredericks, you said that there's been a change in the way we look at or calculate stuff between the new—is that making them aligned? Are they leaving in the same calculations and same accounting principles between the quarterlies and the NIR?

**Ms Rowley:** Every year when we do the national inventory report, which is our official report to the UNFCCC, we make revisions and improvements in light of the latest science and data. Then we flow any of those changes through to the next quarterlies so that they remain aligned.

**Senator CADELL:** So if I'm looking for the definitive one, is there a hierarchy of goodness or integrity with them?

**Ms Rowley:** I think they all have integrity. They all present our best estimate at the time. The national inventory report, as I said, is our official report under the UN convention. It's for each year. It's a bit time lagged. The most recent report, which was released last month, was for 2022. Whereas the quarterly is our attempt to keep information as current as possible. So the next quarterly, which will be released by the end of this week, will run to December 2023. As you can see, there is a bit of a gap.

**Senator CADELL:** But that NIR methodology flows to the quarterlies as you update them.

**Ms Rowley:** That's right.

**Senator CADELL:** Because it's apples and oranges.

**Ms Rowley:** That's right. It's difficult because we want to keep the information as current and as reflective of the best science and methods as we can.

**Senator CADELL:** There were things that have been touched on earlier around the goals and things. I think we were only here three months ago asking very similar questions about the ANAO, and I was dancing around the general reporting. We don't monitor individual programs as much we monitor the general flow, which I found troubling. You said this morning, 'We're on a baseline for 37 per cent on 2005, but the extended measures will hopefully get us to 42 per cent.' I'm not getting that wrong—is that where we're at?

**Ms Rowley:** That's correct.

**Senator CADELL:** There was talk about Eraring. That's an aside to that. Light utility vehicles have changed in the vehicle emissions scheme from what was proposed in February to now. Do we update that now? What's the process for that?

**Ms Rowley:** The next emissions projections will take account of the final design of the fuel efficiency standards.

**Senator CADELL:** Given that they were already included in the extended measures getting to 42 per cent—

**Ms Rowley:** That's right.

**Senator CADELL:** I can't imagine softening them will help get to 42 or the increase.

**Ms Rowley:** Just to get specific, our preliminary estimate for the new vehicle efficiency standards—because it was at that time under consultation—was a net impact on Australia's emissions of six million tonnes in 2030. With the final standards, as legislated, we estimate a net impact of four million tonnes in 2030. It is a slight reduction in the abatement, but that's two million tonnes in a national inventory of around 500 million, so it's a relatively small impact. As we said, we'll be taking account of all the new policies, as well as market announcements, in the next projections.

**Senator CADELL:** As we go forward, we're seeing this pathway. Senator Hanson-Young talked about the lack of growth when we talk about this overall policy going forward. When we're talking about the 82 per cent renewables target contributing as an extending factor, has there been an audit done to see how the rollout of that's going in actuality versus the policy? You talk about policy settings in those extenuating circumstances. Do we look at the actuality of that happening versus the policy settings?

**Ms Rowley:** The emissions projections assume the policies as announced. For the purposes of the emissions projections, they assume that those policies are fully implemented. However, in our implementation of all policies and measures, there is ongoing tracking of how things are going, where things are going well and where things are experiencing trouble. In all of our policies and measures implementation, we're actively managing them to keep them on track.

**Senator CADELL:** When we look at the next projections going forward—not putting aspersions on whether they're going well or bad—if we are behind the 82 per cent renewables target, will that be encapsulated in that, or will the policy settings be encapsulated in those projections?

**Ms Rowley:** If the target remains that and if the government has policies and measures in place to deliver against that target then we will continue to model that as the end point for 2030. However, what's happening in real time comes through in our inventory. All of our projections piggyback off our inventory, so whatever's been happening last year and this year will be captured in the inventory and that's the starting point for our forward projections.

**Senator CADELL:** What's slightly concerning for me is that my policy might be to save up to go on a bender holiday in Vegas but I'm not budgeting for it, so I end up going on a trip to the RSL and putting \$20 in a pokie. When do we get the reality meeting the policy goal? Looking at those two things, are you modelling that difference at any stage? Because the policy goals and policy settings versus what could actually happen are different.

**Ms Rowley:** The main way that it comes through is where there are specific policies and measures to give practical effect to the target. For example, in the 2023 projections, we modelled the measures that states and territories have in place, as well as the federal measures, including things like Rewiring the Nation, and the early work on the government's support for bringing forward renewables and energy storage in the baseline where those policies were well established.

But the 82 per cent was incorporated in that 'with additional measures scenario', because policies and measures are still being developed. At that point in time, in particular, the Capacity Investment Scheme was still being developed, so that's why it's in the 'with additional measures' scenario, rather than the baseline. That's why we always cite both of those figures. The baseline are those ones that are more confident, where you are budgeting for it, and the others are where that work is still in progress.

**Senator CADELL:** You mention the Capacity Investment Scheme. I believe that's probably in 1.2 more than 1.5.

**Ms Rowley:** That's right.

**Senator CADELL:** I won't ask that.

**Mr Fredericks:** But it's emissions. If you've got questions on emissions impacts—



**Senator CADELL:** No, it's more budgetary stuff, so I'll go there. In February, when I thought China was producing so many of our renewable energy pieces for the puzzle between cars, cathodes and things, you gave me some answers and I was able to get some work done on how we look at the overall score card. You mention the UNFCCC and how they audit our processes. Do they audit the Chinese goals of below 65 per cent?

**Ms Munro:** One of the really significant changes under the Paris Agreement is the qualities of those reports, which will apply to all countries according to their capacity. That will be called the Biennial Transparency Report, and China is due to submit that, as is Australia, at the end of this year. That will be subject to that international review process.

**Senator CADELL:** That will be their first one?

**Ms Munro:** It's the first biennial transparency reporting period under the Paris Agreement for all countries, actually. There have been other forms of reporting that China has done under the Kyoto Protocol.

**Senator CADELL:** Are they subject to all the same requirements as us and every other nation in that lodgement?

**Ms Munro:** As part of the Biennial Transparency Report, yes.

**Senator CADELL:** Would now be the right time for Bonn hotel questions? On the limited tender for the Bonn hotel: it was a limited tender on the documents due to an absence of competition for technical reasons. What was the lack of competition for a hotel in Bonn for technical reasons?

**Dr Box:** The accommodation you're referring to is the Kanzler hotel. It's in Bonn. It is the hotel that the Australian official delegation stayed at—or stays at—for the intersessional meetings of the UNFCCC for a two-week period in June. The delegation has stayed at the Kanzler for several years because it is fit for purpose, it has close proximity to the venue, it is very flexible with charges and, historically, it has a competitive price point.

**Senator CADELL:** I think it was \$158,500 in the document.

**Dr Box:** The value of the contract was for \$158,500. That was at the time we booked. We booked for 22 rooms. So that's not the actual, final cost, but that's the value of the contract at the time it was booked.

**Senator CADELL:** It was 22 rooms, for how many nights?

**Dr Box:** Up to 15.

**Senator CADELL:** Up to? And that can vary depending on?

**Dr Box:** Most of the delegates stay for the full two weeks. That contract refers to this session, which is starting in just a few days time. The conference goes from 3 to 13 June. But many delegates are required to go earlier. For example, I'm leaving tomorrow, because we have strategy meetings and meetings with the secretariat in advance. Some delegates, if they're negotiating items, only go for a shorter period of time—or may stay for a shorter period of time—but the majority of delegates stay for two weeks.

**Senator CADELL:** I think that's all I have on the Bonn questions. I've ticked those boxes. But fifteen nights and 20-odd people—that's 300 room nights, roughly?

**Dr Box:** That's right. Right now, the contract is for 20 rooms. The cost is probably closer to around \$130,000 for those 20 rooms, but the final cost will depend on exactly how many nights people stay.

**Senator CADELL:** Not a problem. Thank you very much for that.

**CHAIR:** Senator Cadell, we might share the call around the room

**Senator CADELL:** I'm happy to move around.

**CHAIR:** Senator Roberts.

**Senator ROBERTS:** Thank you, Chair. Can we just continue with this strategic reserve? So Australia sold all of the oil reserves in the United States strategic reserve?

**Mrs Svarcas:** Correct.

**Senator ROBERTS:** That was 1.7 million barrels, around June 2022?

**Mrs Svarcas:** Correct.

**Senator ROBERTS:** What was the sale amount? \$220 million?

**Mrs Svarcas:** I would have to take that on notice. I don't have that in my folder.

**Senator ROBERTS:** Who was the oil delivered to?

**Mrs Svarcas:** I would have to also take that on notice, Senator.

**Senator ROBERTS:** How much was paid in seller's fees, commissions or whatever it is?

**Mrs Svarcas:** I'm happy to break that down for you on notice.

**Senator ROBERTS:** How much is the continuing empty lease in the US strategic reserve costing?

**Mrs Svarcas:** We do have an ongoing contract for that. I will, again, come back to you with the leasing costs on that.

**Senator ROBERTS:** Thank you. That's all I had there. I'd like to move to the ute tax, please.

**CHAIR:** I think you'll find it's not called that, Senator Roberts.

**Senator ROBERTS:** Sorry?

**CHAIR:** We don't have such a thing. Would you like to refer to the correct program?

**Senator ROBERTS:** Your new car tax.

**Senator McAllister:** We don't have a new car tax, either.

**CHAIR:** No new car tax?

**Senator ROBERTS:** You know what I'm talking about.

**CHAIR:** How about you just say it, Senator Roberts, so we can get the right people to the table.

**Senator ROBERTS:** I'd like to know the new fees for petrol and diesel vehicles.

**Senator McAllister:** It's possible you're referring to the New Vehicle Efficiency Standard.

**Senator ROBERTS:** Thank you very much.

**CHAIR:** Yes, that sounds a bit more familiar.

**Senator ROBERTS:** Yes, that's another way of saying it. Minister, why were you so secretive about it? You passed it under guillotine with no debate. Yet again, another bill with no debate.

**Senator McAllister:** The New Vehicle Efficiency Standard brings Australia into line with the very significant majority of the international vehicle market. It's a policy—

**Senator ROBERTS:** Excuse me, Minister. The people of Australia elected your government to govern. They didn't elect the United Nations World Economic Forum, the United States, Great Britain, or other global players. They wanted you to govern this country—not on behalf of others.

**CHAIR:** Senator Roberts, could you allow the minister to finish answering the question?

**Senator ROBERTS:** Sorry, Chair.

**Senator McAllister:** The government was very clear and we had extensive public discussion about the New Vehicle Efficiency Standard. I believe there were Senate hearings, although I did not participate in them. We discussed it here in the estimates forum and also in the neighbouring committee at the last estimates hearings as well. Officials can talk to you about some of the public consultation that took place, including the position papers that were released. And senators had many opportunities to express their opinions about this particular policy initiative through the course of the Senate's work.

**Senator ROBERTS:** So we don't need to debate anymore in the Senate?

**Senator McAllister:** We do need debate in the Senate, Senator Roberts. These were important—

**Senator ROBERTS:** Second reading, third reading and committee stages?

**Senator McAllister:** I thought you had asked me a question.

**Senator ROBERTS:** I am! But I was continuing—

**CHAIR:** Senator Roberts, I'm going to ask you again to allow the minister to answer the question you have just posed and to not speak over her.

**Senator McAllister:** The government's view was that this was an important reform, and that there was some urgency to this reform. It was a reform that had been proposed under a previous government, during a previous parliament, and not progressed. The consequences of that were that Australians continue to pay more than they need to at the bowser because the vehicle fleet in Australia is less efficient than it could be, because the range of vehicles available to Australians is considerably less than we expect it will be under the standard. We think it's an important policy. We wanted to progress it, and we judged that there was a majority of support in the Senate for that, so we brought it on for consideration.

**Senator ROBERTS:** You're afraid of letting the people participate through their views, expressed through senators in debates in second reading and third reading and committee stages, and assessing amendments?

**Senator McAllister:** I wouldn't characterise it like that at all.

**Senator ROBERTS:** Okay. Minister, are you aware, with an increasing amount of smart metres being installed—despite some people saying they don't want it—and electric vehicle charging happening overnight off-peak, that's when coal-fired power is supplying most of the electricity. So there's potentially going to be an increased demand on coal-fired power stations as petrol and diesel vehicles are set aside in favour of electric vehicles. So you're actually increasing the carbon dioxide intensity of energy.

**Senator McAllister:** Senator Roberts, I will ask some of the officials to talk you through the expectations that we have for demand on the grid. But the Integrated System Plan, which is produced by the AEMO, includes demand that is predicted to arise from the introduction of greater numbers of electric vehicles into the Australian fleet, along with a range of other changes. It also, as you know, shows a very significant shift to renewable energy, so the emissions intensity of the National Electricity Market is expected to decrease over time, of course.

**Senator ROBERTS:** So, are they like the projections where you told us we would be having lower power costs, and instead we've got far higher?

**Senator McAllister:** Do you want to talk about the issue that you originally asked me about, or do you wish to move on?

**Senator ROBERTS:** I just wanted to know what your projections were like and how accurate they are.

**Senator McAllister:** The Integrated System Plan is a long-established piece of analysis undertaken by the Australian Energy Market Operator. Officials at the table can talk to you about the expectations there and any other information we have of that expected demand on electricity.

**Mr Ryan:** To start with, I'll talk about some of the different charging solutions we're seeing and what impact that's having. ARENA, who I know will be appearing, will certainly be able to tell you about some of the investment and some of the innovations they're looking at in charging. You're right, a lot of charging is done at home—80 per cent, we think—but that's not just from the grid. A lot of those people—not all, but a lot of them—actually have batteries that charge and store solar energy from during the day. So when they're charging overnight—it might be from a battery but it also might be from the grid—note that the grid is slowly decarbonising as well. So that's increasing, day to day.

There are other innovations where we're seeing EV charging being provided at places people visit on a regular basis, whether that's at carparks during the day or the workplace during the day, whether it's at the kerbside, at the local gym, at the movies—places where there's charging, more and more. Sometimes that's in the evening, but a lot of the time that's during the day. So we're seeing some innovation, and there's certainly been funding—not just from the Commonwealth but from the states and territories—to develop that innovation and look to maximise the solar in there.

The last thing I'd say on the projections is that I do know that they take into account the grid and the impact on the grid for the uptake of EVs. So they are in the figures that are provided each year when they do the projections.

**Senator ROBERTS:** Minister, do you still maintain—

**Mr Fredericks:** Senator, sorry; could Ms Rowley just give you 30 seconds on that, because it is quintessentially the answer to your question about how all of the emissions impacts are brought to bear.

**Senator ROBERTS:** Sure.

**Ms Rowley:** In relation to the annual emissions projections, we look at the change in the vehicle fleet, including the uptake of electric vehicles, which is helping to reduce the direct emissions from transport. But we also take account of the electricity required to meet the growing share of electric vehicles. Just by way of example, for 2030, in last year's emissions projections, we estimated that there was a seven-million-tonne reduction in transport emissions and a one-million-tonne increase in electricity emissions to meet that additional demand from electric vehicles, so the net effect in 2030 was an estimated six-million-tonne reduction in Australia's emissions, taking into account both transport and electricity.

**Senator ROBERTS:** Sure, but I remind you you can't tell me the impact on climate of that, so you're basically going with a policy of spending money but not realising the benefit. Minister, do you still maintain—

**Ms Rowley:** I would note that the new vehicle efficiency standard is projected to save consumers money and reduce the impact of things like health costs on the Australian economy.

**Senator ROBERTS:** Minister, do you still maintain—

**CHAIR:** Senator Roberts, we're going to rotate the call.

**Senator ROBERTS:** Last question?

**CHAIR:** Last question.

**Senator ROBERTS:** Do you still maintain, Minister, that punishing manufacturers of petrol and diesel vehicles won't reduce the number of petrol or diesel cars available to Australians?

**Senator McAllister:** Senator, I don't accept that characterisation of the policy setting.

**Senator ROBERTS:** Thanks, Chair.

**CHAIR:** Senator Hanson-Young.

**Senator HANSON-YOUNG:** I have some questions in relation to the government's new Future Gas Strategy. You're excited, are you? Are you guys excited over there?

**Mr Fredericks:** We sure are.

**Senator HANSON-YOUNG:** Good.

**CHAIR:** Senator Hanson-Young, just a point of clarification there between outcomes 1.1 and 1.2 and the availability of people in the room—

**Mr Fredericks:** We'll be able to accommodate it. We don't know—you could be in 1.1 or you could be in 1.2. We'll soon find out. But we have the officials for both, so let's see how we go—

**Senator HANSON-YOUNG:** Great.

**Mr Fredericks:** in an effort to maximise our cooperation.

**CHAIR:** Thank you, Mr Fredericks.

**Senator HANSON-YOUNG:** Firstly, what I would like to know is how much involvement this department has had in the development of the government's new Future Gas Strategy—knowing, of course, it was announced by a different minister.

**Mr Duggan:** We were involved throughout the development of the Future Gas Strategy. We were part of interdepartmental committees run out of the Department of Industry, Science and Resources. At the deputy secretary level, also, we were represented on an analytical working group that contributed to building the baseline evidence that underpinned the Future Gas Strategy. So I would say that we were involved at every step, but, as you say, it was the accountability of another minister to take forward.

**Senator HANSON-YOUNG:** When did this process start—the development of the Future Gas Strategy?

**Mr Fredericks:** I'm not sure we can answer that question. It's just that it was a process that obviously ended up being in cabinet, so we're probably getting close to cabinet-in-confidence.

**Senator HANSON-YOUNG:** Oh, come on, Mr Fredericks! We've just heard that you had officers involved in developing the strategy. There have been meetings and working groups. Surely I can have some detail in relation to that.

**Mr Duggan:** We'll have to take the precise date on notice.

**Senator HANSON-YOUNG:** Okay. Is this something that has been going on for six months?

**Mr Duggan:** I've taken on notice when that started, so we'll get back to you with an accurate answer to your question.

**Senator HANSON-YOUNG:** Okay. Are we going to be able to get that answer today, or is that going to have to be something that's taken on—

**Mr Fredericks:** We'll take it on notice.

**Senator HANSON-YOUNG:** You can't tell me whether it started six months ago or longer?

**Mr Duggan:** Your question was: when did the work commence on the strategy? I'll need to consult colleagues in the Department of Industry, Science and Resources who have had carriage.

**Senator HANSON-YOUNG:** When did the work within your department start?

**Mr Duggan:** I've taken that on notice, and we'll come back to you on that.

**Senator HANSON-YOUNG:** I'm getting some big crosses on my bingo card here.

**Senator DUNIAM:** I thought you weren't going to talk about the bingo card.

**Senator HANSON-YOUNG:** I think we're absolutely going to talk about the bingo card—you know, every time they take something on notice. Mr Fredericks, when did you first become aware of the government's desire to have a Future Gas Strategy?

**Mr Fredericks:** Senator, we've had this conversation. I just cannot give you an accurate answer to that question in evidence today. I'd prefer to take it on notice.

**Senator HANSON-YOUNG:** Okay.

**Mr Fredericks:** Just to be clear, I am worried about the implications for cabinet, but I will push past that and will try to give you an answer.

**Senator HANSON-YOUNG:** Ms Rowley, has the Future Gas Strategy been factored into any of the government's projected emissions reports.

**Ms Rowley:** We contributed to the analysis and worked with our colleagues in the Department of Industry, Science and Resources, who were leading the work of the development of the strategy. They drew on our emissions projections—the 2023 emissions projections we referred to earlier in this hearing—to inform their work. You might be aware that the emissions projections take as their starting point the current outlook for production of gas in Australia, including to meet global demand. So we already have gas activity, on both the production and processing side and the consumption side, in the emissions projections. The Future Gas Strategy work was informed by that, and then they've done further work. We have not yet produced an emissions projection since the strategy was released. When we produce the 2024 emissions projections, that will take any new policies and measures—from both the Future Gas Strategy and any other announcements that the government makes—into account in revising our projections.

**Senator HANSON-YOUNG:** Do you expect that emissions will go up or down as a result of this strategy?

**Ms Rowley:** The strategy, in terms of its objectives, reiterates the government's commitment to net zero and the Paris Agreement temperature goals, so it talks about the role that gas is anticipated to play in the transition to net zero. That's consistent with the broad architecture of our current work. At this point, we haven't actually done the analysis, so I can't say its net impact, but the government's continuing to develop and implement policies and measures to reduce emissions, and we anticipate that that will continue to be reflected in the end result of the projections.

**Senator HANSON-YOUNG:** What about the 2030 figures and commitments, though?

**Ms Rowley:** They remain as they are. The Future Gas Strategy cross-references the fact that Australia's emissions reduction targets are legislated, and it's talking about the role of gas, as I said, in the transition to net zero.

**Senator HANSON-YOUNG:** When was the Future Gas Strategy completed?

**Ms Rowley:** It's a question that perhaps would be best directed to our colleagues in Industry, Science and Resources, given that they actually led on the development of the strategy.

**Senator HANSON-YOUNG:** Mr Fredericks, when did your department see a final copy?

**Mr Fredericks:** Now we are well and truly into cabinet-in-confidence material.

**Senator HANSON-YOUNG:** How's that? I'm just asking when the department's seen it. If you can't tell me when it was completed, when was the last point of input that your officers had?

**Mr Fredericks:** The point is that this was a budget announcement.

**Senator HANSON-YOUNG:** Well, it was announced before the budget, actually. But yes.

**Mr Fredericks:** But it was considered in the budget context and developed in the budget context, so we are in a tricky space.

**CHAIR:** Can I just confirm that the announcement was on 9 May 2023. So the conversation about this and the consultation on this have been ongoing for over 12 months, just for context.

**Mr Duggan:** Yes.

**Mr Fredericks:** I was close.

**Mr Duggan:** I was about to make that point, Chair. The release was 9 May. We would have seen it a short period before that, but, as Mr Fredericks is alluding to, it would have been in the context of the cabinet deliberation.

**Mr Fredericks:** But I think the answer to your question is: it was an ongoing process—question mark, subject to cabinet—that concluded on the release on 9 May, and we were closely engaged throughout that time period.

**Senator HANSON-YOUNG:** On 9 May this year?

**Mr Fredericks:** I think that was the date it was released.

**CHAIR:** The announcement of the actual strategy—

**Senator HANSON-YOUNG:** Well—

**CHAIR:** No, just to be really clear. The announcement of the strategy was 9 May 2023, and there were public consultations after that.

**Senator HANSON-YOUNG:** I understand this, and that's why I'm asking the officers about how on earth, for the last 12 months, they couldn't give me some details, because it's all cabinet in confidence, apparently.

**Mr Duggan:** I'm very happy to answer any specific questions that you might have.

**Senator HANSON-YOUNG:** But if you want to take any more dorothy dixers from the chair over here.

**CHAIR:** I'm merely cleaning up.

**Senator HANSON-YOUNG:** You're cleaning up their mess for them; that's true.

**CHAIR:** No.

**Mr Fredericks:** I think what we're trying to say is there's nothing—we were engaged in the process for the duration. The gas strategy itself was announced—when?

**Mr Duggan:** On 9 May.

**Mr Fredericks:** On 9 May—and so we were engaged throughout the whole process up until announcement.

**Senator HANSON-YOUNG:** Okay—so up until announcement. How many iterations of the Future Gas Strategy were there within that 12-month period?

**Mr Fredericks:** That is absolutely a matter for the Department of Industry, Science and Resources.

**Senator HANSON-YOUNG:** How many versions of the strategy did you see, Mr Duggan?

**Mr Duggan:** We'll have to take that question on notice. Again, I'd just reiterate the point that the secretary has made, which is that a lot of this would've been through a cabinet committee and a cabinet deliberative process. We'll take it on notice, and we'll provide the fullest explanation we possibly can.

**Senator HANSON-YOUNG:** Did the strategy consider how to reduce demand of gas?

**Mr Duggan:** The Future Gas Strategy, as you know, was guided by a set of principles, and those principles do get to the question of seeking to reduce Australia's reliance on gas over time. I'll also make the point that this strategy also feeds into the net zero plans that are being pulled together. On the Electricity and Energy Sector Plan, a big focus of the work that we are undergoing as a department is how to effectively influence and reduce Australia's demand for energy broadly, including for gas. So that's a big focus of that work program that's now underway.

**Senator HANSON-YOUNG:** Where in the Future Gas Strategy does it talk about reducing demand to close the shortfall in 2028?

**Mr Duggan:** The objectives were, effectively, to put Australia in a position where we were able to meet future demand for gas, based on the projections as they currently are. That does mean going to a number of things on the supply side, but it also alludes to doing some things to, in a sense, shift the delta on the demand side of the equation here as well, in order to close that supply gap. That's evident in the analysis that appears all the way through the gas strategy.

**Senator HANSON-YOUNG:** How much of a reduction in the use of gas does the Future Gas Strategy propose?

**Mr Duggan:** You are now asking specific questions about the strategy itself which, again, was led out of another department. So I suggest those questions are best put to DISR.

**Senator HANSON-YOUNG:** Did the climate change department put forward a proposal to reduce the demand of gas in order to fulfil this Future Gas Strategy?

**Mr Duggan:** We were very much involved in the analytical work—so the work that built up the demand side of the equation here for the modelling. As part of that, we would've definitely assisted. In fact, the demand projections here—I think we talked about the integrated system plan, with respect to the electricity sector, but also trying to build up the whole-of-economy use of gas over time. So, yes, we were part of that analytical exercise that built that from the ground up.

**Senator HANSON-YOUNG:** Can you give us any information as to what you fed into this process to reduce the demand on gas?

**Mr Duggan:** Senator, I've given you the best answer I can at the moment on the basis of the generalities. I can't be more specific than that.

**Mr Fredericks:** Not in this regard. Obviously, it's legitimate to ask questions about the Future Gas Strategy itself, but that doesn't represent, from this department's perspective, the range of work that we're bringing to bear

on exactly the issue you're raising: reduction in demand for gas. You're right: it is crucial—one of the key elements that we need to bring to maturity. It is within the responsibility, in part, of this department. One of the vehicles by which we intend to do that is the sectoral plans that are publicly known and that are being developed for the various sectors, including the energy sector. The work in that sectoral plan is the work that's fundamentally about bringing new policies to bear to reduce emissions and, in this case, in part to reduce demand for gas. So we're fully seized of the challenge, and the vehicle by which this department will lead on policies for reducing demand for gas will be the process around developing the energy decarbonisation sectoral plan, which is proceeding this year.

**Senator HANSON-YOUNG:** I'm asking questions about the Future Gas Strategy because there was a lot of fanfare from the government about this. What I want to know is where in this strategy—Mr Duggan, if you can point me to a page number, I'm very happy to take that, but from what I can see it's nowhere in this—it says that one of the options on the table, as part of this strategy, is to reduce the demand on gas to meet the shortfall.

**Mr Duggan:** The underlying projections for the Future Gas Strategy are built from a variety of different sources. One of those sources is AEMO's *Gas statement of opportunities*. There, what is projected is an absolute decline in domestic annual gas demand over the east coast over the forecast period of that *GSOO*, as it's called, through to 2043. So that was the baseline demand projection that was fed into, as I understand it, the Future Gas Strategy projections, and that had quite a marked decline in residential and commercial use and quite a significant decline in other uses of gas. AEMO do quite a comprehensive exercise in order to build up those projections on the basis of existing policies and expectations about what future demand will be in the economy, based on their modelling of what they think the industrial base, the industrial structure of the economy, is likely to be going forward. So that's the best and most authoritative source of input to the gas strategy on the demand side. As the secretary alluded to, policies to achieve further reductions in demand are a key focus for us in the net-zero electricity and energy plan that we're pulling together.

**Senator HANSON-YOUNG:** Maybe, Mr Fredericks, you could answer this: what's the purpose of the Future Gas Strategy if it's not to set a plan for reducing gas, seeing as we're in a climate crisis?

**Mr Fredericks:** I think it's fair to say that the Future Gas Strategy doesn't represent all of the government's policy work in relation to gas supply and demand.

**Senator HANSON-YOUNG:** It's just a PR exercise.

**Mr Fredericks:** It's not, Senator. In fairness, it does call out this issue in general terms, and it was done in an understanding—which is publicly known—that there is currently work being done and consulted on in this department, led by this department, on our net-zero energy decarbonisation plan. A principal element of that is demand reduction for gas. In many ways, you have to look at the whole, not the part.

**Senator HANSON-YOUNG:** But the government led with a big announcement, a big hoo-ha: 'This is our big Future Gas Strategy.' What you're asking me to believe is that, while this big fanfare is happening over here, you're still getting on with cutting gas.

**Mr Fredericks:** Not only are we asking you to believe it but that is the fact, and it is publicly—

**Senator HANSON-YOUNG:** Does the resources minister know this?

**Mr Fredericks:** It is publicly known, and we are consulting, as you know, on our energy decarbonisation plan as part of the sectoral approach to emissions reduction. It is this department's responsibility. We will be engaging and have been engaging closely with the department of industry on that. So, in many ways, that's the vehicle by which we tackle your legitimate challenge: what's the policy prescription to reduce demand for gas?

**Senator HANSON-YOUNG:** Surely it's not by increasing it.

**Senator McAllister:** Senator Hanson-Young, you are quite entitled to ask officials about our inputs to this process, but I think they've indicated to you that the material in the strategy is best addressed by officials in DISR. I would encourage you to have a look at some of the analytical work that was published that supported the strategy. Chapter 3 of that analytical work provides an extensive discussion about the domestic demand outlook. It discusses the range of mechanisms that are available to reduce demand and are expected to reduce demand, and it also speaks to, as the secretary has already alerted you to, the work that will be undertaken in each of the six sector plans to look at opportunities for efficiency in reducing emissions, including through reduction of demand for fossil fuel consumption.

**Senator HANSON-YOUNG:** I'm hearing a lot of—

**Senator McAllister:** Senator Hanson-Young, have you looked at this document at all?

**Senator HANSON-YOUNG:** What I would like to know—I'm the one asking questions, Minister.

**Senator McAllister:** Sure, but I've pointed you to material—

**Senator HANSON-YOUNG:** I have asked for the page number on which the Future Gas Strategy talks about a reduction in demand, and it's not there, is it? It's all about boosting supply.

**Senator McAllister:** Have you looked at the *Future gas strategy analytical report May 2024* in the section commencing on page 35 called 'Domestic demand outlook'?

**Senator HANSON-YOUNG:** We've got a page number. What does that show, Mr Duggan? How much is gas going to be cut?

**Mr Duggan:** It shows exactly what I described to you earlier, which is that, based on the work that is done to build up the demand on the east coast and the west coast, including by AEMO in the GSOO, it goes to the eight per cent decline in domestic annual gas demand on the east coast over the forecast period to 2043 under the step change scenario.

You also asked the question, 'What is the purpose or the objective of the Future Gas Strategy?' That's spelt out very clearly in the strategy itself, where it says the objectives are to, firstly, 'support decarbonisation of the Australian economy'; secondly, 'safeguard security and affordability'—

**Senator HANSON-YOUNG:** Gas creates pollution, though, doesn't it?

**CHAIR:** Senator Hanson-Young, can you let the witness finish answering.

**Mr Duggan:** thirdly, 'entrench Australia's reputation as an attractive trade investment destination'; fourthly, 'help our trade partners on their own paths to net zero'.

**Senator HANSON-YOUNG:** Oh! So it's to keep selling more and more and more?

**Mr Duggan:** They were the objectives that were set out for that particular strategy. Now we are moving into the phase where we're working on how to decarbonise the energy side of the economy. That's the energy sector plan. Part of that are further reductions in gas demand beyond those that were already projected in the Future Gas Strategy. That is a key objective.

**Senator HANSON-YOUNG:** So the strategy is effectively to keep selling more gas internationally—that's the whole purpose of it—and hope people want to buy it. It's a PR strategy to sell more toxic gas overseas.

**CHAIR:** Senator Hanson-Young, we will rotate the call. Senator Pocock.

**Senator DAVID POCOCK:** I've got some questions about the future disaster strategy. Principle 3 of the strategy—

**CHAIR:** You might want to start that sentence again, Senator Pocock!

**Senator DAVID POCOCK:** Sorry, what happened?

**Senator McAllister:** I couldn't hear.

**CHAIR:** You cited the wrong report; that's all. Say it again.

**Senator DAVID POCOCK:** The Future Gas Strategy?

**CHAIR:** That's it!

**Senator DAVID POCOCK:** Principle 3 states 'new sources of gas supply are needed'. This seems like a ridiculous question, but do new gas projects push Australia's emissions up?

**Mr Fredericks:** Can I ask Ms Rowley to answer that, because her answer will be how we bring to account future gas projects in our projections about emissions, which I think is the answer to your question.

**Senator DAVID POCOCK:** It's a pretty straightforward question. You open up new gas projects; does that mean that Australia's emissions go up?

**Ms Rowley:** There are a couple of things I'd note. Firstly, the aggregate emissions from gas in Australia, both for extraction and for processing—sorry, this relates to all fossil fuels: coal, oil and gas—are projected to fall from 2020 to 2035 by 28 per cent under existing policy settings.

**Senator DAVID POCOCK:** Can we talk about—

**Ms Rowley:** That's an aggregate, even with—

**Senator DAVID POCOCK:** Can you disaggregate that?

**Ms Rowley:** anticipated new developments. That in large part reflects two things. On the coal side—and apologies, because this doesn't go directly to gas, but I'll come back to gas—the production volumes are declining. And, with gas, despite the fact that there are new developments assumed in our emissions projections, policies such as the safeguard mechanism reforms are anticipated, and projected, to reduce the gross emissions



from those activities by deployment of onsite abatement activity. So, in the aggregate, gas emissions are projected to go down from 2020 to 2035, even with new developments coming online. So, at the whole-of-economy national level, Australia's emissions are projected to go down, even with new production coming online, and, in terms of gas production and processing, those emissions in aggregate are also projected to go down. That's in part because old fields are going offline even as new ones come online and because the new ones are anticipated to deploy abatement technologies.

**Senator DAVID POCOCK:** I'm just checking if this was in the PMO's non-answer thing that they sent around. The

**Ms Rowley:** I haven't read that document, so I can't say whether it is consistent or not.

**Senator DAVID POCOCK:** What about emissions across the world? We don't have some exemption from atmospheric physics? Will the Future Gas Strategy increase global emissions?

**Ms Rowley:** The Future Gas Strategy is squarely positioned within the Australian government's commitment to the Paris Agreement goals and its legislated net zero commitment. The role of gas in the transition to net zero is not zero. We currently use gas for a range of applications across the economy and, even as we seek to reduce reliance on gas and reduce emissions from the gas that is used, there is still going to be demand over the coming years. The gas strategy is in large part about how we support an orderly transition to net zero so that supply is available to meet necessary demand even as—as the previous discussion made clear—we are seeking to reduce demand across the economy, with the net zero plan and the sectoral plans looking at key demand in energy and electricity—which was the sector plan that we lead on—but also in built environment and in industry and in resources.

**Senator DAVID POCOCK:** This is outrageous—hearing fossil fuel industry talking points from the department of climate change and energy. I note that, in your report, there are many references to the International Energy Agency's net zero scenario, which you're alluding to. What does the IEA say about new gas fields in a net zero world?

**Mr Fredericks:** I'm very happy to let Ms Rowley answer that question, but I do have to take a point. It's an unfair reflection suggesting that we're reading someone else's points. These are officials who are answering what are—

**Senator DAVID POCOCK:** And I feel for you having to try and defend this policy.

**Mr Fredericks:** not simplistic questions, and we are giving proper evidence about the structured and considered way by which this department projects emissions, taking into account known and projected facts around gas use.

**Senator DAVID POCOCK:** The report obviously asserts that new gas is needed to get to net zero. Is this consistent with the input into the strategy from DCCEEW?

**Mr Duggan:** The point I make is that the report is built on projections which point to a reasonably significant demand in decline for gas in Australia. But the report also points out the fact that the depletion of existing gas fields is occurring at a faster rate than that, which means that, even with strategies and policies in place—

**Senator DAVID POCOCK:** Sorry, I'm going to run out of time soon. I'm just interested to know: did DCCEEW, as part of its input to the Future Gas Strategy, say that we need new gas to get to net zero or not?

**Mr Duggan:** Certainly, DCCEEW's involvement in the gas strategy was to ensure that the requirement for us to be able to meet gas demand projections to ensure that we had whatever was required in order to do that, whether from existing fields or new fields. DCCEEW's contribution to that was essentially to make sure that it was well understood what those needs are.

**Senator DAVID POCOCK:** Was that a yes or a no?

**Mr Fredericks:** This department's long-held view has been that gas is a necessary transition fuel to assist this country to get to net zero by 2050, and—

**Senator DAVID POCOCK:** What about new gas? We're talking about the Future Gas Strategy. We have existing gas for the transition, and I'm asking: did DCCEEW, as part of the Future Gas Strategy input, say that we need 'new gas'—not 'gas'—to be part of the transition? That's a simple question. Is it yes or no?

**Mr Fredericks:** I'll start at this point: this country will need gas supplies—

**Senator DAVID POCOCK:** Which we have plenty of.

**Mr Fredericks:** in order to firm up renewables—

**Senator HANSON-YOUNG:** We've got that.

**Senator DAVID POCOCK:** We export 75 per cent of our gas, Mr Fredericks.

**Senator HANSON-YOUNG:** We've got it!

**Mr Fredericks:** Just to be clear, we do need gas supply, and that will depend upon what levels of gas come out of the market and what are needed to come into the market.

**Senator DAVID POCOCK:** I totally understand that.

**Mr Fredericks:** I just answered your question. I said 'gas that may need to come into the market'—that is, new supplies of gas.

**Senator DAVID POCOCK:** So we do need new gas, was your—

**Mr Fredericks:** Yes. We're going to need a level of gas supply. How much of that is new will depend on the relationship with how much old gas is coming out of the system—

**Senator DAVID POCOCK:** So you are agnostic about old or new. You're just saying, 'We just need gas'?

**Mr Fredericks:** The fundamental proposition is that this country will need gas supply in order to firm up the rollout of renewables, so we're very strong on that.

**Senator DAVID POCOCK:** I understand that.

**Mr Fredericks:** So, at the end of the day, our starting point is that we want to drive the rollout of renewables. We know as a matter of fact that that requires firming up. We know that the capacity for coal to firm up those renewables is diminishing, as it should, and therefore gas is the better alternative, whilst we work out, and fund, new sources of gas like hydrogen that can firm up and whilst we get Snowy 2.0 online so it can firm up. In the meantime and for a foreseeable future, we will need gas as a critical component of firming the rollout of renewables, and—

**Senator DAVID POCOCK:** But a policy suggestion could be this. We need gas for the transition. We're a country that exports 75 per cent of our gas. We use 2½ times more gas than every single household just to liquefy that gas for export. A policy proposal could be, 'Hey, let's have an east coast reservation policy to ensure that we have enough gas for the transition.' But what I'm hearing is that that didn't happen. I want to come back to this role of—

**Senator McAllister:** Senator Pocock, is the policy position you wish us to respond to that we should cancel existing contracts and arrangements with our energy partners?

**Senator DAVID POCOCK:** What I'd say as a policy thing is that we should prioritise Australians ahead of multinationals who haven't paid a single cent in petroleum resources rent tax on offshore LNG and who minimise their tax to below one per cent in many cases. They are total leeches on us. Yet we are continuing this gravy train into the future for these multinationals. That's my policy proposal.

**Senator McAllister:** So it is to cancel contracts and repudiate contracts?

**Senator DAVID POCOCK:** No, I think we could start with uncontracted gas. To go back to the International Energy Agency's net zero scenario, the Future Gas Strategy references the IEA many times. In the IEA's net zero scenario, they are very clear: 'no new fossil fuel projects to get to net zero by 2050'. So why are we allowing references to the IEA's work but not actually understanding what they're saying? You want to sit here and talk about net zero and future gas leading to net zero, but the International Energy Agency, who you reference, say that's not possible.

**Mr Duggan:** Senator, again, you're talking about a strategy put out by a different portfolio minister—not for this portfolio—and drafted by a department that was not this department. So I suspect your question is better put to DISER.

**Senator DAVID POCOCK:** It seems squarely in the climate part of the strategy, though.

**Mr Duggan:** I think the key point is the one that the secretary has made, which is that the Future Gas Strategy is built on demand projections and on projections of existing supply. In order to meet those demand projections—which are for a decline in demand in the east coast market—the depletion of the existing gas fields means that there is the requirement for additional gas investment in Australia in order to close that supply-demand imbalance, and that's what the Future Gas Strategy goes to.

**CHAIR:** Last question, Senator Pocock.

**Senator DAVID POCOCK:** Minister, you are incredibly smart and you're across all this stuff. How do we explain this to our grandkids one day—that in 2024 we have climate scientists urging us, 'No new fossil fuel projects if you want a liveable future,' and the International Energy Agency saying, 'No new fossil fuel products if

you want to get to net zero by 2050,' and the Labor Party putting out a future gas strategy that's wanting to unlock the Beetaloo basin, Barossa, Scarborough and others. How are we going to explain this?

**Senator McAllister:** The gas that is produced in Australia is used, in the broad, in two contexts—domestically and internationally. As you know, our ambition is to get to 82 per cent renewables by 2030, but that's not 100 per cent and there will be a continuing role for gas in firming the electricity system, alongside pumped hydro storage and, as you're aware, a greatly expanded supply of solar and wind power. There will also be some requirement for gas as a feedstock in manufacturing processes until such time as those manufacturing processes can be evolved to use alternative feedstocks. They're important for some of the other industries that we're seeking to establish and—

**Senator DAVID POCOCK:** Minister, my question is—

**Senator McAllister:** Can I finish?

**Senator DAVID POCOCK:** We're being told no new fossil fuels—

**Senator McAllister:** Did you want to know the answer or not?

**Senator DAVID POCOCK:** Well, I'm certainly not saying this to my grandkids: 'At the time, we were told no new fossil fuels, but we had an 82 per cent target and we needed'—

**Senator McAllister:** What I'm saying is that—

**Senator DAVID POCOCK:** Come on.

**Senator McAllister:** our goal is to get to net zero by 2050 and a 43 per cent reduction by 2030. The path of transformation we are on doesn't involve stopping all gas use tomorrow. The projections that are contained—

**Senator DAVID POCOCK:** But it's not in line with what climate scientists are saying—

**Senator McAllister:** Senator Pocock—

**Senator DAVID POCOCK:** or the International Energy Agency is saying. That's my question.

**Senator McAllister:** Senator Pocock, you asked me quite a serious question, and I am attempting to provide you a serious answer.

**Senator DAVID POCOCK:** But why are we doing stuff that is against the best scientific advice, against the best International Energy Agency advice? That's my question. It's not: what is the Labor Party proposing to do? It's: why are we going against advice like this—that is just so hard to argue with?

**Senator McAllister:** I am telling you that our intention is to get to net zero by 2050, and that means a transformation of our economy, starting with the electricity system and then with a range of other industrial processes and sectors. The government has put in place the policy mechanisms to get us on that path after a decade where nothing happened. None of that suggests that we can cease a requirement for using gas in our economy overnight in the way that you suggest that we can. The Future Gas Strategy has been explained to you—

**Senator DAVID POCOCK:** No, I wasn't suggesting that—

**Senator McAllister:** Well, the implication of your question is that that is what you believe.

**Senator DAVID POCOCK:** No, it's not. We could use the gas we have.

**Senator McAllister:** The information—

**Senator DAVID POCOCK:** This is about new gas.

**Senator McAllister:** The information that has been—

**Senator DAVID POCOCK:** This is so serious, Senator.

**Senator McAllister:** Chair—

**CHAIR:** Senator Pocock, I've been giving you a fair bit of leeway. I keep telling it's time to wind up and rotate. I appreciate your concern about this—

**Senator DAVID POCOCK:** Sorry to be concerned about future generations!

**CHAIR:** Hey, don't have a go at me.

**Senator DAVID POCOCK:** This is unbelievable—that, given everything we know—

**CHAIR:** You were just trying desperately hard not to listen to what anyone was saying and just trying to pick a fight. Well, you're not picking a fight with me. You don't have the call. We'll go to Senator Roberts.

**Senator ROBERTS:** I'll tie up some things. Going back to the new car regime, could you please produce the document *Fuel quality standards implementation: cost benefit analysis* by GHD and ACIL Allen on notice?

**Ms Rowley:** You might recall from discussion in this committee at the last round of estimates that, in the committee relating to transport and infrastructure, a public interest immunity claim was made with respect to that modelling. Both with respect to the fact that it speaks to cabinet-in-confidence deliberations and because it includes modelling of market impacts and market outcomes—commercial-in-confidence arrangements—that public interest immunity claim stands, so we are not in a position to table that document.

**Senator ROBERTS:** You're required to produce to this committee any information or documents that are requested. There is no privacy, security, freedom of information or other legislation that overrides this committee's constitutional powers to give evidence, and you are protected from any potential prosecution as a result of your evidence or producing documents to this committee. If anyone seeks to pressure you against producing documents, that is also a contempt. If you wish to raise an immunity claim, there are proper processes.

**Mr Fredericks:** A public interest immunity claim has already been raised—

**Senator ROBERTS:** Has it been accepted by the Senate?

**Mr Fredericks:** by the transport minister. As I understand it, it hasn't been resolved, and we as public servants are bound by that minister's current claim of public interest immunity.

**Senator ROBERTS:** So it hasn't been resolved yet?

**Ms Rowley:** Senator, apologies. It might be that I misunderstood which document you were requesting because you opened this with reference to the new vehicle efficiency standard. Is it the modelling related to that, or is it about liquid fuels?

**Senator ROBERTS:** It's the document entitled *Fuel quality standards implementation: cost benefit analysis* by GHD and ACIL Allen.

**Ms Rowley:** Apologies. I was referring to a different document. I misunderstood because of your reference to fuel efficiency standards.

**Senator ROBERTS:** That's fine. We all make mistakes.

**Mrs Svarcas:** Senator, *Fuel quality standards implementation: cost benefit analysis* is publicly available and presents the modelling without the commercial information.

**Senator ROBERTS:** Where is it?

**Mrs Svarcas:** It is available online. We can give you the link for that.

**Senator ROBERTS:** Okay, if you can.

**Senator McKENZIE:** Have you put the ACIL modelling up?

**Senator ROBERTS:** Yes, that's what we're talking about.

**Mrs Svarcas:** The cost-benefit analysis is up, without the commercial information.

**Senator ROBERTS:** This may have been the document you were talking about, Mr Fredericks. I'd also like you to produce the document *Modelling and analysis of a regulated fuel efficiency standard: stage 1 report* by ACIL Allen.

**Mr Fredericks:** Yes, that's the one I was referring to.

**Senator ROBERTS:** That's still in the hands of the minister, who's claiming immunity.

**Mr Fredericks:** My understanding is that the minister for transport has made a public interest immunity claim against the publication of that report. I think it is still unattended to by the Senate, so we're bound by that for the time being.

**Senator ROBERTS:** The Senate hasn't attended to it yet?

**Mr Fredericks:** That's my understanding. It's in another department.

**Senator ROBERTS:** Let's move on. If you make the claim that your car carbon dioxide tax won't make cars more expensive, Minister, or take away choice, why won't you produce the reports you have about the costs and benefits? Why the secrecy and the lack of debate? Why the secrecy about the data you have in your possession right now about the effect on Australian cars, four-wheel drives and utes? These are vehicles fundamental to our economy and to many people's livelihoods.

**Senator McAllister:** Senator Roberts, what question are you actually asking?

**Senator ROBERTS:** Why won't you produce the documents?

**Senator McAllister:** I think, as the secretary has already explained, Minister King has indicated that she claims public interest immunity over the documents. It's not my claim—

**Senator McKENZIE:** You don't get to say, 'PII—we win.'

**Senator McAllister:** Senator—

**Senator McKENZIE:** You've got to actually have a reason.

**CHAIR:** Senator McKenzie—

**Senator ROBERTS:** Why are you afraid of people knowing?

**CHAIR:** We're talking about a PII claim in a different committee, doing something different. That's their business. We can prosecute it after the event if it has some relevance to this committee; otherwise, I think we're just going to go round in circles here.

**Senator ROBERTS:** Yes, let's move on.

**CHAIR:** Senator Roberts has the call for another five.

**Senator ROBERTS:** The Coomera Connector 2 in Brisbane—can you please provide an update on any progress of a referral or any conversations in relation to Coomera Connector 2 in Queensland, the extension of a freeway?

**Mr Fredericks:** I'm looking at a lot of blank faces behind me. We might need to take that one on notice.

**Senator ROBERTS:** If you could, please. Let's come to water. I've been told in two different sessions in the Rural and Regional Affairs and Transport Legislation Committee that this is the spot for my water questions, so here we go. Is your department working with the Queensland government on the \$20 billion Pioneer-Burdekin Pumped Hydro Project, and, if not, have they asked for federal assistance in planning or financing?

**Mr Fredericks:** I can tell you that that question belongs in water day, which is—

**CHAIR:** Friday week.

**Mr Fredericks:** Friday week. I lose track.

**CHAIR:** On 2 June. Come on down!

**Mr Fredericks:** I suspect there will be a number of questions along those same lines. That's on water day, Friday week.

**Senator McAllister:** Senator Roberts, is the Coomera Connector a road transport project from Loganholme to Coomera?

**Senator ROBERTS:** Yes.

**Mr Fredericks:** I think that's why we got a lot of blank faces.

**Senator McAllister:** What was your question in relation to that?

**Senator ROBERTS:** Can you please provide an update on any progress, because there are serious environmental factors involved there. That's what I want to know—if you're involved or not.

**Senator McAllister:** I see. So your question is: is the department involved in any regulatory process associated with this project?

**Senator ROBERTS:** My question is: can you please provide an update on any progress of a referral or any conversations in relation to Coomera Connector 2?

**Mr Fredericks:** Okay. We're onto it. Do you mean under the EPBC Act?

**Senator ROBERTS:** Yes. I just want to know any environmental aspect at all.

**Mr Fredericks:** All good—that is on tomorrow, in outcome 2, and my officials from that part of the department will be ready to respond to your question. Then the water question belongs in the cross-portfolio water day, which will be held on Friday week.

**Senator ROBERTS:** Let's come back to an earlier answer that one of your staff gave me.

**CHAIR:** Two minutes—Senator Roberts.

**Senator ROBERTS:** As to freedom of information request LEX 76280, in relation to the Powering Australia tracker, you redacted a single measure on page 6 of that document. I want to know what the measure is. I was told—I think, by this lady—that that's cabinet in confidence.

**Ms Geiger:** That's right, and I understand we have replied to your request with an explanation about why that information can't be revealed.

**Senator ROBERTS:** How can one of six topics—just a title—be cabinet in confidence? Was it supplied because it needs to be in confidence, or was it supplied as part of the package to the cabinet?

**Ms Geiger:** The individual measure was considered by cabinet, and therefore it's covered by the cabinet requirements.

**Senator ROBERTS:** So anything that goes to cabinet is cabinet in confidence?

**Senator McKENZIE:** [inaudible] supporting any decision that they may or may not discuss.

**Senator ROBERTS:** You are required to produce to this committee any information or documents that are requested. There is no privacy, security, freedom of information or other legislation that overrides this committee's constitutional powers to gather evidence, and you are protected from any potential prosecution as a result of your evidence or producing documents to this committee. If anyone seeks to pressure you against producing documents, that is also a contempt. If you wish to raise a public interest immunity claim or a cabinet-in-confidence claim, there are proper processes around that, and it is up to the Senate whether to accept that, not you or the minister.

**Mr Fredericks:** That's fair. So we will take that on notice because at the moment that issue of disclosure is being considered in the FOI context. That can be different to—

**Senator ROBERTS:** I'm requesting it as part a Senate committee now.

**Mr Fredericks:** I'm helping you here. That can be a different answer when it's asked in a Senate estimates context, so we will need to take on notice our capacity to provide you that material, under your request from the Senate committee.

**Senator ROBERTS:** Thank you. That wasn't any different from what I asked before. But thank you.

**CHAIR:** We're going to rotate now—

**Senator ROBERTS:** Thank you, Chair.

**CHAIR:** And we're going to go to a line of deeply respectful questioning from Senator McKenzie.

**Senator McKENZIE:** Always—Chair. At the last estimates, I requested a formula converting the new vehicle efficiency standard's CO2 per gram per kilometre measure to CO2 per tonne, and, in answer to my question, the department said, 'This conversion depends on a range of input assumptions'—obviously! I did get to second-year mathematics at university. Obviously whatever the model spits out is only ever dependent on the assumptions put in. So, again, I do ask the department: what is the formula for converting CO2 per gram per kilometre to a measure of CO2 per tonne?

**Ms Rowley:** Can I just clarify? So CO2 per gram per kilometre is—isn't it grams of CO2 per kilometre? So the new vehicle efficiency standard is articulated in terms of how much greenhouse gas emissions per kilometre travelled by vehicle.

**Senator McKENZIE:** Yes. That's one of the numerous pieces in the public document.

**Ms Rowley:** So you would like us to convert that to CO2 per tonne of—what?

**Senator McKENZIE:** That's a very good question. Per gram per kilometre to per tonne—that is a very good question. I will have to get back to you on that.

**Ms Rowley:** We are very happy to assist if you can clarify that.

**Senator McKENZIE:** No, that isn't an answer to my question.

**Mr Fredericks:** Senator, to assist on that, if you do come to us on notice with that, we'll endeavour to—

**Senator McKENZIE:** I have already—

**Mr Fredericks:** With that detail, we will endeavour to answer that question.

**Senator McKENZIE:** Yes. Industry have advised that the introduction of the vehicle efficiency standard is expected to result in year 1 penalties of around \$645 million, rising to \$4.3 billion by year 5. Industry have advised, based on international practice, that the only businesses that will sell or trade credits will be EV manufacturers. That's advice from industry. Is that something the department would broadly agree is how the system is supposed to work?

**Ms Rowley:** A couple of things: I'm aware of some analysis of the potential impacts of the new vehicle efficiency standard—in particular, analysis that holds the vehicle fleet constant at the current mix and then just pushes the current mix forward to 2030 and looks at the potential penalties that may accrue to brand owners in the event that there's no change to their fleet offering. I'm not sure if that's the basis of the figures that you're citing, but certainly on the work that we have done—noting that obviously this work has been led by our colleagues in the department of transport, but we've been involved along the way—and based on experience from international markets—noting that most major countries have fuel efficiency standards in place and have done for, in many

cases, decades—you see a change in the vehicle fleet offering from brand owners. Indeed, that's the purpose of the regulation—

**Senator McKENZIE:** Or withdrawal.

**Ms Rowley:** And so, as they change the mix of variants of vehicles that they offer in the market, they bring in more fuel-efficient options, and therefore they're able to avoid penalties. Indeed, we don't anticipate any penalties would be paid, because the mix of vehicles that can be brought into the Australian market and the flexibility mechanisms embedded in the regulatory regime give them enough room to move to be able to meet those standards over time.

**Senator McKENZIE:** Given that the research, development, testing and production timelines of car manufacturers have such long lead times, the reality is that, for those who don't already have those cars in the mix and on the shelf in the next 12 months, it's a fair assumption that the fleet, over a three-year period, is not going to significantly change. It isn't just the case that manufacturers will choose to tool up for a right-hand drive in a market as small as ours, and it actually will result in a decrease of choice available to Australian drivers, because we are such a unique little market on the global scale.

The heart of my question is that I'm concerned that the way this system is structured will mean the big winners, particularly in the first two to five years of this efficiency standard, will actually be Elon Musk and the electric vehicle manufacturers out of China, because they are the ones that actually have a product—at the expensive end. The Chinese electric vehicle manufacturers have actually got products in the market that, although the ticket prices to purchase them are not comparable at the start, are much more competitive in a like-for-like scenario for a mum or dad going into the car lot and wanting X car to do A, B and C functions: 'We need to tow this, do this and carry this many kids and their hockey sticks.' When you compare the ICE with the EV, there is a significant difference, to the tune of tens of thousands of dollars, in the ticket price.

**Mr Ryan:** Maybe I can answer a few of those things you've raised. I will certainly point out that we have supported this. The Department of Infrastructure, Transport, Regional Development, Communication and the Arts have a lot more information—

**Senator McKENZIE:** I've spent all morning with them. I'm here for a reason.

**Senator McAllister:** Is there a particular question?

**Senator McKENZIE:** I think the official knows what I'm asking and is happy to help.

**Senator McAllister:** Perhaps, but I heard a long description of a set of assertions about how you think the [inaudible] will unfold—

**Senator McKENZIE:** Yes, and I want to understand if I'm correct.

**Senator McAllister:** Is there anything in particular that you wanted to official to actually answer? There wasn't really a question in your statement.

**Senator McKENZIE:** The government decided to put the biggest change to our transport industry through the Australian parliament without the opposition in a—Westminster—system being able to so much as have a second reading speech in the House of Representatives or the Australian Senate, let alone have a committee stage or be able to—

**Senator McAllister:** Is this a question?

**Senator McKENZIE:** put our concerns on the record publicly and have ministers answer serious questions. We know Minister Bowen was very concerned that we had a deal with the Greens for a Senate inquiry into this piece of legislation—so much so that he was prepared to sell the kitchen sink—

**Senator McAllister:** Sorry, is there a question?

**Senator McKENZIE:** and secure the deal they'd been looking for for a long time. So give me the respect at the only opportunity that the opposition has had to question this legislation or officials.

**Senator McAllister:** I'm trying to understand what the question is.

**CHAIR:** Senator McKenzie! Minister! If we could not talk over each other, that would be really good. Senator McKenzie, I'd appreciate—

**Senator McKENZIE:** If I could have my long-winded question answered, I'd appreciate it.

**CHAIR:** If you could make some form of attempt to shorten the long-winded questions, we'd be really grateful, given that we're so far behind time. But you are totally entitled to ask your questions.

**Senator McKENZIE:** I think the official indicated he was more than able to answer.

**CHAIR:** Mr Ryan, would you like to have a crack at that response?

**Mr Ryan:** I think I've forgotten the question! But I'll have a go at it.

**Senator McKENZIE:** It was about the Chinese EV manufacturers being the beneficiaries, particularly over the forwards, of this particular policy because of the inherent way this type of industry works in terms of research, development and product-to-market timelines.

**Mr Ryan:** There are a few things I could probably point you towards. One of the first things is that we're catching up with the rest of the world. We're starting from behind. As for some of the things you said about the models taking a while to develop—yes, that's true. But a lot of them are in development, and a lot—in fact most—of these manufacturers are supplying vehicles that are in a lot of cases meeting the standards overseas. We're actually just asking them to send them here to Australia as well as to the rest of the world. There is certainly a lot more money being put into production of EVs but not just EVs. The standard also is about more fuel-efficient diesel and petrol vehicles, which a lot of manufacturers around the world are producing and making available in other countries overseas but not here. All we're asking for through this standard is for them to send the vehicles to Australia as well. I know China is producing a lot of electric vehicles. They've certainly got an advantage. Tesla was one of the first, obviously, to make them. Toyota started the hybrid. Lots of different companies not just in China but around the world have different technologies that they're bringing to bear. Some of the vehicles are a bit more difficult to get lower reductions on—the bigger vehicles doing more of the heavy lifting in terms of what they might be carrying. You would have seen after the first round of consultation that the government made some changes to the standard. One was shifting certain workforce-type vehicles from one category to the other—

**Senator McKENZIE:** Yes.

**Mr Ryan:** to get them a higher threshold to meet that helped with it. There were also some changes to the actual line of emissions. They were increased—made higher—into 2029. There were a series of changes made to address lots of the feedback we had through three consultation sessions. There was one the department ran itself early on when we produced the National Electric Vehicle Strategy. It started to talk about what a fuel efficiency standard might look like—

**Senator McKENZIE:** I understand the process of how we got the legislation. I am the shadow minister; I do appreciate this. Were the manufacturers required to sign nondisclosure agreements through that consultation process?

**Mr Ryan:** Certainly not from anything this department ran. I know the department of infrastructure ran processes. You would have to ask them.

**Mr Fredericks:** [inaudible].

**Senator McKENZIE:** Yes, I will go back. But you do concede given the current global make up of electric vehicles and price points that in the short term those who have been ahead of the game, such as the Chinese EV-only manufacturers, will be the recipients of the credits in the early years?

**Mr Ryan:** It is not based on the actual vehicle or how it is powered; it is whether they meet the standard. Obviously, it will be easier to meet the standard if you have more fuel-efficient cars but, at the same time, it is possible to meet the standard with a full range of vehicles, including ones that emit well above where there might be a use, because they are not a substitute at this stage. We are seeing more utes come online. I know Ford have announced a plug-in hybrid. We have one already and there are more to come, so they are moving in the direction to have all types of vehicles available under the standard that might fit the use cases for all Australians.

**Senator McKENZIE:** In other industries such as agriculture, we have had to start taking into account the emissions for whole of life. I am just wondering, has there been any work done within the department on the whole-of-life emissions profile of electric vehicles?

**Ms Rowley:** I have just a couple of things. The whole-of-life emissions were discussed in the consultation on the New Vehicle Efficiency Standard, and that includes figures on the whole of life of low-emission vehicles versus their substitutes, so there is some information in there. Then there is some broader life cycle impact, not so much the life cycle emissions but dealing with things like end-of-life waste of vehicle batteries.

**Senator McKENZIE:** So is that a no it hasn't been taken into account?

**Ms Rowley:** Yes, it was taken to into account in the design of the New Vehicle Efficiency Standards and that is discussed in the consultation paper that was released. I note there was also work looking at the life cycle resource use, which ultimately has implications for emissions.

**Senator McKENZIE:** Is that to do with lithium batteries after they are finished?



**Ms Rowley:** Yes. We are also doing work on that.

**CHAIR:** We need to rotate the call.

**Senator McKENZIE:** Sure. I have more questions, so I will sit here and wait.

**Senator HANSON-YOUNG:** I am interested in the safeguard mechanism international best standards that are outlined in the safeguard mechanism. I am particularly interested in the background of the 2023 December exposure draft on the production variables. Before that exposure draft was released, how long had the production of that or the drafting of that taken?

**Ms Johnson:** This relates to the contracts we spoke about earlier today. From memory, we started that work in approximately August-September 2023. We had consulted on the draft guidelines that we would use to undertake that work. We consulted on them publicly between July and August 2023 then, once we had the feedback on those draft guidelines, we started to actually calculate the draft figures that were included in that exposure draft that you referenced that was released in December.

**Senator HANSON-YOUNG:** There was consultation done five or six months beforehand then it was June or July did you say?

**Ms Johnson:** It was July or August.

**Senator HANSON-YOUNG:** So it was four or five months before it was then released as an exposure draft in December. Who was part of that consultation?

**Ms Johnson:** It was a public consultation that we ran between July and August on a set of draft guidelines about how we would go about and set these figures. Sorry, I would have to take on notice just how many submissions we got into that. We published the submissions that were non-confidential, so they are available on our website. We then considered that feedback we received on those draft guidelines. We made some changes; for example, increasing the number of facilities that were used to indicate a representative sample from two facilities to five facilities. I looked at how much of Australian production—was that 10 per cent of Australian production—would be a representative sample. In the end, the final guidelines have 25 per cent of Australian production equating to a representative sample when we looked at international best practice. So we took on board that feedback then, as I said, worked through those 18 values that were finalised as part of that first rule amendment.

**Senator HANSON-YOUNG:** It was public consultation, so people, organisations, companies were able to put forward submissions to the guidelines?

**Ms Johnson:** Through the guidelines, that is right.

**Senator HANSON-YOUNG:** Did you seek particular people to feed into it? What I am wondering is did it just go up on the website and people self-selected, or did you go and seek people to feed into it?

**Ms Johnson:** In general, we release an email to our stakeholder list for all of the Safeguard Mechanism reforms, which is quite an extensive stakeholder list now. I would have to check with the team if we did it in this case. But in general, we send an email letting people know it has been put up then we receive submissions as people choose to submit them.

**Senator HANSON-YOUNG:** Did Santos give a submission?

**Ms Johnson:** In the guidelines?

**Senator HANSON-YOUNG:** Yes.

**Ms Johnson:** I would have to take that on notice.

**Senator HANSON-YOUNG:** Thank you, I would appreciate if you did. If you are able to get an answer to that today, that would be helpful and that would avoid another lengthy question on notice back and forth. I would also like to know whether Woodside fed into that process.

**Ms Johnson:** I am happy to take that on notice.

**Senator HANSON-YOUNG:** The exposure draft was released in December for oil and gas production, but have the rules now been released?

**Ms Johnson:** That is correct. We consulted between around 15 December and into late January on production variables across oil and gas mining and manufacture. We received around 40 submissions on that draft rule amendment then, as you say, the minister made the final rule amendment at the end of April this year.

**Senator HANSON-YOUNG:** There was an initial consultation period then you did the exposure draft and you had 40 submissions in relation to the exposure draft and now the rules have been released by the minister. Are those 40 submissions—pardon my ignorance—all public?

**Ms Johnson:** In general practice, the department's consultation website asks people if their submission is confidential or not, so we have published those submissions that are not marked as confidential.

**Senator HANSON-YOUNG:** Out of the 40 submissions, how many have been kept as confidential?

**Ms Johnson:** I believe about 16 were confidential but I will correct that if I am wrong.

**Senator HANSON-YOUNG:** On what basis did you determine that they could stay confidential. Was it just because they asked for it?

**Ms Johnson:** That is right. In the general course of events across all consultations that I have been involved in, that is right. If a submission requests to be confidential then the department does not publish it.

**Senator HANSON-YOUNG:** Did Santos give a submission that was kept confidential?

**Ms Johnson:** Santos certainly gave a submission. I believe that was published. I can check on the website now.

**Senator HANSON-YOUNG:** Can I have a list of who submitted and who wished their submission to be kept confidential?

**Ms Johnson:** I'll take that on notice.

**Senator HANSON-YOUNG:** I'm not being pedantic. I just want to understand. Do you keep confidential even the names of the organisations who want their submission to be confidential, or do you say, 'X group has submitted but it's a confidential submission'?

**Ms Johnson:** We don't say the latter. So we don't publish that. But I'm happy to take on notice if I can provide those 16 names to you.

**Senator HANSON-YOUNG:** I think it's an important part of public policy, surely, to know that. If there are only 40 submissions on the back of an exposure draft, it would be good to know who they are.

**Ms Johnson:** I'm happy to take that on notice.

**Senator HANSON-YOUNG:** Can you step me through the process? Once the exposure draft has been published and it's got the submissions, then what happens? Has there been communication, have there been roundtables, has there been anything beyond the written submissions?

**Ms Johnson:** Certainly. Right from the time that we released the draft for consultation purposes, so even before Christmas, we had meetings with a range of stakeholders who were interested in the exposure draft, talking through the proposed approaches and looking to explain as a department, where we can, the reasons why we have taken those proposed approaches. Really, from our perspective, that helps anyone who's interested to put in a submission to that they understand the basis on which the proposals are made. That's both representatives from the oil and gas industry and also the manufacturing industry. We meet regularly with a range of interested stakeholders to talk through the issues they have.

**Senator HANSON-YOUNG:** What was the result of those 40 submissions and those consultations? The difference between the exposure draft in December to what has been released now—frankly, it's a much weaker set of rules. Who wanted them to be even weaker?

**Ms Johnson:** I wouldn't characterise it like that. I can talk you through it. Six of the values changed. When we talked about the international best practice part of the rules, I can talk you through the rationale for those changes. I'm happy to start from that. The first was the electricity benchmark calculation. That was increased from 0.177 to 0.236. That was really done so that we looked at the set of facilities that represented a proportion or share of the 10 per cent of Australian production. For that we looked at the number of mining facilities that needed to be part of that calculation, the number of manufacturing facilities that needed to be part of it, and the number of oil and gas. When we looked at making each of those sectors approximately three to 3.3 per cent of Australian production, that led to that increase in value for that PV.

The second one, so LNG from processed gas benchmark, increased from 0.000482 to 0.000633. That reflected emissions from a pretreatment facility in the US. We looked at the facility that was world's best practice. We as the department hadn't taken account of the emissions from a pretreatment facility that handles the gas, but on further consideration and as a result of consultation, there's a pretreatment facility in the US that's linked to that Elba Island facility, which is called the Freeport facility, and taking account of those emissions, which we considered carefully in amongst the standards that are published for the Australian emissions apportioning. We considered that that was a robust way to take account of those facilities' emission. So that led to the increase for that PV.

The oil and gas extraction benchmark increased from 0.0000101 to 0.0000360. That's set on the top 10 per cent of Australian performance. When we looked carefully at one of the international facilities that we'd look to use in the exposure draft, the emissions data in the Wood Mackenzie database didn't actually align with the published company records. We took that facility out of the calculation, which meant that the Australian top 10 per cent value—as per the published guidelines; we spoke about the way they came together—is now set at the top 10 per cent of Australian data. That's three of them. I can keep going if you like.

**Senator HANSON-YOUNG:** Surely you've got colleagues sitting behind you that can help us with this. Did Santos specifically ask for the rules in the exposure draft to be changed?

**Ms Johnson:** If you read Santos's submission, you'll see that they made comments that they felt that changes should be required. But that's not the rationale for the three that I've just talked you through, or the other three. We looked carefully at the emissions.

**Senator HANSON-YOUNG:** It may not be the rationale, but they wanted a change and you changed it.

**Ms Johnson:** I think I've talked you through the rationale for those changes, which is not—

**Senator HANSON-YOUNG:** Not because Santos wrote a letter.

**Ms Johnson:** That's correct.

**Mr Gaddes:** We consult to try to get the best possible public policy outcome. It doesn't necessarily mean that just because Santos spoke to us, we changed the settings. We go out, we consult and we carefully consider the views put to us by companies. Sometimes we agree and we change. Sometimes we disagree—quite frequently we disagree—and we hold the line. In this case we went away and reconsidered the information that came from proponents. On balance we agreed with their views and we changed it. There wasn't pressure applied to us by any one company or other. It's just the ordinary course of getting the settings right.

**Senator HANSON-YOUNG:** Could you give me an example where Santos has asked for something and you haven't done it?

**Mr Gaddes:** We'd have to take that on notice. There would be numerous times across government where Santos has asked for something.

**Mr Fredericks:** We'll have to take that question on notice.

**Senator HANSON-YOUNG:** I ask this because, in this example, Santos asked for changes and the changes have been delivered. Santos asked for the sea dumping legislation. The government rammed through sea dumping legislation. Santos asked for the offshore gas schedule in the offshore gas bill. You tried to ram that through. Thankfully, the Greens stopped it. As far as I can see, Santos is writing government policy here.

**Mr Fredericks:** I don't think that's a fair proposition.

**Senator McAllister:** Senator Hanson-Young, that's a really political statement and it requires a political response.

**Senator HANSON-YOUNG:** It's a hugely political statement.

**Senator McAllister:** It is a very political statement and it is inaccurate.

**Senator HANSON-YOUNG:** And Santos continue to call the shots.

**Senator McAllister:** It is inaccurate. Our government is working to net zero by 2050. I remind you again that that is not something that happens overnight. There's a kind of naivety in politics that says it should be done without consultation with the industries that will be affected. Our government unapologetically speaks to the industries that are affected and we create space for the widest range of stakeholders to contribute and to tell us their opinions about these questions.

You're asking officials now about a consultation process that has gone on, including the publication of an exposure draft of a set of regulations. The government is methodically working through a very challenging industrial transition. We will continue to talk to business. That is a different approach to the Greens political party, who constantly come to this chamber and talk about opportunities to punish business. Our objective isn't punishing in any way. That might be your way, but it is not the government's. Our objective is to create a prosperous economy that is decarbonised. Frankly, that requires some careful policy thinking. It requires significantly more than slogans.

**CHAIR:** We'll rotate the call. This is your last question.

**Senator HANSON-YOUNG:** I do want some examples of where, in this space, Santos has asked you to do something and you haven't done it.

**CHAIR:** And I believe they've taken that on notice.

**Mr Fredericks:** We will take that on notice. I don't think you could see a more professional, objective, evidence based public servant before you than Ms Kennedy. I think she bears the best evidence of all to the assertion that this department consults well, consults broadly and forms its own evidence based and professionally based judgement on what the right advice is.

**Senator HANSON-YOUNG:** To be fair, Mr Fredericks, I think this has got more to do with the lack of spine from the ministers than your officers. That's the issue here.

**CHAIR:** Thank you, Senator Hanson-Young. That's very unhelpful.

**Senator HANSON-YOUNG:** And yet it's not inaccurate.

**CHAIR:** We will now go to Senator Pocock.

**Senator DAVID POCOCK:** I had a few more questions for gas fired recovery, and then I'll give you something else. Can I take you to figure 14 in the strategy. It has the International Energy Agency's net zero as the blue line and then the announced policy is the red line.

**Senator McAllister:** We're doing our best, Senator Pocock, but could you assist us with a page number? The figures and the pages are obviously not totally aligned.

**Senator DAVID POCOCK:** Figure 14 is on page 52. The International Energy Agency's net zero, the blue line, is below the Labor Party's policies, which is the red line. Do you agree that figure 14 shows that, under a net zero pathway, LNG exports from Australia have to roughly decline by about 80 per cent from 2030?

**Mr Duggan:** You're venturing into territory that's best put to the resources part of the Department of Industry, Science and Resources. We look at it from the point of view of Australia's domestic energy needs, but questions of supply for the purpose of export are best put to the Department of Industry, Science and Resources.

**Senator DAVID POCOCK:** I'm just asking you to look at a graph.

**Mr Duggan:** A graph that's in a publication produced by that department and put out by that minister.

**Senator DAVID POCOCK:** This goes straight to climate policy. Infrastructure are not going to entertain me on climate policy.

**Mr Duggan:** I'm happy to answer the question on climate.

**Senator DAVID POCOCK:** In terms of climate and a net zero trajectory—we're looking at LNG exports—it looks to me that they're decreasing by 80 per cent by the late 2030s.

**Mr Fredericks:** We're all looking at the same graph. Let's assume your mathematics is correct.

**Senator DAVID POCOCK:** That's why I'm asking the experts.

**Mr Fredericks:** That's the point. This is not a graph that is in the expertise of this department, because it's an industry department graph.

**Senator DAVID POCOCK:** Sure. There's just been a lot of references to the International Energy Agency in the gas fired recovery document, and I'm trying to work it out. They, and even your announced policy, have this reduction of potentially 80 per cent. I'm just wondering if that doesn't mean that our LNG exports shouldn't also be greatly reduced, not increased.

**Mr Duggan:** If I understand the question correctly, you're getting to the global emissions implications of this chart; is that the question?

**Senator DAVID POCOCK:** I assume so. Everyone's talking about net zero, and Paris was about global action.

**Senator McAllister:** I think there are two reasons officials are having a little bit of difficulty understanding the nature of your question. They didn't generate this graph, so they're not the holders of the information about each of the assumptions in this graph. The text above figure 14 reads, 'Projections for Australia's LNG exports differ,' and then it steps through three different scenarios, which are depicted in the graph. They were not generated by these officials or by this department. Questions about the assumptions and concepts that drive the numbers that are reflected in these curves really do live with the department of resources. So, if your question is, 'Does this graph show a range of scenarios for Australia's LNG export volumes?' then the answer is yes. I think we're just struggling to understand what additional information you are seeking from officials.

**Senator DAVID POCOCK:** Reading through the strategy, I'm interested to see that there are frequent references to the International Energy Agency and also to net zero. The IEA is clear that net zero by 2050 means no new fossil fuel projects, but this is a document that is proposing new fossil fuel projects. So are we doing

something—cherry-picking some references and even putting in a graph—which goes against exactly what we're proposing, to expand the gas export industry despite our Paris agreement? I'm just trying to understand. It doesn't make sense to me.

**Mr Duggan:** The difficulty we're having is that this isn't our document, and they aren't our projections, so we're not sure how we can help you to unlock them.

**Ms Rowley:** The one thing I would note is that we all agree that, to achieve Australia's own targets for emissions and for the world to achieve the Paris climate goals, we need very deep cuts in emissions over the coming years and we need to significantly reduce and phase out the use of fossil fuels. We all understand that, and we are all working to that end.

The precise amount of demand for Australia's gas will, in part, be influenced by what other countries do and how, including how they use gas in their own transitions, and by what other gas suppliers are doing. All of those questions are best directed to the department of resources, because they are about the use of Australia's resources to meet global demand. We're not well placed to answer those questions. But I think we are all in agreement that the endgame is to phase out the use of fossil fuels and get to net zero so that we can keep temperatures well below two and keep 1.5 degrees in prospect. That's not debated.

**Senator DAVID POCOCK:** Okay. That's really helpful, Ms Rowley. I guess that's what I'm trying to get at here, maybe in a really clumsy way. You say that that's not debated—well below two degrees. The IPCC and the International Energy Agency are telling us that, to do that, no-one can afford to open up a fossil fuel project. They're very clear on that on the IEA's net zero pathway by 2050.

**Senator McAllister:** I think the IEA's position is more nuanced than the one you are presenting, to be fair, Senator Pocock.

**Senator DAVID POCOCK:** I'm talking about the net zero by 2050 scenario.

**Senator McAllister:** The net zero by 2050 road map clarifies that no new upstream programs with a long lead time are required, and that pathway is one of the many pathways to net zero by 2050. Again, you are better to put these questions to colleagues in the other department, but I understand that the executive director of the IEA has made it clear that we will still need investment, because we will still use oil and gas for our 1.5 degree scenario and 2050 net zero scenario, because they are part of the energy mix but in a declining manner. It's not so far off the proposition that is being put by AEMO and by ourselves and the thinking that underpins the government's pathway to 2050.

**Senator DAVID POCOCK:** Okay. Thank you, Minister. I've a few questions on Future Made in Australia, if that's alright.

**CHAIR:** Okay. We're going to rotate and come back to you.

**Senator DAVID POCOCK:** Sure.

**CHAIR:** Senator McKenzie.

**Senator McKENZIE:** Ms Rowley, I guess what I was trying to get to, ineloquently, was the cost of CO<sub>2</sub> per kilogram per kilometre that is outlined in the vehicle efficiency standard. How can I convert that to the relative cost of abatement—something that we can put our hands on, because we don't usually measure it in kilograms per kilometre? I guess my question is: what would be its relative abatement cost?

**Ms Rowley:** The marginal cost of abatement from improving the efficiency of Australia's vehicle fleet?

**Senator McKENZIE:** No, I specifically want to go to the \$100 per kilogram of CO<sub>2</sub> per kilometre. Is it one ACCU? I want it in a language I can apply and compare with things that are already in existence, if that makes sense.

**Ms Rowley:** You're referring to the penalty that would apply in the event that the regulated entities don't meet their obligations—is that the penalty rate that you're interested in converting?

**Senator McKENZIE:** I want to understand the \$100. Mr Ryan knows what I am talking about. I am doing that because it's one line item in the list of things at the back of the efficiency standards document. It's very clear how this will be calculated. I want to understand what that means in the context of the relative cost of abatement that we see in other areas of our economy. How do I compare it?

**Ms Rowley:** I'm not sure that you can convert the penalty for noncompliance with a regulation to a cost of abatement, because they are not really the same thing. What we would typically think of in terms of cost of abatement from new policies is: what's the cost to the economy from implementing that measure and how much

abatement do you get from it? Sometimes we think about the marginal abatement cost on a marginal abatement curve—

**Senator McKENZIE:** Was the work you're talking about done for this policy?

**Ms Rowley:** I'd need to refer you to our colleagues in Infrastructure for the details of the impact analysis—

**Senator McKENZIE:** They will refer me back to you.

**Ms Rowley:** although the results are presented also in the impact assessment that was published. When we think about cost of abatement in our context—just checking: that's what you are interested in?

**Senator McKENZIE:** Yes.

**Ms Rowley:** If you look at the aggregate effect of the new vehicle efficiency standards in Australia, the cost-benefit analysis indicates there's a very substantial net benefit. In that context, the cost of abatement would typically be a negative cost or positive benefit. When you look at cost-of-abatement options across the economy, typically we have stuff on the left which saves us money. Energy efficiency measures typically occupy that space on the curve. Then, as we move up the cost curve, we move into things that would cost the economy money but are delivering abatement. That's how we typically think about dollars per tonne of abatement. We can take on notice, if it helps, whether the penalty rate—

**Senator McKENZIE:** I really don't want the whole-of-economy cost of abatement. I'm trying to understand this particular measure. I'm trying to get the formula if I wanted to convert that—what that delivers to the efficiency standards if I wanted to understand it in terms of ACCU, for instance.

**Ms Rowley:** I'm not sure that those two things are directly comparable, but, if it assists, we could take on notice and see whether there is something we could come up with. That is genuinely a novel application.

**Senator McKENZIE:** The conversion depends on a range of input assumptions, which is the answer I got. My maths didn't go high enough to help me with that, which is why I'm asking you.

**Ms Rowley:** We'll see what we can do.

**Senator McKENZIE:** Thank you. I would like to understand the impact of the electrification of light commercials on our energy grid.

**Ms Rowley:** What in particular?

**Senator McKENZIE:** Let's just go to the road charging infrastructure. What will be the impact on our energy grid of the conversion of our fleet over the timeframe that the government has implemented?

**Senator McAllister:** Commercial vehicles—is that what you really meant, Senator?

**Senator McKENZIE:** No. Then we are going to do passenger.

**Senator McAllister:** I see. Just checking.

**Ms Rowley:** In both cases, the first order impact is that we'd see an increase in demand for electricity corresponding to the decline in demand for liquid fuels. That demand—

**Senator McKENZIE:** What will be the impact on our electricity grid as a result of that increased demand?

**Mr Duggan:** When AEMO, the Australian Energy Market Operator, constructs its demand projections, the electrification of vehicles, light vehicles included, is part of their demand projections. That's built into their system planning. That system plan has an increase in demand on the electricity grid going forward. As I said, that is one of the drivers. Other drivers are the electrification of industrial processes and other things. That would be built into the ISP projections.

**Senator McKENZIE:** Has AEMO included the electrification of the passenger and light commercials in their most recent assessment?

**Mr Duggan:** I can say with confidence that they would have built in projections of what government policy translates to by way of consumer uptake, and therefore what it will do in terms of the vehicle fleet, and its impact on demand projections for electricity will be built-in.

**Senator McKENZIE:** Their most recent projections were for blackouts in New South Wales and Victoria over summer. That doesn't include the vehicle impact?

**Senator McAllister:** Before the official answers, Senator McKenzie: that is not what the *Electricity statement of opportunities* said. It did not predict blackouts. It simply described some of the reliability risks and the steps that would be necessary to remedy them.

**Senator McKENZIE:** I'm interested in the reliability risks that this particular policy brings to our electricity grid going forward.

**Mr Duggan:** Nowhere in the *Electricity statement of opportunities* that I'm aware of or that I can recall—but I will take on notice to look in further detail—does it refer specifically to the implication of electric vehicles on demand as having contributed in any way to their projections around the adherence or not to the interim reliability measure.

**Senator McKENZIE:** Sorry, because this isn't my area of portfolio responsibility, but, as you do with Infrastructure, it crosses over. Does AEMO's statement of opportunities—that's very *Nineteen Eighty-Four*, isn't it! How forward does the statement of opportunities project?

**Mr Duggan:** It projects forward—in fact, I might get some assistance from one of my experts on this, who is absolutely all over the detail and might be able to help you with this.

**Ms Pang:** The *Electricity statement of opportunities* provides a 10-year forecast for what's going on in the grid to provide an investment signal to the market as to how to bridge reliability gaps.

**Senator McKENZIE:** So 10 years. From what I'm hearing from Mr Duggan, it doesn't break down the demand, so we wouldn't be able to see light commercial electrification charging infrastructure, household charging infrastructure versus public charging infrastructure, or does it go to that level of detail?

**Ms Pang:** I'd have to take the details of that on notice. I know that AEMO does provide a lot of data relating to how it forecasts demand both for the *Electricity statement of opportunities*, the ESOO; and the ISP, the *Integrated system plan*. AEMO does a lot of work and a lot of consultation to develop up what that demand profile and forecast looks like. Then they draw on that dataset to develop these reports and this documentation.

**Senator McKENZIE:** But is there any way to get the line item of their assumptions of demand with vehicle fleet transition?

**Mr Duggan:** That's the element that we're taking on notice. We know it's incorporated, but AEMO puts out a lot of information with this and provides, to a very high degree of detail, a lot of the demand assumptions and projections. We will need to take on notice whether they have specific line items on those things you're interested in.

**Senator McKENZIE:** Thank you.

**CHAIR:** We've actually got about a minute left before we break for afternoon tea.

**Ms Pang:** I was going to add that my team is looking at it right now, and we could probably get you an answer to that today—

**Senator McKENZIE:** Legendary.

**Ms Pang:** just in terms of how much it's broken down, and then we'll see how we can—yes.

**Senator McKENZIE:** Perfect. Last estimates, I asked about educational material for emergency services volunteers and workers with EVs that crash and the concerns about shutting off batteries et cetera. The answer in the QON said that material had not been developed or provided yet. Given the drive of Australians' uptake for electric vehicles particularly over the last 18 months—we've seen a huge jump in EVs being purchased, we now have tens of thousands of electric vehicles on our roads, and our SES, CFA, police and firefighters are having to deal with this—this is an actual problem right now on the roads. Have those materials been developed or provided yet?

**Mr Ryan:** I can answer that. There was a commitment in the National Electric Vehicle Strategy to provide that material at a national basis. There is some state-specific material that has been developed. I'm thinking of the one that is in New South Wales, but there may be others. We've got an approach to market at the moment which specifies what we need from that procurement, and that's being looked at at the moment. So it's out—

**Senator McKENZIE:** So you're procuring that advice from someone?

**Mr Ryan:** Yes. We're not procuring the advice; it's actually the material to develop—there are quite a few things involved in it. One is just looking at best practice, what we already have in Australia and also overseas, and then developing a course and providing that course to first responders and emergency services workers by the end of the 2025 calendar year—that's the timeframe we specified to deliver that training. It looks at a number of things, different situations that EVs are in—whether or not they're on the road, parked, in an accident and so forth; all the different cases—and the best training materials being developed to address that at the moment. That's what's proposed in the approach to market.

**Senator McKENZIE:** So we haven't even developed them yet; we're going to find someone to do that for us?

**Mr Ryan:** What we've done since the National Electric Vehicle Strategy is a lot of consultation with all the states and territories' peak bodies and fire agencies, and we've looked at what has been developed to make sure we

specify it in a way that is helpful for everyone and so it can be rolled out. It's an accredited training program as well. So it's not just a training program in the sense that you've just 'done it'. It will be through registered training operators.

**Senator McKENZIE:** On notice, when will that be available?

**Mr Ryan:** We want it done by when we specified—we want all places trained by the end of calendar year 2025. But we want it to commence this year, 2024.

**Senator McKENZIE:** Thank you. Sorry, Chair.

**CHAIR:** We will now break for afternoon tea.

#### **Proceedings suspended from 15:48 to 16:09**

**CHAIR:** I will just provide an update. We've made some decisions about the agenda, given that we are running behind. I advise that the Clean Energy Finance Corporation, the Clean Energy Regulator and the Australian Energy Regulator will all be released, with questions to be placed on notice, and they will respond within a gloriously tight timeframe to their questions on notice.

**Senator HANSON-YOUNG:** With fulsome answers!

**CHAIR:** Yes, fulsome answers, within the timeframe, which is great. We are still on outcome 1.1, and we will go to Senator McKim.

**Senator McKIM:** I have a couple of follow-up questions in regard to the matters I was just talking about earlier—Powering the Regions. I'm not sure whether I specifically asked this earlier, so I'll ask it now. Is there a list of criteria against which you assess applications for funding for Powering the Regions?

**Mr Gaddes:** As I mentioned, those criteria are listed in each of the grant opportunity guidelines. There are grant opportunity guidelines on the Powering the Regions Fund webpage, which would have the criteria that the assessment panels go through and assess against.

**Senator McKIM:** Thank you. And can you assist me here: do those criteria require a reduction in Australia's greenhouse gas emissions, or simply a reduction at a particular facility?

**Mr Gaddes:** I'll have to take that one on notice, because there might be a nuance in that within each of the streams. There's the safeguard transformation stream for critical inputs of clean energy industries—there are two different types of that—and then there's one by ARENA. So, if you wouldn't mind, I can take that on notice and come back to you.

**Senator McKIM:** Alright. Yes, thank you. As part of the panel's work or the department's work, is the quantum of the emissions reduction that will be deliverable by the project calculated?

**Mr Gaddes:** It is normally calculated by the proponent in their applications to demonstrate that they're hitting those guidelines. It will be different for each one, and each one will have different objectives in each of the streams, but the proponent will give us an indication of the magnitude of the reductions of emissions.

**Senator McKIM:** In the case of Railton Cement, without saying where the wood fibre is coming from, is it in their application where the wood fibre is coming from?

**Mr Gaddes:** It is, yes. It's in the order of 100,000 tonnes a year for that facility.

**Senator McKIM:** As part of your assessment or the panel's assessment, is it only the emissions reduction that you look at, or do you look at other things, other potential pollutants, that might come as a result of the project? For example, I understand—

**Mr Gaddes:** I'll come back to you with a bit more detail as well, just to be helpful. The criteria are quite broad. The criteria generally deal with things like jobs in the regions and transition to lower emissions. They will deal with sovereign capabilities. For some of these industries, as we transition we want to retain them in the country—broad things like that. My recollection is we didn't quite get to those things which are regulated by EPAs because we assumed that those standards are set by the states and that the facility would have to meet them regardless of the fuel that goes into them. If they had to source the fuel, they would have to manage the emissions. Similarly, the EPAs would manage the emissions going out for a different fuel type.

**Senator McKIM:** Would you consider things like potential biodiversity impacts of the projects?

**Mr Gaddes:** I don't think it went that far, because, obviously, there are different levers to pull to get biodiversity outcomes in different parts of this department.

**Senator McKIM:** I'm not sure in a Venn diagram they'd be completely separate, Mr Gaddes, but, anyway.

**Mr Gaddes:** Different grants opportunities are pulling the lever to different degrees.



**Senator McKIM:** Okay. Thanks for that. Mr Fredericks, I possibly should direct these to you in the first instance, or even potentially to the minister. I've got some questions around potential changes to the Carbon Farming Initiative regulations—whether any changes are under consideration—or whether any amendments to the CFI act are under consideration?

**Mr Fredericks:** I'll just get a couple of my relevant officials to come up for that.

**Senator McKIM:** Thank you. Would you like me to repeat the question, Ms Rowley?

**Ms Rowley:** Yes, if you could, and, if there are any particular types of changes that you're interested in, that would be helpful too.

**Senator McKIM:** Sure. Perhaps we can just start with whether there is any review underway or any other consideration within the department for changes either to the act or to the regulations?

**Ms Rowley:** I might start and then ask Ms Lea-Perry to continue. The government, as you might be aware, commissioned an independent review of the Australian Carbon Credit Units Scheme led by Professor Ian Chubb. He reported at the end of 2022. We have been implementing an extensive reform and improvement program since that time. That already includes changes to the act. At the end of last year, we consulted on further changes to the act to progress the implementation of Professor Chubb's panel's recommendations, and those included further changes to the statutory architecture.

**Senator McKIM:** Where are we in terms of the milestones and the timeframes for that process?

**Ms Lea-Perry:** We are implementing changes to the ACCU Scheme from the ACCU review in three stages. Stage 1 of the review implementation is largely complete. Ms Rowley referred to some changes to the CFI act that have already been made which enabled things like appointing a full-time chair to the Emissions Reduction Assurance Committee, which is the independent committee that provides advice to the minister on new methods under the scheme and the integrity of those methods. Those changes also enabled further transparency to occur for the Clean Energy Regulator to publish more information about ACCU projects. For example, carbon estimation areas for vegetation projects can now be published—and have been. There are also some other actions that were taken early. The responsibility for method development was moved from the Clean Energy Regulator over to the department, which we're now doing, and there were changes to some of the methods. The avoided deforestation method was revoked, for example.

Stage 2 is where we are now. This is the next phase of work that's underway, which will include further legislative changes, including changes to the act and to the regulations. I can outline some of those if you'd like to know what they are.

**Senator McKIM:** Yes, but I'd firstly like to know the timeframe for those two things—the changes to the act and the changes to the regs.

**Ms Lea-Perry:** We consulted on stage 2 of the changes late last year, from August to October, and they covered things like changes to scheme transparency—the ability to publish more information about ACCU projects; the establishment of a new proponent-led method development process, which is where methods will now be developed outside of government rather than inside of government; and some of the changes that could be made to native title eligible interest-holder consent processes for ACCU projects. This is where the consent of native title holders would be sought prior to projects commencing, rather than afterwards.

Where we're up to is that consultation has occurred and we're working through the proposed legislative changes to the act and regulations. Already some regulatory change has been made, informed by that consultation, including the launch just last week of the new proponent-led method development process in an interim capacity. Last week Minister Bowen announced the opening of that new process, where methods can now be developed outside of government and submitted to government.

**Senator McKIM:** I have a couple of follow-up questions on that. I think you said that the introduction of a proponent led process for method development on ACCUs would require some legislative and/or regulatory changes; is that right?

**Ms Lea-Perry:** Correct, yes.

**Senator McKIM:** But, ahead of that, there's been a change. Could you talk me through that.

**Ms Lea-Perry:** The change that's been made and given effect to, commencing last week, is that the CFI rules have been amended to enable the Emissions Reduction Assurance Committee to provide advice to the minister on new proponent-led method proposals. It provides the power to the ERAC to advise Minister Bowen on proposals that come in and whether those proposals have the potential to meet the offsets integrity standards and a range of triaging criteria that the minister has asked them to take account of.

**Senator McKIM:** What, then, are the changes that you need in the act or the regulations around the proponent led methodology?

**Ms Lea-Perry:** The subsequent change to the act that is required for the full process is to constitute the new Carbon Abatement Integrity Committee, which is what the Emissions Reduction Assurance Committee will become. It creates that new committee and gives that committee the power to undertake and assess the full proponent-led method development process. For example, that committee would be responsible for prioritising methods for development under the scheme. In the interim process, the minister still has that responsibility on the advice of the ERAC. In the new legislated process, it would be an independent committee leading that work.

**Senator McKIM:** You'll need changes to the act and to the regulations to deliver that?

**Ms Lea-Perry:** Yes.

**Senator McKIM:** When might the parliament expect to see those things?

**Ms Lea-Perry:** We're continued to work through those changes, with the intent to hopefully enable the introduction of the legislation this year. That's a process that we're in at the moment, but we have taken early steps, through this interim regulatory change, to enable proponent-led method development work to commence.

**Senator McKIM:** Once the legislation is amended, you will then introduce regulations; is that the plan, or can they happen concurrently? I guess it's a sequence.

**Ms Lea-Perry:** It is sequenced. The primary legislation changes create the power for the Carbon Abatement Integrity Committee, primarily, to do that work, and then any subsequent regulations that are needed to enable that further would be undertaken. But the primary power will be within the act.

**Senator McKIM:** Thanks. That's helpful.

**CHAIR:** I need to rotate the call. We will go to Senator Pocock.

**Senator DAVID POCOCK:** I have a few questions about the Future Made in Australia package. I understand this is, at least in part, a response to the Inflation Reduction Act. Is that correct?

**Ms Munro:** In part, but it is a lot broader in scope.

**Senator DAVID POCOCK:** Broader than the Inflation Reduction Act?

**Ms Munro:** In terms of the Future Made in Australia and its various components, it does go beyond the net zero components as well.

**Senator DAVID POCOCK:** Looking at them, many of the elements of the policy are similar to those in the US's Inflation Reduction Act—for example, production tax credits for hydrogen. There are those similarities—critical minerals and those sorts of things.

**Senator McAllister:** I'll make a couple of observations. The first is that the government was very clear that we have characteristics in our economy that are quite different to the United States, both in terms of our natural endowments and, frankly, our scale. We are a smaller population and a smaller economy, so we were very clear that our policy response would look different to the Inflation Reduction Act and would be tailored to Australia's opportunities and circumstances. To the extent that there are some tools that are used in common across the two programs, they are tools that are commonly used by governments, and the tax system is one of those. But I think you'll know that the Future Made in Australia package sees the government use a number of levers, including the tax system, our coordination and facilitation capabilities and our capacity to support research and development. There's a range of different tools that we seek to apply to produce a re-energisation of our industrial base, including in the low-carbon sector.

**Senator DAVID POCOCK:** It's great to see this sort of vision for an economy of the future, with these production tax credits hopefully in the late 2020s. My concern is that there's nothing for things like household electrification or energy efficiency. We saw that as a big part of the Inflation Reduction Act to help Americans, right here and right now, deal with inflation and the cost of energy and have more comfortable homes. I'm interested in why there's a focus on the industrial side of things but it doesn't pick up on what I think is a really critical part, which is looking after Australians now.

**Senator McAllister:** There are perhaps two things. The first is: you're right that the Future Made in Australia package focuses squarely on the areas either where we think Australia has a sustained competitive advantage in a decarbonising world or where we think there's a requirement for sovereign capability to manage some risks to our national interest, and so it is a package that focuses on our industrial base and our industrial capabilities. The second point I'd make, though, is that we also recognise the significance of the household sector, both for its potential importance in decarbonisation and for the social, economic and equity benefits that a transformation in

the way households produce and use energy could effect. That is why there was a \$1.7 billion package in the last budget—not the most recent one but the one in 2023—and we are rolling that package out. I think the Treasurer has made it clear, and Minister Bowen has made it clear at other times, that he is interested in what more we can do, but we felt the package we released in 2023 was rightsized for the fledgling industry capability that was available.

This is a really underdone area in Australian public policy. When we talked to the businesses that would supply the services—to do glazing work or install different appliances—they were very clear that there's a job of work to do to build up the supply chain to support these kinds of initiatives at household scale. The package size that we chose reflected some of the advice we were receiving from the sector about the early capacity to absorb that funding. We're obviously monitoring it, and we're interested in what other opportunities might present to do more in that area. But, for the moment, a \$1.7 billion package is a substantial contribution that we're really pleased to see rolling out.

**Senator DAVID POCOCK:** Thank you, and I acknowledge your work in getting that package into the budget. I am concerned, though, when you talk about rolling the electrification package out, as my understanding is that the CFC still hasn't released a cent of that. We saw in the IRA things like a 30 per cent rebate on solar, batteries and electric appliances—things that Australians want. They desperately want to do their part and also unlock huge cost savings. But we know that there is upfront capital needed, and this is a way to help them do that. I feel like we are missing this opportunity. It is coming towards an election and there hasn't been anything done on electrification apart from giving the CFC money.

**Senator McAllister:** That is not accurate. There was \$1.7 billion in the budget and \$300 million of that has gone to developing partnerships with states and territories and to work with them on improving the energy performance of social housing. We have agreements in place with Tasmania, Victoria, New South Wales and the ACT, and we are working through the agreement process with the remaining states and territories. In April we closed applications for the \$100 million that was made available for local government to do work on libraries, sporting fields and public infrastructure. There is a \$1 billion provided for the CFC for low-cost finance. The CFC have been out to market looking for partners and have received, I think, a very enthusiastic response from the market. They are presently working through the opportunities that are before them, and we are hopeful to be in a position to have them make some public statements about the commercial arrangements that they will reach to get that money out the door to consumers.

**Senator DAVID POCOCK:** How much of the \$300 million co-investment with the states and territories has been spent?

**Senator McAllister:** I might get an official to the table to talk through where we are up to on the particulars and the money associated with each of the state and territory arrangements.

**Ms McLaughlin:** As Minister McAllister said, we have reached agreements with a number of the states and territories about the social housing measure. I do not have in front of me exactly how much has been spent to date.

**Senator DAVID POCOCK:** Has some been spent?

**Ms McLaughlin:** I believe it has.

**Senator DAVID POCOCK:** Maybe you can take on notice what has gone out the door.

**Ms McLaughlin:** I can take that on notice.

**Senator DAVID POCOCK:** Thank you. That would be really helpful. Minister, my concern is the cost of living crisis. The government can do things. We have money promised. Even outside of the IRA, there is \$10 billion for nearly a million low-income and disadvantaged houses to have solar. One in three Australians have solar, but we are seeing growing inequality in Australia and the cost-of-living crisis is accentuating that. People who are on lots of money—like everyone around this table—can afford to have solar, and potentially a battery, and an induction cookstove and you can drive an EV, and you're basically not paying anything for energy. People who cannot afford that, are getting absolutely slammed with energy bills and are paying international prices for our gas. That's a whole other thing and I won't get into that. I would love to see urgency around helping Australian houses with this transition, because people are desperate to do it.

**Senator McAllister:** Senator Pocock, you don't have to convince me that there are enormous benefits that come about if we can accelerate the uptake of energy performance technologies in homes. That is the thermal shell. It is the building materials and it is also the machines and the products in the homes. It is why there was a \$1.7 billion allocation in the last budget. As I have indicated to you, we are working to stand up the infrastructure and to roll that out. Very little of that infrastructure existed at a Commonwealth level. It was not a feature of the

policy settings of the last government. Like many of the things this government has had to do, we are starting from the beginning. Two years in, we have \$1.7 billion and we are rolling it out. We agree with you that this is potentially very important for equity reasons but also for our energy system and for our climate. That is why we make the investments we are making.

**Senator DAVID POCOCK:** While I really appreciate that \$1.7 billion that has been earmarked, I am concerned that we've missed an opportunity with the Future Made in Australia and the billions of dollars set aside. Even something like an instant asset write-off for solar on a rental, would, I think, get a lot of investors and landlords putting solar on their rentals, which would benefit people who you could arguably say are doing it very, very tough at the moment. I really appreciate the \$1.7 billion that is coming—hopefully soon—but is there appetite in MYEFO or elsewhere to have these sorts of things. We have the system set up with solar. Both sides of government have worked on that. We have the certification and we have the tradies. What about something like that to unlock some savings for people that doesn't rely on the CFC coming up with a model—which, as we have seen in the ACT, has also unfortunately benefited people with the means and wherewithal to actually get into that system?

**Senator McAllister:** There are two things I would say. The first thing is that I have already indicated to you that the government is always looking for opportunities to do more. We are interested in what we can do in this area. The second countervailing point is that there is no shortage of good ideas for things we can do in the budget. The budget that was brought forward a couple of weeks ago was carefully calibrated against the economic conditions, the need for budget repair, combined with the need for cost-of-living relief. We took the decisions that we did to target support to the parts of the community that needed it most. There are plenty of good ideas. We will do whatever we can in every budget to help people who need help, but we can't fund every good idea. We continue to look for ways that we can assist. We are pleased with the \$1.7 billion. It is an area of continuing focus. We agree with you that there are plenty of benefits if we can get this going and get a private-sector market going that can supply these sorts of services to the widest range of possible households.

**Senator DAVID POCOCK:** I would just impress on you that I am really feeling the urgency. People are doing it so tough. The government is saying that we have \$1.7 billion coming at some point, when there are other things that I would argue could be done. I would argue that the \$300 energy rebate or payment to energy companies could potentially be better spent on electrification, solar and actually getting people off the reliance on so much grid power.

**Senator McAllister:** In the short term, we are very confident that providing an energy bill rebate is an important cost-of-living measure, and we are pleased to bring that forward in this budget. In the medium term, you are right that making investments in households and supporting households to make investments themselves offers the opportunity for long-term permanent reductions in the costs associated with electricity for those homes or with energy more broadly for those homes. That is why we have brought forward the package we have. As I have indicated to you on a couple of occasions now, we are always interested in what more we can do.

**Senator DAVID POCOCK:** Thank you, Minister. I look forward to working on that with you.

**Senator HANSON-YOUNG:** I would like to go to budget paper No. 2, page 59. It is relation to the \$32.6 million in the budget for 'Regional cooperation on carbon capture and storage'—more public money for the fossil fuel industry.

There's \$32.6 million in the budget under the department for regional cooperation and 'to better support heavy industry'. I'm interested to know which heavy industry this measure is aimed at supporting.

**Mr Gaddes:** That money doesn't go to industry. That money goes to personnel within three departments: DFAT; the Department of Industry, Science and Resources; and DCCEEW. You'll recall—I think it was last year—the government passed the amendments to the sea dumping act which would give effect to the transboundary movement of CO<sub>2</sub>. This is the next stage beyond that work, where the government needs to establish bilateral agreements between the various parties for that CO<sub>2</sub> to move between boundaries and then also establish a regulatory framework within Australia to manage the risks and opportunities associated with the transfer of that CO<sub>2</sub>.

**Senator HANSON-YOUNG:** That's \$32.6 million for public servants to facilitate what Santos and Woodside want?

**Mr Gaddes:** I wouldn't characterise it that way, no.

**Senator HANSON-YOUNG:** The money's not for the gas industry—it's not handed to the gas industry—but it's being used to facilitate what they want and what they've asked for.

**Mr Gaddes:** I think we're heading down the same path we were heading down before.

**Senator HANSON-YOUNG:** 'To better support heavy industry'—that's what it says in the budget paper.

**Mr Gaddes:** That's across the board. So it may not be just those companies that access the reservoirs that Australia holds. Australia has significant reservoirs to store CO<sub>2</sub>. It wouldn't be a surprise to you that the UNFCCC, the IEA and the Climate Change Authority have all said that we need significant sequestration of CO<sub>2</sub> and carbon management to reach net zero. This measure is designed to establish the regulatory framework around that to make sure that, if the Australian government decides to go ahead with large-scale sequestration, it's done appropriately, the relationships between the parties are appropriately managed through bilateral agreements and the regulatory standards are in place to manage that transfer.

**Senator HANSON-YOUNG:** Why aren't Santos and Woodside paying for this? Why are the Australian people, the taxpayers, paying for this? This is to benefit these companies. You've just mentioned the laws that were rushed through parliament because they wanted them.

**Senator McAllister:** I don't think they were rushed.

**Senator HANSON-YOUNG:** Well, they would've been if this government had its way.

**Senator McAllister:** My recollection is there was a six-day in committee stage. I was there for most of it and so was Senator Pocock. They weren't really rushed.

**Senator HANSON-YOUNG:** Sorry: it was an attempted rushing. Thankfully there were some of us willing to ask some questions.

**Senator McAllister:** It was one of the longest debates in the history of the Senate.

**Senator HANSON-YOUNG:** Yes, and rightly so. We weren't told that the taxpayer was going to have to fork out \$32.6 million so that public servants could do the work and the facilitation of Santos and Woodside.

**Senator McAllister:** That is also an incorrect statement. It was made very clear in the Senate debate that there would need to be bilateral agreements established between parties subsequent to the passage of the legislation. Notwithstanding the Greens political party's view—

**Senator HANSON-YOUNG:** Why is the taxpayer funding it?

**Senator McAllister:** about how change occurs, change actually occurs when governments do work, including through international relations, and that doesn't happen without resourcing and the allocation of resources.

**Senator HANSON-YOUNG:** But the only people that this benefits are Santos and Woodside, and the taxpayer's footing the bill. That's what's going on here.

**Senator McAllister:** I actually don't agree with you that establishing regulatory frameworks to ensure the proper management of industrial processes is—

**Senator HANSON-YOUNG:** Maybe the Japanese government are going to benefit too.

**Senator McAllister:** something that only benefits business. I think that it is in our national interest to have an orderly transition to a net zero economy, and we've actually traversed this ground already this afternoon. I understand that the Greens political party's view is that any engagement with business in the transition to net zero is, in some way, immoral. That is not the position of government.

**Senator HANSON-YOUNG:** That's a false statement—but whatever.

**Senator McAllister:** Well, it's been made clear in many of your comments—

**Senator HANSON-YOUNG:** You're desperate. You're digging and you're digging.

**Senator McAllister:** Senator Hanson-Young, I think officials have shown a willingness to answer straight up-and-down questions, but, when you put a highly political questions into the room, you are going to get a political answer. If you wish to return to asking Mr Gaddes questions about how the measure will be rolled out, you are welcome to do so. If you want to have a political conversation, we can do that. I'm open to either option, and I'll leave it with you to make your call about where you want to take it next.

**Senator HANSON-YOUNG:** When the Prime Minister said not a single dollar was going to be spent on the future gas strategy, that was wrong. There is \$32.6 million in here to help facilitate the future gas strategy.

**Senator McAllister:** It was made clear over a long bit of time that we intended to ratify the London protocol and to come to arrangements internationally to enable that to take place. It was made clear in the Senate debate. It has been a long-running policy process. It's been funded in the budget.

**Senator HANSON-YOUNG:** What other hidden money is in the budget to help the future gas strategy?

**Senator McAllister:** Senator Hanson-Young, I'm not willing to accept your characterisation.

**Senator HANSON-YOUNG:** We were told by the Prime Minister that not a single dollar was going to the future gas strategy. And I've just found one example for you—\$32.6 million of taxpayer money.

**Senator CADELL:** I'm pretty sure that's not a single dollar!

**Senator HANSON-YOUNG:** That's true. It's \$32.6 million.

**Senator McAllister:** The policy process associated with amending the legislation and ratifying the protocol has been long-running. It was very clear how we were approaching it in the Senate debate, and the budget reflects that.

**Senator HANSON-YOUNG:** Was the sea dumping bill important for the future gas strategy?

**Senator McAllister:** As we canvassed earlier, the department is not responsible for the future gas strategy. They contributed to it. Other officials may have something they can add in this regard.

**Mr Gaddes:** The sea dumping part of the agenda is under outcome 2 tomorrow. We can't answer detailed questions on the sea dumping act or the London protocol. I can talk to CCS policy broadly.

**Senator HANSON-YOUNG:** Okay. I look forward to having a more detailed discussion about some of that then. Do you have a list or a description of what 'supporting heavy industry' means in terms of this budget measure?

**Mr Gaddes:** I think I went through that, but—

**Senator HANSON-YOUNG:** You kept saying 'broadly'. I'm asking: Is there a description? Is there a list? Do we have beneficiaries named somewhere to help direct this \$32.6 million worth of public servants' time?

**Mr Gaddes:** Could you clarify what you mean in terms of 'beneficiaries'? We would be doing this in the national interest. We're establishing a national framework.

**Senator HANSON-YOUNG:** No, in terms of 'to better support the heavy industry', who are the heavy industry players?

**Mr Gaddes:** In that regard, as we go further down the transition pathway, CO2 captured both within Australia and elsewhere will need somewhere to be stored. Those heavy industries could very well be hard to abate sectors within Australia moving their CO2 to offshore storage, where that's proved to be suitable.

To your earlier point about why the government is paying for this, part of this work will be to establish a charging framework. It's also well-established practice in the offshore sector, which will manage this industry, for it to be cost recovered. So the taxpayers won't pay for it. And, if the policy settings work out as we hope they will, then there will be revenue to be derived through storing CO2 offshore.

**Senator HANSON-YOUNG:** Of course, the CSIRO's GenCost report, out last week, showed that coal and gas with carbon capture and storage is more expensive than conventional nuclear power plants, which we know are ridiculously expensive and absurd. Why do we keep seeing government after government throwing public money behind CCS? Why?

**Mr Gaddes:** Carbon capture and storage is broader than attaching a method of capturing CO2 from coal-fired power plants and gas-fired power plants? There are a range of different streams where you can capture CO2 that you would store offshore.

**Senator HANSON-YOUNG:** So what streams will this be used for?

**Mr Gaddes:** As I mentioned earlier, they're for streams of CO2 captured in other countries, where they're responsible for capturing the CO2, moving it to Australia via ship and then sequestering it offshore.

**Senator HANSON-YOUNG:** So we become the dumping ground for other people's pollution.

**Mr Gaddes:** I wouldn't characterise it that way. That's why we're setting up the regulatory framework. We are working through to determine whether or not this is a pathway that the government wishes to take, and we are making sure that, if it does go down that pathway and the geological storages are worked up, safe and proven, the regulatory framework ensures that the CO2 stays where it's put.

**Senator HANSON-YOUNG:** Where did the \$32.6 million figure come from? Was that modelled? Is there analysis that shows why it's that expensive?

**Mr Gaddes:** As I said, it's a range of public servants to deliver a work program. It's not modelled. It goes through the ordinary budget process, where we work with Finance on what things might cost.

**Senator HANSON-YOUNG:** How many public servants is \$32.6 million?

**Mr Gaddes:** It's in the budget papers, so I will take that on notice and come back to you with that detail.

**Senator HANSON-YOUNG:** What I'm trying to work out is how you came up with that figure. Did you decide how many public servants you needed, it was put to Treasury and they worked out, based on salaries, how much that is worth? How did you decide that it was that many staff?

**Mr Gaddes:** We designed the program. It goes before the expenditure review committee. It has a range of outcomes that government has asked us to achieve. Line agencies, so in this case DFAT, DCCEEW and DISR, engage with the Department of Finance around what that would cost; how senior or junior those staff are; and the operating cost to deliver it, including legal advice, those things where we'd need to draft legislation, those things where we'd need to draft bilateral instruments—all that sort of work. It goes to Finance, it's agreed and then that goes into the budget papers.

**Senator HANSON-YOUNG:** How many staff are going to be required to implement the Future Gas Strategy?

**Mr Fredericks:** We can't answer that question. I'm happy to take it on notice.

**Senator HANSON-YOUNG:** How many staff in your department will be working on the Future Gas Strategy?

**Mr Fredericks:** We just cannot answer that question.

**Senator HANSON-YOUNG:** Why?

**Mr Fredericks:** At the end of the day, it's a strategy that has been developed in the department of industry. There's not a sense of 'there is now a group of public servants that are working on the Future Gas Strategy' as such. There will be a range of programs that get developed under the rubric of the Future Gas Strategy, and this department will lean in using our current resources to work on those programs as and when required.

**Senator HANSON-YOUNG:** Will the \$32.6 million worth of staff be working on the Future Gas Strategy?

**Mr Fredericks:** These staff have been costed to work on the regional cooperation initiative on carbon sequestration.

**Senator HANSON-YOUNG:** Is that part of the Future Gas Strategy?

**Mr Fredericks:** In fairness, I think Mr Gaddes has answered that question. You asked that question earlier, and his answer was that, at the end of the day, this is an important initiative. Can I add: it is particularly important to our foreign policy interests in our region to engage with them on their path to net zero by 2050. Different countries have different ways and means of getting to net zero by 2050, and this is also part of an Australian contribution to a regional solution for net zero by 2050.

**Senator HANSON-YOUNG:** What other countries are spending this type of money on their public servants for this? Did you consult? Did you see how much Japan is spending on their public servants to facilitate this?

**Mr Fredericks:** This is Mr Gaddes's point. This is Australia's unique opportunity. I can't speak for Japan.

**Senator HANSON-YOUNG:** But they were involved in the discussions around sea dumping, weren't they?

**Senator McAllister:** Senator Hanson-Young, I think you're asking whether public servants consulted with the government of another countries in formulating a measure for consideration in the budget process.

**Senator HANSON-YOUNG:** If this is all about cooperation, I would like to know who else is paying.

**Mr Gaddes:** The answer to that is no. We haven't spoken to other partners about what they're paying for their public servants to engage in this process.

**Senator HANSON-YOUNG:** So they might be paying nothing and we're paying it all?

**Mr Gaddes:** They must be paying something, because we have to negotiate the bilateral agreements with someone on the other side of the table. It's probably not good manners to go and start to engage in a bilateral agreement process and ask them how much they're paying.

**Senator HANSON-YOUNG:** It's probably not good manners to demand that Australia takes your pollution and has it rammed through the parliament.

**Senator McAllister:** Senator Hanson-Young, we really did have a long debate in the Senate, so I am surprised that you want to relitigate it here. I am kind of reluctant to relitigate it here, but, since you invite comment on the policy—

**Senator HANSON-YOUNG:** Only because there's \$32.6 million of taxpayers' money in your budget. This is budget estimates.

**CHAIR:** Senator Hanson-Young, let the minister finish.

**Senator McAllister:** As you are insisting on relitigating it, I will go through the points that we made in the chamber at the end of last year.

**Senator HANSON-YOUNG:** I don't need you to do that. I'm asking about the money, taxpayers' money.

**Senator McAllister:** Well, Senator Hanson-Young, you are making highly political and inaccurate comments about the government's motivation and policy approach, and, again, I need to reset the actual position that the government is taking. Our focus is on getting to net zero by 2050. All of the advice internationally is that carbon capture and storage may be a part of that process. The government—

**Senator HANSON-YOUNG:** It's very, very expensive.

**Senator McAllister:** Indeed, the advice internationally is that the deployment of carbon capture and storage is most likely to be economically viable in very hard to abate sectors, where there are no alternatives available. The government is interested in setting up a regulatory framework so that, if there are commercial proponents who wish to undertake these activities, there is a clear regulatory framework for them to engage in, and the community can have confidence in what that regulatory framework looks like. That has international dimensions, and that was a feature of the discussion in the debate we had in the Senate at the end of last year.

**CHAIR:** Senator Hanson-Young, we will rotate. Senator Pocock.

**Senator DAVID POCOCK:** Earlier, the minister pointed out that electrification and household efficiency present challenges around supply chain and skill shortages. When the Treasurer was asked, after his press club address, about electrification, he said it was something that the government was really interested in and looking to pursue. I have a few questions to the department. One of the things I hear from experts is that there are challenges with electrification at scale, and one of the issues is actually looking at regulatory issues around feed-in tariffs, the glut of solar we're seeing in the middle of the day and the location of community batteries. I've heard from a number of them that there really needs to be some pilots where you create sandboxes, allow them to experiment with rules and see what works. There's a group here in Canberra called Electrify Canberra, and they've been doing some amazing work putting together a consortium of businesses, scientists, community and government, talking to the ACT government about this. Is this something that's on your radar? Is there consideration of the need for pilots?

**Senator McAllister:** This is not only of interest to this government but also of interest to the state and territory energy ministers that we engage with very regularly, and it's been a very important feature of recent ministerial council meetings. There is a work plan in train, in fact, and I might ask Mr Duggan and some of the other officers to talk you through what's happening in that forum, because it does require collaboration between the states and territories, and ourselves.

**Mr Duggan:** To pick up from there and to answer your question directly, absolutely those sorts of trials and things that are being done in the ACT and other jurisdictions are of absolute relevance to us. We're very interested to see the evidence base that comes from those trials and test whether or not there's the opportunity to scale. As you say, it's something that we need to be assured at every step that there is the workforce and the certifications. We want things to be safe. We want things to be absolutely done in a way where consumers know that they can get the quality of electrification that they need. You do know with an industry like this—I think you made the point early—it is scaling up, but it's still growing very quickly. So we're very keen to support that acceleration to the extent that we can, and we're putting advice to government in that regard. In terms of the specifics around the work with the states and territories, I might turn to my colleagues to see what they wanted to add.

**Mr Whelan:** I suppose on the specifics of what you referred to, so the Rewiring Australia initiative, the department does meet with Rewiring Australia, so we are aware of what you are referring to. That certainly is feeding into a consideration of electrification initiatives which we're undertaking under the National Energy Transformation Partnership with states and territories. There is a work stream under the National Energy Transformation Partnership basically looking at electrification programs across states and territories and trying to articulate the role of the Commonwealth and where we might be able to engage and do more. We don't have specific measures to speak to you about right now under that initially, but we're certainly looking at further ways that we can encourage electrification.

**Senator DAVID POCOCK:** That is encouraging. Minister, I asked the Parliamentary Budget Office to cost one of these suburb-wide pilots, looking at 1,000 households, and it was just over \$12 million. I know that for the last two budgets, groups like Electrify Canberra, who I put in my pre-budget submission, have asked the federal government—they're good to go, they've got the consortium and stakeholders and the ACT government on board. I'm interested to know if this is something we could see—\$12 million is not much money.



**Senator McAllister:** Two things: I have also met with Electrify Canberra, and I'm aware of their keen interest in doing something of this kind in your electorate. They're not the only organisation across the country that wants to do things like this. I don't have much I can add to my last exchange with you about the government's ability, willingness or interest to see more activity in this space. We're conscious of the benefits, conscious of the opportunities, and we're also conscious of the work that is necessary to repair the budget. All of those things factor into our thinking every time we come to budget time or, indeed, MYEFO time.

**Senator DAVID POCOCK:** That's why I asked. As a crossbencher, you hear so much about pressures on the budget, and you have these amazing pilots ready to go, asking for funding of \$12 million. We hear that things are tight, but in the budget there was \$45 million for advertising to explain Future Made in Australia to Australians. That is at least three Suburb Zero pilots. As you said, there are groups across the country, from regional Australia to inner cities to people living in apartments—there are another three right there—and there was another \$45 million to explain another policy; I think it was the changes to the stage 3 tax cuts. That's a lot of money to go to Meta and online advertising. If we were generally saying, 'Okay, this is actually about dollars and cents,' there's \$90 million that could go to actually dealing with the issues at hand and kickstarting this stuff.

**Senator McAllister:** Senator Pocock, we have talked a bit about the \$1.7 billion already allocated. I also make the point that we amended the ARENA guidelines to allow them to consider energy efficiency and electrification in 2022, and the budget, of course, includes \$1.9 billion for ARENA. I'm not asserting that all of that is going to go to these kinds of projects and pilots, but, obviously, ARENA has the capacity to fund innovation in those areas. As I have already said to you, the government is interested and has made it clear our interest in seeing what more can be done in this area in addition to the substantial resources already allocated.

**Senator DAVID POCOCK:** Is there a chance of shaving off \$12 million from that \$45 million on advertising?

**Senator McAllister:** Senator Pocock, your tenacity in seeking to find money for a constituent in this forum is admirable, but I think you'll understand that I cannot accommodate you on this occasion.

**CHAIR:** I'm just going to intervene here and say that we are running behind again, even though we've let a number of people go. I'm going to urge people to put what they can on notice as there are a couple of issues we are going around in circles on, which I totally get, but sometimes it's about decisions government make, whether they're loved by all or by other parties, or Independents have other views. I would just urge you, if you can, to place as many questions as you can on notice, given we're running so far behind. That's to everyone in the room.

**Senator DAVID POCOCK:** Just for the record, you're encouraging us to put questions on notice?

**CHAIR:** Well, I'm not sure everyone needs encouragement.

**Senator BILYK:** Not 13,000.

**CHAIR:** Rather than ask them in the room, or we may find that we are still here in the wee small hours of the morning.

**Senator DAVID POCOCK:** Thank you.

**Senator McAllister:** Look, we're running out of time. The chair is suggesting that we're not—

**Senator DAVID POCOCK:** I'm done.

**Senator McAllister:** You're done. Senator Pocock, regrettably, this will deprive you of the opportunity to ask Mr White about some of the work that is being done in the consumer space, but if you wanted to submit a question on notice I'm sure Mr White would provide you with a very good answer.

**CHAIR:** I'll tell you what, Mr White: we'll give you a far-ranging brief. Why don't you tell us some really cool things that are going on.

**Mr White:** What the minister was referring to was the consumer energy resources taskforce work.

**Senator DAVID POCOCK:** Can I just ask a quick question?

**CHAIR:** Yes.

**Senator DAVID POCOCK:** There was a proposal for the budget—I included it in my prebudget submission and I know others did in their prebudget submissions—for an 'electrify everything' loan scheme, which is essentially a HECS for electrification. Bruce Chapman, Saul Griffith and a bunch of others put it together. Is that on your radar?

**Mr Duggan:** I can tell you I've met with both of the people that you mentioned. They presented it to us. We talked through some of the ideas. There are some interesting elements to it. I think one of things that they get to is the issue that you talked about before, which is the challenge—particularly for lower-income owners—in getting

the capital that they need in order to do it. There are lots of complexities to work through, though. Sitting on the other side of such a scheme would then have to be an asset that the government would hold. They propose that the asset be the family home, which raises some complexity and sensitivities. We're working with Saul and Bruce to think about how you could approach a program like that, but I'd call it an ongoing discussion. There's no intent yet to advise the government on a policy in that regard.

**Senator DAVID POCOCK:** With HECS or HELP, what's the asset there? My understanding is there's no asset; it's an investment in the future.

**Mr Duggan:** Yes, that's right. The difference there is that your investment is your university education, and that builds your human capital to raise your income-earning potential in the future to be able to repay the loan. Here we're talking about a cohort of people—you're not providing a loan in a way that raises future income-earning potential, so you're not providing a potential future income source on which to repay a loan. Where Saul and Bruce Chapman have gone is to suggest that maybe you should think about the family home as being the collateral, and the sale of the home might be the way in which you could repay. It's a really interesting idea but not something that we'd propose to the government.

**Senator DAVID POCOCK:** Why not—just too risky?

**Mr Duggan:** There's a lot of complexity to work through. I'd be happy to go into it in more detail, but we could be here all day, I suspect. There's just so much technical complexity to work through when you go down that road.

**Senator DAVID POCOCK:** Thank you very much, Mr Duggan and Mr White.

**CHAIR:** Senator Hanson-Young.

**Senator HANSON-YOUNG:** I'm interested in Budget Paper No. 3. On table 2.9 it outlines the national partnership payments that the department will be delivering to different states. Two of those items caught our attention: CarbonNet, worth \$5 million, and the Hydrogen Energy Supply Chain project, worth \$3.8 million. From what I can tell, they relate to supporting brown coal but only have funding marked against them for this year. I'm wondering if we can talk about that.

**Ms Zerger:** The previous budget, the 2023-24 budget, confirmed funding of \$7½ million to the precommercial phase of the HESC project—the Hydrogen Energy Supply Chain project—subject to co-contributions from the Victorian government. Subsequent to that, a Federation funding agreement was put in place, and that first payment has been made to the Victorian government.

**Senator HANSON-YOUNG:** And that first payment was how much?

**Ms Zerger:** That first payment was 3.75 million and the agreement is 7.5 million.

**Senator HANSON-YOUNG:** Is that why this year's budget shows 3.8 million?

**Ms Zerger:** It rounds up—

**Senator HANSON-YOUNG:** That's what's left over?

**Ms Zerger:** Yep.

**Senator HANSON-YOUNG:** So there won't be any more money?

**Ms Zerger:** The total for the federation funding agreement with Victoria is \$7.5 million.

**Senator HANSON-YOUNG:** So, in relation to the Hydrogen Energy Supply Chain project, 3.8 million is the last of the money that will go out the door to the Victorian government?

**Ms Zerger:** There will be one further payment. So we've made one payment to the Victorian government, in May this year, and there will be a further payment of \$3.75 million.

**Senator HANSON-YOUNG:** Okay. And CarbonNet, the five million, where does that fit in?

**Ms Ray:** CarbonNet is a Victorian based carbon transport and storage project, and it was allocated \$20 million in funding in the 2022-23 October budget. Commonwealth funding is being delivered over three years from 2022-23 to 2024-25, and will support the next stage of the project, which aims to establish a commercial scale CCS hub in Victoria's Gippsland region. So the Commonwealth has provided \$10 million to the project under its federation funding agreement schedule with the Victorian government.

**Senator HANSON-YOUNG:** So it was originally slated to be \$20 million of contribution—I'm just trying to be clear about this; I'm not trying to trip you up. So that's 20 million, we've paid 10 million, and there's another five million in the budget.

**Ms Ray:** Yes.

**Senator HANSON-YOUNG:** So where's the extra five million?

**Ms Ray:** There's a payment that's due before the end of this financial year. That's the other five million.

**Senator HANSON-YOUNG:** Okay. So there's still 10 million to walk out the door.

**Ms Ray:** To be paid, yes.

**Senator HANSON-YOUNG:** Okay. Just to be clear, is the government's position that there will be no more contributions for either of those programs once those final payments are made?

**Mr Gaddes:** I might take that one. There was no additional funding granted in the budget. So at this stage the government's intention—through the budget—is that there's no more contributions to those projects.

**Senator HANSON-YOUNG:** These projects are both over a decade old. When do we expect them to be completed?

**Ms Zerger:** In relation to the HESC money, the funding at the moment will support the development of feasibility studies to inform a decision to proceed with a front-end engineering design study for the HESC commercial demonstration project.

**Senator HANSON-YOUNG:** So that's nowhere near completion and this is just still feasibility?

**Ms Zerger:** It's still at feasibility, yes.

**Senator HANSON-YOUNG:** But the government hasn't committed to funding anything beyond a feasibility [inaudible]

**Ms Zerger:** There's no commitment to fund beyond the feasibility.

**Senator HANSON-YOUNG:** And in relation to CarbonNet?

**Ms Ray:** Similarly, it's working its way through the feasibility. Then the financial investment decision will be taken during the period of this federal financial agreement. But there has been no further commitment to funding beyond there.

**Senator HANSON-YOUNG:** Thank you. I'd like to go to some other questions. There was an answer to a question on notice, number 3156. It is in relation to undisclosed emissions. The answer said that the department didn't know the emissions projections data for Santos's Towrie CSG project that was approved by Minister Plibersek on 17 February 2023.

**Mr Fredericks:** Can you continue with your question. It may be that—depending on the question—it's in outcome 2 tomorrow. It will be emissions associated with an EPBC Act approval. So that will fall in outcome 2. But just see where your question—

**Senator HANSON-YOUNG:** Where do you think I'm going with this?

**Mr Fredericks:** I genuinely don't know. I'm trying to help. If your question is—

**Senator McAllister:** It's the bit where you said 'Minister Plibersek' because she doesn't administer the matters that we're dealing with today.

**Senator HANSON-YOUNG:** Yes. But you've told me that you don't have this data for what the emissions projection is going to be for this project. I can't see how it can be approved or go ahead under the Safeguard Mechanism if you don't know what the projections are. Surely there's a combination of this department and Minister Plibersek.

**Mr Fredericks:** Yes. The first part of that question around what emissions information was or could be made available in relation to the EPBC Act approval absolutely falls under outcome 2 tomorrow. There will be people you know well in that outcome.

**Senator HANSON-YOUNG:** I know what you're doing; you're trying not to tell me to go and refer my question to somebody else.

**Mr Fredericks:** But it is our department. It is outcome 2 tomorrow, so those officials aren't here.

**Senator HANSON-YOUNG:** Yes, except that when we get to tomorrow I'm going to be told, 'We don't deal with emissions.'

**Mr Fredericks:** Yes.

**Senator HANSON-YOUNG:** That safeguard is not the purview of the environment minister.

**Mr Fredericks:** Do you want to ask your second part of the question? That is able to be answered potentially by this part.

**Senator HANSON-YOUNG:** If you don't know what the emissions impact of this project is, which is what you've said to me in answer No. 3156, how can you be assured that the government is actually complying with the law?

**Senator McAllister:** What was the approval date for the project, Senator Hanson-Young?

**Senator HANSON-YOUNG:** It was 17 February 2023.

**Mr Fredericks:** We're both puzzling as to whether that project was approved before the passage of the—

**Ms Johnson:** Senator, could you just repeat the project name? I missed it.

**Senator HANSON-YOUNG:** It's the Towrie CSG project, Santos.

**Ms Johnson:** That's not one I have in my list of new entrants under the safeguard, but let me talk you through the way it would play out. If it commenced operations in 2022-23, then it would be considered a transitional facility under the safeguard reforms, because—

**Senator HANSON-YOUNG:** I don't think it could have started before February 2023 if the minister gave it approval on 17 February 2023.

**Ms Johnson:** That's right. That financial year went to 30 June 2023, so if it had been able to start in those four months then it would have been a transitional facility.

**Senator HANSON-YOUNG:** Can somebody check whether it has started? Surely you can check. You've given me an answer on this project already. I'm trying to find out: if you don't know what the emissions data is, and it's not publicly available, is it only Santos that knows? Surely there is a broken system there.

**Ms Geiger:** I can talk you through the approach that would be taken. That was not our area of the department that wrote that—

**Senator HANSON-YOUNG:** I don't want hypotheticals. I really want answers in relation to this project. I'm sorry.

**Ms Johnson:** If it's a new entrant from 1 July 2023, it will get a baseline set at international best practice, which is the values we were talking to before. That baseline will decline on average at a default rate of 4.9 per cent each year. It's not one we have been particularly looking at, and the QON hasn't come from the climate change part of the department.

**Mr Fredericks:** Senator, can I check whether we have answered sufficiently the second part of your question, allowing you to ask the first part of your question tomorrow?

**Senator HANSON-YOUNG:** Not really. Surely the environment department's job is not to work out what the emissions are. We had a long discussion earlier today about your projected emissions. Surely a project like this would be captured in that, but maybe it's because you don't actually know, because that's what you've said. But then how on earth are your projections right?

**Ms Rowley:** If I could step back a little, with respect to the annual emissions projections, we don't produce projections for every project at that project level; we produce projections at the aggregate level for the sector and the country, so we won't do projections—

**Senator HANSON-YOUNG:** I understand that, but under the Safeguard Mechanism, you need to know.

**Ms Rowley:** With the Safeguard Mechanism, facilities are given a baseline that reflects their activity and production. Regardless of any projections a company has produced, their baseline will be determined in accordance with the rules under the Safeguard Mechanism, whether it's an existing or new facility. As Ms Johnson was explaining, if it's a new facility, then it will be either a transitional one or it will be subject to their international best practice guidance. And that's not about projections; that's about their regulatory obligation under the safeguard, determined in accordance with the safeguard rules.

**Senator HANSON-YOUNG:** But the environment minister, by law, has to inform the climate change minister, don't they?

**Ms Johnson:** That's correct—after the reforms passed parliament. That was after 30 March last year, so it was after this approval that you're talking through. I've just found some information about it—

**Senator McAllister:** Which is quite important, Senator Hanson-Young. I think you're asking about the application of a law that didn't come into being until March. It wasn't passed through the Senate until March, and didn't commence until some time after that.

**Mr Fredericks:** In other words, I don't think the obligation existed at the time that you're describing.

**Senator HANSON-YOUNG:** We were just told that, if it wasn't in operation, whether it's caught in the transition depends on whether it was operational before 1 July.

**Senator McAllister:** I think you might be confusing two different things.

**Ms Johnson:** That's about the baseline settings: the requirement for the minister to pass information to the secretary, the climate change minister and the head of CCA started after that.

**Senator HANSON-YOUNG:** We had a big CSG project given approval by the environment minister, Minister Plibersek, for Santos, and you can't tell me how much pollution it's going to create, and you can't tell me whether it falls within or outside the transition period.

**Ms Johnson:** From the information I've just found about it, it looks like it's a field that will fill GLNG, which is an existing facility under the safeguard mechanism—

**Senator HANSON-YOUNG:** So they're just going to pump more pollution than they used to be doing?

**Ms Johnson:** It's a field that fills GLNG, therefore it would be under the existing facility baseline settings.

**Senator HANSON-YOUNG:** So it doesn't have to be counted at all!

**Ms Johnson:** It will absolutely be counted within the projections relating to GLNG.

**Ms Rowley:** Could I again just clarify: there are the emissions from the facility; there's the safeguard regulatory obligation which they need to acquit—and there are baselines determined in accordance with the safeguard rules; and separately, in March 2023, there was a referral arrangement established. That relates to information on emissions from proposed new projects being referred from the environment minister to the climate change minister and others. That did not have retrospective application, so that referral of the information from the environmental approval was not caught for this project. However that's got no bearing on the coverage of this facility under the safeguard mechanism. It will have a regulated baseline that will ratchet down over time in accordance with the safeguard rules, and that facility will continue to report on its emissions baseline.

**Senator HANSON-YOUNG:** But you can't even tell me whether it's meeting the baseline.

**Ms Rowley:** That facility will need to continue to report on its emissions in accordance with its obligations under the National Greenhouse and Energy Reporting Scheme, and—

**Senator HANSON-YOUNG:** So what have Santos informed the government that their amount of pollution—their emissions projections—will be for this project?

**Ms Rowley:** We don't have that information.

**CHAIR:** Senator Hanson-Young, we'll rotate the call, if you're done.

**Senator HANSON-YOUNG:** I've only got one bit left.

**CHAIR:** Swift and effective!

**Senator HANSON-YOUNG:** How many referrals from the environment minister to the climate change minister have there been since the safeguard mechanism was put in place?

**Ms Johnson:** There has been one.

**Senator HANSON-YOUNG:** What project was that?

**Ms Johnson:** Gregory Crinum.

**Senator HANSON-YOUNG:** And that's because the project would emit more than 100 tonnes a year?

**Ms Johnson:** That's correct.

**Senator HANSON-YOUNG:** How many projects were given approval in 2023 before these new rules were put in place?

**Ms Johnson:** That's a question for our colleagues in outcome 2.

**Senator HANSON-YOUNG:** During the debate on the Climate Change Act, Minister Bowen confirmed that there would be a review to bring more agencies into the requirements of the act to be guided by climate goals. Have we got an update on the timing or results of that review?

**Ms Geiger:** Senator, could you just repeat the question, please?

**Senator HANSON-YOUNG:** In terms of the timing or results, I want an update on the review that Minister Bowen confirmed would happen to bring more agencies into the requirements of the Climate Change Act to be guided by climate goals.

**Dr Mitchell:** There was an update included in the *Annual climate change statement* that was tabled in parliament at the end of last year. I can direct you to page 45, which sets out the various ways in which the targets have been embedded in legislation.

**Senator HANSON-YOUNG:** Is that it? Is there a standalone review that we're waiting for a report on or is this just going to be 'tick and flick—it's done now'?

**Ms Geiger:** The report that Ms Mitchell refers to outlines a number of actions that have been taken. In addition, there are ongoing conversations that we're having at officials level to make sure that this is embedded into work that goes on as business as usual.

**Senator HANSON-YOUNG:** So there's no further update than what we were given at the end of last year?

**Ms Geiger:** That's the predominant update as a result of that work.

**Senator HANSON-YOUNG:** At the time that the minister made this commitment, he confirmed that NOPSEMA—the agency that's in charge of regulating and approving offshore gas and oil projects—would be included in the review. Has NOPSEMA been included in the review?

**Dr Mitchell:** I'd have to take that on notice.

**Senator HANSON-YOUNG:** It wasn't in the report at the end of last year, was it?

**Ms Geiger:** We'd have to take that on notice. What the report reveals is the positive actions that were taken as a result of it. So it could be possible that it was included in the review, but there may not have been specific actions that were captured in this report..

**Senator HANSON-YOUNG:** I'd like to know what's happening with the review of NOPSEMA. Are there any specifically related actions or outcomes in relation to NOPSEMA in relation to this Climate Change Act promise that the minister gave us? I think I can leave it there.

**CHAIR:** Thank you very much, Senator Hanson-Young. Senator McKim.

**Senator McKIM:** I have some questions on emissions from native forest logging and how we account for those. Do we use the full carbon accounting model, or CAM, as the basis for accounting for emissions from native forest logging?

**Ms Johnson:** We use the full carbon accounting model as part of our framework in estimating emissions for the *National inventory report*. In putting together those estimates, we use a variety of sources, so it really depends on what aspects you're talking about.

**Senator McKIM:** I'm specifically interested in emissions from logging native forest. Do we report the losses and gains of carbon or do we just report net emissions from native forest logging?

**Ms Johnson:** When we report on our emissions for native forest logging, we report consistent with our obligations under the Paris Agreement, which requires us to report consistent with the IPCC guidelines around estimating emissions. So we report the net emissions from native forests. What that means is that we report, on a net basis, the carbon that's sequestered as native forests grow and the carbon that's emitted when those forests are harvested. It's reported on a net basis.

**Senator McKIM:** That's right. I understand that's how it's reported, but does the department possess the data around losses and gains?

**Ms Johnson:** I think we may have replied to a question on notice on this previously, and the answer remains the same, as I understand it, which is that the way, essentially, the calculator works means that we can't distinguish those two things. But please let me take that on notice just to confirm that that is accurate.

**Senator McKIM:** Alright. If you have the answer to this here, please provide it by all means. If not, take it on notice. Is one of the assumptions in the FullCAM that maximum forest biomass can be represented in that model by forests at harvest maturity, as opposed to forests which might lie undisturbed for a century or two and still accumulate carbon?

**Ms Johnson:** Sorry, I'm not quite sure that I understand the question fully.

**Senator McKIM:** Perhaps I'll have another go. That's probably my bad, so I'll have another go. Is it an assumption in the FullCAM that maximum forest biomass is reached by forests at the time of their harvest maturity—that is, the time at which forests can be or are commercially harvested—and therefore does the model not acknowledge that carbon accumulation continues as forests age past the age of a logging rotation?

**Ms Johnson:** My understanding would be that the maximum forest biomass is a function of forest type and location, so that differs depending on the type of forest that you're talking about. In FullCAM we use a spatial

estate model, and I understand that that has information around the age and type of the forest, and that would flow into the calculations of the amount of carbon that's being sequestered or lost on harvest.

**Senator McKIM:** I'm from Tasmania, so I know that Forestry Tasmania harvests on about an 80-year rotation plan. That's what they do. They go in and take a bit of undisturbed forest. Historically they've taken undisturbed old-growth forest. They've completely devastated it. They've burned it. They've basically napalmed it out of helicopters. Once they've taken the things that they want to sell out of it, they just napalm the rest, and then they assume that that will grow for 80 years, and then they plan to harvest it again. So it's on about an 80-year rotation. Some of them are more and some of them are less, but in broad terms it averages out at about 80 years. I'm asking whether the FullCAM assumes that the maximum biomass in a forest can be accurately represented by forests at that harvest maturity—at, for example, that 80-year period—and therefore does not accept what I think it is obvious, which is that forests continue to accumulate carbon in the soils, in standing woody matter, in fallen woody matter, in leaf litter and so forth well beyond an 80-year harvest rotation. So that's my question: is FullCAM flawed because it makes that assumption?

**Ms Rowley:** It certainly does vary according to forest type and forest location, but my understanding is that the FullCAM calibrations are informed by analysis of lots of different forest types, including undisturbed native forest, and that, while the growth curves do max out, they don't max out just at a typical harvest maturity level. They max out at the long-term steady state of an undisturbed forest, and there's a gap between the two. That is my understanding. If the team tells us when we get back that we've got that wrong, we will correct it on notice. My understanding is that it does not max out at harvest rates. An undisturbed forest would continue to sequester, albeit at diminishing rates over time, until it reaches a maximum level.

**Senator McKIM:** I would appreciate it if you would come back to me on notice if it's any different. In terms of there being no datasets to report losses and gains out of native forests, which we were talking about earlier, does that mean we don't know the emissions profile of the native forest logging industry in Australia? I would find that extraordinary.

**Ms Johnson:** I'm not sure that I agree with the way that you've framed your question. We understand the net emissions profile of native forests.

**Senator McKIM:** I'm talking about how many tons of carbon are emitted when you log a bit of native forest. I'm not after netting it out. I personally regard that as accounting trickery. You've probably got a different view. I think that's just an accounting fraud. When native forests are clear felled and burnt, and you see giant columns of smoke going up into the atmosphere that are basically giant carbon bombs, how big are those carbon bombs?

**Ms Johnson:** As I think we provided in a question on notice, the FullCAM model—the Full Carbon Accounting Model—simulates the net changes in carbon stocks, trees, debris, and soils across Australia due to tree growth and disturbances, including harvested native forests. But it hasn't been designed to attribute the emissions and removals to specific events or processes. As such, it's currently not possible to disaggregate emissions due to harvesting from sequestration due to regrowth in harvested native forests. As I think we've traversed before, we report our emissions consistent with those international reporting guidelines developed by the intergovernmental panel on climate change.

**Senator McKIM:** My follow-up question is: if we don't know how much it's omitting when we log our native forests, we don't know how many emissions we would avoid if we stopped logging our native forests, do we? Or do we?

**Ms Rowley:** That analysis can be done. It's not done as part of our emissions inventory, but it can be done as part of any analysis looking at how to manage a particular forest in a particular place. And I know that, for example, state governments have taken a very keen interest in the emissions that could be avoided from changing their native forestry management regimes, including, for example, Victoria making a decision to cease native forest harvesting as part of its climate and biodiversity action.

**Senator McKIM:** But the federal government can't tell me today how many tons of carbon equivalent emissions we would avoid if we stopped logging our native forests, can you, or can you? If so, how many would we?

**Ms Rowley:** We haven't done modelling of what if all states and territories implemented a cessation on native forest harvest and what that would look like. In our emissions projections, we model policies as they are announced and implemented. So, for example, our emissions projections take account of Victoria and Western Australia's decisions to cease native harvest. That was one of the reasons why we saw enhanced sequestration over time from Australia's forest estate. We've discussed that in these hearings before, and that's reported in the emissions projections. As I said, we haven't done a model-the-scenario where it all stopped and looked at the

difference. As I said, states are looking at exactly that in informing their own policies and measures. In the context of the land and agricultural plan, which is part of the broader net zero plan, we're looking at a range of different options for what the Commonwealth might do to both reduce emissions from land and agriculture and enhance sequestration.

**CHAIR:** Senator McKim, can I interrupt—

**Senator McKIM:** I'm nearly done.

**CHAIR:** and ask if you're nearly done, because the committee has a desire to move on.

**Senator McKIM:** How many tonnes of CO2 emissions were avoided when Victoria made the decision that it did?

**Ms Rowley:** Again, we report on that—

**Senator McKIM:** I thought you said—

**Ms Rowley:** I said that we took account of those policies in our emissions projections. So, relative to the previous year, that was one of the contributors to a net increase in the sequestration that we observed in forests, but we haven't specifically unpacked that to look at the contribution of each of those policies. We do the emissions projections, as we were talking about for other sectors, in aggregate at the sector and national level.

**Senator McKIM:** Sorry, I'm sure this is just me not understanding, but how do you come up with an aggregate without adding the various bits together?

**Ms Rowley:** We put all of the settings in. We don't model policy by policy and place by place. This is for projections; so it's talking about the future. We put a range of assumptions into the model and then run them all together to get the aggregate estimate.

**Senator McKIM:** But, as part of doing that, can't you just have a look at all of your inputs? You must have had an input for the Victorian—

**Ms Rowley:** Harvest rates.

**Senator McKIM:** So harvest rates have declined or are declining significantly in Victoria. There's still a bit of dodgy stuff going on, in my view, but harvest rates have declined. I'm asking: can you not tell us how many emissions were avoided because of Victoria's decision—or policy change?

**Ms Johnson:** In the emissions projections, we outline the total net emissions for the categories: land sector, forests, agricultural and other lands, and forest conversions to land. We don't have the estimates at the subcategory level that you're seeking.

**Senator McKIM:** But would you have the data in the department somewhere?

**Ms Johnson:** I would have to take that on notice. I wouldn't want to speculate.

**Senator McKIM:** Alright. I still don't understand how you can get the whole without putting in the sum of the parts, but anyway. Do we know, for example, what the emissions from native forest logging in Tasmania are?

**Ms Johnson:** I think we've provided you in the past a time series of the net emissions from harvested native forests in Tasmania. With the release of the new inventory in April of this year, that time series can be updated.

**Senator McKIM:** Do you have that with you?

**Ms Johnson:** I don't. Sorry, I'm looking at the previous response that we provided to you.

**Senator McKIM:** Could I ask you to update that on notice for me, please.

**Ms Johnson:** Yes, we can take that on notice. I'm almost 100—

**CHAIR:** To clarify, are you asking for them to resubmit a question they've already answered, Senator Shoebridge?

**Senator McKIM:** No, I'm asking for an update on a response to a question that they've already given.

**Ms Johnson:** I'm almost certain that it's also available through the Australian National Greenhouse Account's website as well, which you can query by state and by IPCC category.

**Senator McKIM:** Thank you.

**CHAIR:** The committee has made some decisions about trying to keep track of the rest of the day. We will now release outcome 1, program 1.1. We will also release the Climate Change Authority, ARENA, the Offshore Infrastructure Registrar and the Offshore Infrastructure Regulator. We will now move to outcome 1, program 1.2, and we will start with Senator Davey.

**Senator DAVEY:** I have questions about the Rewiring the Nation program funding—



**CHAIR:** An excellent program.

**Senator DAVEY:** and the renewable energy zones. Most of my questions are follow-up questions from last estimates in February. In February the CEFC revealed to us that only \$100 million of the \$20 billion that has been set aside for the Rewiring the Nation fund has actually been committed. Is that still the case or have more commitments occurred since then?

**Ms Gowans:** I might hand to my colleague Nadia Rosenman who is the branch head for Rewiring the Nation.

**Ms Rosenman:** The CEFC just last week announced a second investment via their Rewiring the Nation fund. They committed \$490 million to the Energy Corporation of New South Wales for the Central-West Orana REZ, so that takes the total to \$590 million.

**Senator DAVEY:** So \$400 million to the Central West—

**Ms Rosenman:** \$490 million.

**Senator DAVEY:** Sorry, that was my mishearing. I was going to ask where the extra \$90 million came from. That's for the central New South Wales—

**Ms Rosenman:** Central-West Orana REZ—that's renewable energy zone.

**Senator DAVEY:** Okay.

**Senator CADELL:** Dunedoo.

**Senator DAVEY:** Dunedoo! That falls under the transmission line project for connecting the Orana REZ to Queensland.

**Ms Rosenman:** It's the transmission link for the REZ itself.

**Senator DAVEY:** Is that \$490 million just for the REZ or the REZ plus transmission lines?

**Ms Rosenman:** It's the transmission in the REZ.

**Senator DAVEY:** It's just the transmission portion.

**Ms Gowans:** Perhaps I could assist. The renewable energy zone is actually the transmission. It's building of the transmission that enables the connection of renewable energy in the particular zone, so the investment is essentially to facilitate the development of that transmission in Central-West Orana.

**Senator DAVEY:** Which zone did the \$100 million that has previously been committed go towards?

**Ms Gowans:** That was a different type of investment. That was to the New South Wales scheme financial vehicle. The scheme financial vehicle is essentially providing the liquidity for the New South Wales infrastructure road map, which supports their overall transition to net zero.

**Senator DAVEY:** Okay. So \$100 million has gone to the New South Wales government to give them financial liquidity and then \$490 million has gone to the Central-West Orana for transmission lines. My understanding is that planning is well underway despite a lot of community angst about that. Is that all of the \$20 billion that has been committed so far?

**Ms Rosenman:** That's right.

**Senator DAVEY:** So there are a lot of other—

**Ms Gowans:** I might just correct that, if that's okay. Of the \$20 billion Rewiring the Nation fund, \$19 million is with the CEFC to facilitate those investments, and \$1 billion sits with the department in a special account that provides complementary financial support, particularly underwriting support. So it's not quite accurate to say that only those two investments, which have been made by the CEFC, have been spent from the Rewiring the Nation fund, because the underwriting is made against the \$1 billion special account.

**Senator DAVEY:** I'm glad you raised that. We have a situation where the CEFC provides, basically, equity—

**Ms Gowans:** Concessional finance, in the main, although it is open to them to provide equity in some circumstances.

**Senator DAVEY:** Concessional financing—and then the department can provide—

**Ms Gowans:** Equity and also underwriting support.

**Senator DAVEY:** So the government can provide both equity and debt.

**Ms Gowans:** Yes, through two different vehicles.

**Senator DAVEY:** Two mechanisms. Is that common?

**Ms Gowans:** It's not common to have equity and debt in the same transaction, Senator. In fact, that's the purpose of having the special account—because there are some transactions where there is a need for an equity investment, and it would be the view of the CEFC that they would be conflicted by providing both debt and equity in the same transaction. So, in that circumstance, the government in its own right is able to provide a complementary investment to enable the project to meet the program objectives for Rewiring, which is essentially accelerating actionable transmission and reducing the cost, to consumers, of those important transmission projects.

**Mr Duggan:** Senator, it might just be worth clarifying that what my colleagues have been giving evidence on is the amount of money, the amount of finance, that's actually been provided, as distinct from the agreements that have been reached with the states and territories around the allocation of the \$19 billion Rewiring the Nation fund. My colleagues will give me the exact figure, but we're up to around \$16 billion or \$17 billion worth of commitments across those state agreements—

**Unidentified speaker:** \$16 billion.

**Mr Duggan:** \$16 billion—and they've identified, to a reasonable level of detail, the types of projects that will be supported. The money then flows when the projects reach final investment decision. Obviously, with transmission projects, between the identification of the project to be supported and then reaching the final investment decision, there's a bit of work that needs to take place. We would expect that \$16 billion of deals to, over time, translate through to \$16 billion worth of financing.

**Senator DAVEY:** So there's \$16 billion on paper and it's basically been identified where it goes, but you haven't yet gone to final funding agreements signed by the parties.

**Mr Duggan:** That's correct.

**Ms Gowans:** That's right, Senator, except in the case of underwriting, which are signed financial agreements to underwrite things like the procurement of long-lead items and converters and cables, for example. I know what you're saying. The CEFC hasn't reached a final agreement, other than the money we spoke about at the very start of this evidence—those two investments by the CEFC in the Central-West Orana and the New South Wales Scheme Financial Vehicle.

**Senator DAVEY:** For the other REZs identified, I've got central New South Wales; central to southern Queensland, which I believe is this Central-West Orana; Kerang link Gippsland; Gladstone grid; Marinus Murray River; north-west New South Wales; QNI Medium and QNI Large; south-west Victoria; and western Victoria. Do we have an indication of what planning or agreements with those has occurred?

**Ms Gowans:** Yes, we do. We're all looking a little bit perplexed because some of these projects have a number of names.

**Senator DAVEY:** Yes, I know. It is a problem. I'd like a dictionary!

**Ms Gowans:** Sorry about that. The Kerang link, for example, we might call VNI West or the Victoria to New South Wales interconnector and so on.

**Senator DAVEY:** I was wondering where VNI West was. I'm glad you clarified that for me.

**Ms Gowans:** We could have a go at telling you where those transmission projects are up to if you wanted us to go through them one by one—that might be easier—or we could take that on notice.

**Senator DAVEY:** I'm happy, in the interests of time, for you to take it on notice.

**Ms Rosenman:** Could I just clarify the question, Senator? Is it about where negotiations are up to with the CEFC on the financing or, rather, where the projects themselves are up to?

**Senator DAVEY:** I live right under one of these projects, and, as I drive to Canberra, I'm seeing construction of another of the projects. Things are happening on the ground, but we're told their CEFC funding arrangements haven't been entered into. So I'm really interested in knowing how far the states can proceed in getting everything ready—construction work—if there are no funding arrangements confirmed and committed yet.

**Ms Gowans:** And it'll relate to the way that transmission projects are financed. There are a series of applications to the regulator for financing, so what you're probably seeing are early works. But we'll take on notice the list of projects that you talked about and we'll let you know what stage of development and planning they're up to.

**Ms Rosenman:** Just to clarify, it's not a requirement to build a transmission project that you have Rewiring the Nation funding. So only certain projects in the ISP, if you're talking about NEM jurisdictions—

**Senator DAVEY:** I've never known a state government to not take Commonwealth funding for a project!

**Ms Rosenman:** There are already projects underway at the moment that predate the Rewiring the Nation project.

**Senator DAVEY:** Can they still apply for funding under Rewiring the Nation if their project fits the guidelines and criteria even though they might have started work on it?

**Ms Rosenman:** Yes.

**Senator DAVEY:** All these projects are required, my understanding is, if the government is to deliver their 82 per cent emissions reduction plan. Are we still confident we'll meet that target, given that a lot of them haven't got funding, a lot of them are still very much in the early stages of community consultation?

**Mr Duggan:** They are identified projects by AEMO with respect to the integrated system plan. So they are projects that, under the step change scenario, are consistent with getting to 82 per cent renewable energy. All of them operable and providing the transmission necessary for the generation to get 82 per cent are incorporated into those projections and modelling.

**Senator DAVEY:** So when do they all have to be finished to meet the modelling?

**Mr Duggan:** There are different time periods, of course, because they're different projects on different time periods, but, to assist in meeting the 82 per cent generation target, they'd need to be operable by 2030 and have the generation capacity connected through to the grid to add to the government's target.

**Senator DAVEY:** So I don't have long to enjoy my views uninterrupted. Some of them are that far behind. It was said Murray River would be delivered in 2024. It'd been pushed out to being delivered later this year, but that hasn't got CEFC funding, that I'm aware of yet. You can take on notice as well, when you are providing the feedback to my previous question, expected completion dates for these REZ projects, noting that I accept you're not the construction authority. What are the department's expectations for completion dates?

**Mr Duggan:** AEMO is currently out on consultation on the draft of their next integrated system plan. That will reflect the latest information that they have from the project components and their best assessment of completion dates of each of those transmission projects. I'm very happy, if you like, for us to take on notice and give you the details that are in that integrated system plan—the latest and best available information for the completion dates.

**Senator DAVEY:** Do you know when that next ISP will be—

**Mr Duggan:** The final ISP?

**Senator DAVEY:** Yes.

**Mr Duggan:** End of June.

**Mr Fredericks:** But on notice we can provide information that's in the draft.

**Senator DAVEY:** That would be very much appreciated. We heard today and we've seen some reports that some of the investment in renewables is not happening anywhere near at pace to reach the 82 per cent target. We've also heard that you're undertaking some new modelling. You've got a \$450,000 contract out for renewed modelling. Is that on the 82 per cent target?

**Mr Duggan:** You'll need to point me to the specific contract. To answer your question in the general, though, Senator, we absolutely accept that we need to see an exhilaration from this point forwards in terms of renewable energy investment to get to 82 per cent. That was the basis on which the government, at the end of last year, made the decision about the Capacity Investment Scheme. Underwriting 32 gigawatts of additional renewable generation capacity takes us from what we'd projected we'd get to in 2030 through to 82 per cent. We are running the first tender under that extension. It is kicking off at the end of May. As those tenders run out, we do expect to see an acceleration. We never thought it would be a linear pathway. We do expect there to be a pick up as investors respond to the policies that are in place. We talked about rewiring and the Capacity Investment Scheme is another one.

**Senator DAVEY:** On the AusTender website there is a contract for \$450,000 with the ID CN4033020 undertaken by the department, published on 6 February, with the description 'electricity market modelling to support government's 82 per cent renewable target'.

**Mr Duggan:** It is a good proposition that that will be for exactly that purpose, to help us to continue to monitor and track. As I said, because this is a non-linear pathway, we are continuing to think about what the economics of renewables look like going forward and updating the modelling that was done for the government around the pathway to 82 per cent, so that contract will be assisting us to do that.

**Senator DAVEY:** When that modelling is complete, will it be released publicly?

**Mr Duggan:** It will be part of our continued advice to government on the extent to which we would anticipate seeing the existing policy suite delivering on the commitment to 82 per cent. As I said, the Capacity Investment Scheme, at the time the government made that announcement, our advice to the government was that would take us through to 82 and we will continue to update them as things progress to continue to reassure them that, yes, we are on a pathway to reach their target.

**Senator DAVEY:** You mentioned the Capacity Investment Scheme. I think that is a good segue. That is me done.

**Senator VAN:** Thank you all for appearing. I have some questions about AEMO. Are they best directed to you, Mr Duggan?

**Mr Duggan:** Yes.

**Senator VAN:** For the people at home, can you explain AEMO's role in the energy space?

**Mr Duggan:** I am very happy to. For those who may be joining from home, AEMO is the Australian Energy Market Operator. They do a number of roles but their primary purpose is as the market operator for the electricity system. They ensure that the electricity grid is operating in order to get the generation capacity through to its demand. They operate and have control rooms which essentially direct electricity—

**Senator VAN:** And gas.

**Mr Duggan:** and gas. They also play a role consistent with that in providing reports that go to one of the things we have talked about quite a bit today, the integrated system plan. They provide advice on what is the optimal or least-cost pathway through to getting to an electricity system by 2030-2035, what potential pathways there are that are consistent with government policy, what are the technology mixes et cetera. They also do reliability modelling, so they put out an electricity statement of opportunities, which is a signal to investors about where there is opportunity to invest because there is a potential there for a supply opportunity to meet projected demand, simile on the gas side with the gas statement of opportunities.

**Senator VAN:** But they are not federally owned, are they?

**Mr Duggan:** No, they are effectively a corporate structure and there is an ownership there, where effectively an arrangement where parts of industry are part owners in AEMO and governments are part owners of AEMO. So in a sense it is a corporate structure of which governments are one part of a broader ownership structure.

**Senator VAN:** Because of that corporate structure, they are not accountable to any one parliament, are they? There is a real lack of accountability for AEMO, isn't there?

**Mr Duggan:** I would not say that. Through this committee we have given a lot of evidence over time on AEMO and the role they play given they are not a federal agency but we have a significant stake in AEMO and its work. We have always taken the attitude of always trying to be as helpful to this committee as we can on AEMO.

**Senator VAN:** Of course you have.

**Mr Duggan:** My sense is that is replicated in state and territory governments as well. I know my counterparts in the states spend a lot of time talking about AEMO's reports.

**Mr Fredericks:** I think it is worth noting, and Mr Duggan can add to this, they are also accountable to the energy ministers formally, so there is an accountability that they have to the state energy ministers acting as in council as well.

**Mr Duggan:** That is a good point. Just to elaborate on that, at each energy and climate ministerial council meeting, the head of AEMO will appear, provide an update and provide quite a bit of detail on AEMO's work program through to energy ministers as stakeholders and shareholders in AEMO. So from all governments, there is, in a sense, an accountability through that forum.

**Ms Gowans:** If I could add that AEMO is a creature of the national electricity law. In the sense of the governance and the overall accountability of many Corporations Act companies with a board of directors, they have the additional level of scrutiny of having been created by the electricity law and oversaw by the energy and climate ministerial council in terms of the performance of their functions under that law.

**Senator VAN:** But they are not just a market operator or system operator. They have both those roles, system and market operator, but they also have planning functions, certainly in Victoria. Some of those planning functions which go onto their ISP come up with some pretty staggering numbers in terms of investment needed to help us get to where we want to get to for net zero, or to meet and beat our Paris targets, which we all support. But there are some staggering amounts of investment needed that are going to be borne by both taxpayers and energy users, aren't there?

**Senator McAllister:** They are not as staggering as the numbers bandied about by Mr Dutton.

**Senator VAN:** I'm not here to speak on Mr Dutton's behalf.

**Senator McAllister:** I am quite certain of that.

**Senator VAN:** I promise you I have no intention of speaking on his behalf and I hope he never does on mine. For the people at home, we're talking about some incredibly large numbers in investment, aren't we?

**Mr Duggan:** One point to note in this context is, as I mentioned earlier, AEMO has put out its draft integrated system plan. The processes that AEMO go through are very open, very transparent and very contestable. We are putting out a draft plan, so sitting behind the published document is a ream of information on all the assumptions made, including project-by-project inputs that go into their outputs. Everything that AEMO does, I would argue, is contestable. They also go through a rigorous peer review process, so they rely not only on their own expertise but they look to expertise externally as well, and that comes to bear on what they ultimately put into those planning documents, as you say. So there is quite a process that sits behind all those publications.

**Senator VAN:** It is a process, but I put these questions to the Australian Energy Regulator at the last estimates and I believe they have been released this evening. Is that correct, Chair? I would have followed up with them on these, but sadly you get to get them now. In the last estimates I put they consult on the inputs and assumptions, which I accept, but they are the inputs. The ISP is the output. It is what says what projects will be actioned. As you rightly pointed out before, part of AEMO's ownership structure is with energy companies, including the transmission companies that are going to benefit from having their projects put forward as part of the ISP. Am I the only person that sees that there is something a little bit off about that? We're talking about tens of billions, dozens of billions, if not over \$100 billion of investment needed. Is that correct?

**Mr Duggan:** As you know, there is a very sophisticated regulatory framework that goes around the selection of energy projects, transmission projects, including in the context of the ISP. Then there is a rigorous and robust process. I know this was the line of questioning last time when they were here. A project proponent needs to go through from identification in the integrated system plan all the way through the RIT-T process, through the feedback loop and all the way to the final financial agreement that is reached. All of that is designed to ensure the best economic projects and also the lowest cost for consumers. So I would argue there's a rigorous regulatory framework that protects against the sort of risk that you're alluding to.

**Senator VAN:** I agree that's exactly how it should happen. But it doesn't always happen that way, does it? There are some projects that are deemed by state governments—and they just leapfrog some of those accountability measures that you mentioned. Am I right in that?

**Ms Gowans:** I wouldn't say that they leapfrog the accountability measures—

**Senator VAN:** 'Escape them altogether' then might be another way.

**Ms Gowans:** but you are right that the Integrated System Plan takes account of government policies. It's a real-world plan. If something reaches a sufficient level of commitment, where somebody is actually going to do it, then it becomes something that AEMO has regard to in the plan. I think what I was saying before is that there is a regulatory oversight of AEMO, and even the Integrated System Plan itself—the draft Integrated System Plan, which was released in December—is actually out for consultation now. So it isn't just the inputs of the—

**Senator VAN:** It closed in February, didn't it?

**Ms Gowans:** It may have just closed. But what I'm trying to say is that it's not just the assumptions and the inputs that go to consultation; it's also the actual output, which is the plan itself. We could expect to see a response to the consultation feedback in the final Integrated System Plan when it comes out in June. So there is quite a process in terms of testing with industry, testing with the public and testing with governments and whether those assumptions are right. They do have a consumer panel and a social licence panel also inputting into that design. So it's not just industry or just government; it's a very wide range of stakeholders inputting into the plan and a fairly high level of transparency. In addition to that, there is regulatory oversight of them in the performance of their functions.

**Senator VAN:** But they're under no obligation to listen to any of that consultation, are they?

**Mr Duggan:** At the end of the day, again, through that transparency, there's contestability. Were other experts to come to a different conclusion, I think that gets to AEMO's professional reputation over time. So I do think that that transparency is a really important part of the accountability.

**Senator VAN:** I guess you're getting to the nub of what I'm trying to get to. I can table this, Chair, and I can show it to you first if you like: it's called *No longer lost in transmission*. It's a paper written by Professors Mountain, Bartlett and Edwards.

**CHAIR:** Is it publicly available?

**Senator VAN:** Yes. It's from Professor Mountain from the Victoria University Energy Policy Centre.

**CHAIR:** Do you want to just reference it, or do you want to actually table it?

**Senator VAN:** It depends on whether or not our guests need to refer to it or not. I'm in their hands.

**Mr Duggan:** We're aware of it. We can access it. We're aware particularly of Professor Mountain's work.

**Senator VAN:** You would agree with me that he is probably one of our greatest experts on energy operation and markets?

**Mr Duggan:** One thing I've discovered in this job over two years is that there are a lot of experts in energy. I would hate to put a ranking on them.

**Senator VAN:** That I'll agree with you on. But certainly I would count Professor Mountain and Professor Bartlett as two of our greatest treasures on that. Just for the people at home, they call this plan for transmission 'Plan B'. It affects Victoria, my home state, so I've taken great interest. They've proposed a different transmission model to VNI-West, which is incredibly expensive when you take in all the extra bits that it needs, not just the line itself. They refer to it as VNI-West Extended, which comes to about \$11 billion worth of investment to enable one transmission line, which they refer to as a point of failure. They put forward a separate transmission plan, which I think they costed at \$6 billion. It provides a lot more resilience and does the same thing in terms of connecting up the rhombus of regret to those foreign-owned solar and wind farms up in north-west Victoria. You see where I get to when such experts are putting forward more economical methods—that it's hard to see AEMO's optimal development plan as anything except optimal. It's not optimal in any way, shape or form. How do we get to a position where projects like VNI West are almost a baked-in done deal, no social licence? I'll leave that to others. Do you see where I get to? I just can't come at the fact that there is any accountability or transparency at AEMO. There really needs to be another layer, or they need to be divested of some of their powers such that they're not king and god maker. Do you see where people at home might be worried about the costs that they're going to bear on their electricity bill and in their taxes, when we're not seeing a lot of accountability or optimality out of AEMO?

**Mr Duggan:** I'm not sure what I can add to my previous evidence around the transparency and the contestability around the inputs and outputs for AEMO. I am aware of Professor Mountain's work in this regard. A point that he does make which I think is worth drawing out here is—I absolutely accept there's not one transmission pathway; there's not one transition pathway broadly for energy. AEMO recognise that, as you know, through the different scenarios that they put into the Integrated System Plan. So it's not as if there is just one pathway that is published through that; they do different scenarios around that. One point that Professor Mountain makes, which I think is compelling, is that, at the same time as we're building a new transmission, we should absolutely be optimising the existing transmission and distribution as well. This shouldn't just be thought of as new build; it should be about making sure the incentives are in place to absolutely maximise the existing infrastructure, for all the reasons that you're going to. You want to be sure that you're only building what you need. In terms of what's optimal for consumers, that is absolutely the case. I subscribe to that element—

**Senator VAN:** You actually believe that's the case? That the pathway that we're on and the draft ISP is optimal?

**Mr Duggan:** I believe that AEMO takes into consideration the best expert advice. I know that they're aware of the work that Professor Mountain has done. I know that within the Integrated System Plan they do look at how to optimise the existing grid. So, yes, I'm confident that when they determine their various scenarios for what would be an optimal transition pathway, they are taking into account all the best available information.

**Ms Gowans:** Can I just add one thing?

**Senator VAN:** Sorry, just before we move on, so I get it on record, on notice can you point to me where in the draft ISP they talk about optimising current transmission?

**Mr Duggan:** I can take that on notice.

**Senator VAN:** Thank you. Sorry, Ms Gowans.

**Ms Gowans:** I was just going to also say that, in relation to specific projects, the regulatory investment test for transmission is applied by the Australian Energy Regulator; it's not applied by AEMO. So, while AEMO might project in its plan that a particular transmission project is on the optimal development path, no TNSP can charge any consumer or pass through any costs until they've passed the RIT-T. That requires them to show that, of all of the available alternative projects that could deliver the same benefit, this one is the one that has the most net benefit. That's actually a test that's applied by the Australian Energy Regulator; it's not applied by AEMO.

**Senator VAN:** I understand.

**Ms Gowans:** It's not the role of AEMO in the Integrated System Plan to actually test all the configurations of a project and say which one is in fact the one that is the most beneficial for consumers or for the market as a whole. I just wanted to draw that distinction because the fact that a project is actionable in the Integrated System Plan does not mean that that is the only option, and all non-network options are part of the consideration of the RIT-T.

**Senator VAN:** I would have liked to have put these questions to AER tonight. It's not often that the RIT-Ts get knocked back, is it, if they're an actionable project on the ISP?

**Ms Gowans:** I don't have those figures here, sorry. I can't answer that.

**Senator VAN:** We'll put them on notice to AER.

**CHAIR:** You've got a minute.

**Senator VAN:** Thank you, Chair.

**CHAIR:** Oh, you're done? Excellent.

**Senator VAN:** I can come back and do more.

**CHAIR:** No, please do not feel in anyway obliged to return. Thank you. We will break now and return with outcome 1.2.

### Proceedings suspended from 18:14 to 19:18

#### Snowy Hydro Ltd

**CHAIR:** We will now resume with another minor change to the agenda. We have brought Snowy Hydro on first, and we'll go back to outcome 1.2 after that. Mr Barnes, I feel you may be owing various favours around the room, but we'll leave that to you to manage.

**Mr Barnes:** Thank you.

**CHAIR:** Would you care to make an opening statement?

**Mr Barnes:** Yes, I've got a brief one. Good evening, Senators, and thank you for the opportunity to provide a short update. Snowy 2.0 is 57 per cent complete and our workforce of 3,000 is achieving good progress across the many construction fronts. Tunnelling across the project is now 30 per cent complete, and I'd like to take the opportunity to acknowledge the some of the current challenges faced by TBM Florence.

Recently, Florence encountered very hard and abrasive rock, which, when coupled with a curve in the tunnel, resulted in the ceasing of operations due to the rock pinching the machine's shield. We were public about this one day after it occurred. The project has sought expert advice from a specialist contractor with experience on these topics in other Australian tunnelling projects. Last week, the contractor commenced work using very high-pressure water jets to remove the rock impinging on Florence's shield. The work to remove this rock is progressing well, and the estimated timing for Florence's recommencement will be determined once we've removed the rock.

Finally, the *Snowy 2.0 updated business case*, which reflects the updated cost and schedule, was publicly released last Friday, and I understand it's been shared with the committee. The nature of the economic drivers of the time of the project's financial investment decision in 2018 has not changed, but the revenue associated with them has. Since the final investment decision, the value of Snowy 2 has increased, and we're in no doubt that the project's completion is critical to supporting the national electricity market's decarbonisation and reliability targets. Thank you again and, in particular, thank you for the change in schedule. I look forward to answering your questions.

**CHAIR:** You mentioned that you thought that business case had been shared with us.

**Mr Barnes:** Yes.

**CHAIR:** It has not been, to the best of our knowledge. You may well have published it somewhere publicly, but it certainly hasn't been provided to the committee.

**Mr Barnes:** I apologise for that. We understood it would be shared with the committee members. It was published on our website on Friday.

**CHAIR:** Fair enough. Senator Cadell, do you want to go, or do you want me to fill a few minutes before you?

**Senator CADELL:** Same old, same old—thank you very much. We'll go through a lot of the same questions as before. Just going on what you said, Florence got pinched, not blocked, after being bogged. There were some cave-ins or roof fall-ins as well, were there not?

**Mr Barnes:** That was in a different part of the project, where we are excavating the cavern that the power station and transformers will go in. There is one point where that cavern excavation goes above the main access tunnel—it's a big cavern with a tunnel coming in—and that part of the tunnel will be excavated away to form part of the cavern. We knew we were very close to the intersection with the tunnel, so that tunnel is particularly braced to handle any impact of the excavation. We got it wrong by about half a metre, and it blew through into the tunnel.

**Senator CADELL:** Anecdotally—I don't know this; it's not an accusation—a couple of staff said that they thought that would be the case, and it ended up being the case. Was that true? Were there warnings you were aware of before it happened?

**Mr Barnes:** There were no warnings that it would definitely happen, but we did know that was a risk. The tunnel is braced specifically for that risk. Just to be clear, whenever we do any blasting, all personnel are evacuated from the tunnel complex. So we saw that the controls worked.

**Senator CADELL:** We spoke last time about the potential of leasing or buying another tunnelling machine, and you said that was in the contingency breakdown. Has a decision been made, or has there been any progress on that?

**Mr Barnes:** We're still working on both options to access the headrace tunnel from the opposite end to Florence. Both options are currently being considered, whether it's a fourth TBM or a drill and blast technique. We expect to apply for a modification to our environmental licence in July, and that's when the decision will probably come to a head.

**Senator CADELL:** As the business case is public—and thank you for that—does that change the ability to release, under FOI or to the Senate, things in the reset document or less redacted parts of that?

**Mr Barnes:** Snowy Hydro isn't, obviously, subject to that regime. The business case that we've released references the financial investment decision in 2018. All of the concepts are the same. I believe we've actually provided more economic data than was provided in 2018, but your specific question on the release of documents is probably one for the department.

**Senator CADELL:** I think it was the FOI of Snowy—oh, no. I think Rex Patrick is taking the department, but Snowy have joined. Is that correct?

**Mr Duggan:** There was an FOI that came to us, for which we provided information, on the basis of the reset business case. There were documents released—heavily redacted. Given, obviously, the public interest in the Snowy 2.0 project, and in the interests of providing a comprehensive and comprehensible public document around not only the cost side but also the revenue side of the project, the decision was taken to produce what Mr Barnes has referred to now as the updated business case, on the basis of the reset that was published last Friday. All of the information that was provided to the government and to the board that is relevant to the business case is now out there publicly in that document.

**Senator CADELL:** All of it?

**Mr Fredericks:** With respect to the business case, that's correct.

**Senator CADELL:** We'll have a look at that. You might get a question on notice afterwards. I will now go specifically to Senate question 001426 regarding staff travel. I hope there's an error, because the answer that came back indicated that in a three-month period Snowy had spent \$2.376 million on staff travel. That was more than two-thirds of the entire DCCEEW budget. It was in the three-month period between 1 July 2023 and 30 September 2023. Is that true?

**Mr Barnes:** The detail of that I would have to take on notice.

**Senator CADELL:** Is it possible that you spent \$2.3 million in three months on travel?

**Mr Barnes:** It seems extreme, to be honest. We don't travel that much. I don't have the numbers to hand, but I'm happy to give you the detail on notice.

**Senator CADELL:** If that figure is correct, given the annual budget, you would have spent \$636,000 for the rest of the year, compared to \$2.3 million in a three-month period.

**Mr Barnes:** Like I say, I don't have that detail to hand.

**Senator CADELL:** Can you rule it out?

**Mr Barnes:** I can't rule it out. Obviously, we have a couple of thousand people across Australia, and there is a degree of international travel. But I just don't have the figures off the top of my head.

**Senator McAllister:** To be fair, Mr Barnes has taken it on notice so that he can give you accurate information.



**Senator CADELL:** Okay. Can I then expand some aspects of that to take on notice, if you're willing? Can we get a breakdown between international and domestic travel? Were there any major events during that three-month period? If it's right, what triggered that expenditure? It looks odd to me. It just seems a really strange anomaly that you would spend four times the rest of the year's budget in one quarter. I'm just trying to find out how that could be. I guess I'll have subsequent questions based on that. Do you use a standard travel provider?

**Mr Barnes:** Yes.

**Senator CADELL:** Who is that?

**Mr Barnes:** I think the acronym is ATPI. They do all our travel. I go to Europe twice a year to see the contractor.

**Senator CADELL:** I'm presuming that wouldn't cost you \$2.3 million.

**Mr Barnes:** I can guarantee you it wouldn't cost that much. We've got a different problem if it does.

**Senator CADELL:** I hope it's a mistake. Some staffer of mine has obviously gone too far. If you're getting the ATO rate of 85 cents per kilometre, that amount of money spent in a quarter would get you 69 laps around the earth, so there's a lot of travel going on in that period. Let's go to the standard questions. Have we found a source of green hydrogen for the Kurri Kurri gas peaker plant yet?

**Mr Barnes:** As I've answered before, we're responsible for the demand that may occur at the Hunter power station. We're not currently involved in the ecosystem that might deliver green hydrogen to be delivered to the power station.

**Senator CADELL:** But you'll be operating the power station?

**Mr Barnes:** Yes.

**Senator CADELL:** You'll be buying it?

**Mr Barnes:** At some point, I believe. We've had some progress at Hunter. Mitsubishi Heavy Industries have confirmed, technically, that the plant can operate on 30 per cent hydrogen.

**Senator CADELL:** As it is—without new specs?

**Mr Barnes:** No. We'll have to do some modification work, but not majorly substantial.

**Senator CADELL:** As a spec now, is it 15, or 20?

**Mr Barnes:** It's 15.

**Senator CADELL:** Currently?

**Mr Barnes:** Yes.

**Senator CADELL:** Have you scoped the business? The last questions we were asking, when we were here in February, were whether you're looking at the business case for the extra 15 per cent, to get to 30.

**Mr Barnes:** We're currently finalising the feasibility study on the cost and timing of moving to 30 per cent. Mitsubishi confirmed that 30 per cent is possible. We'll feed that into the department's work on what hydrogen might look like in the Hunter.

**Senator CADELL:** In the fine publication that is the *Newcastle Herald*, they had an inspection of the plant and did a front-page story on it the other day. It came out that it's going to start on diesel, not gas. Is that correct?

**Mr Barnes:** The current schedule has the plan successfully operating in December. The gas pipeline and storage facility may not be ready until early in the New Year, so we would commission on diesel initially.

**Senator CADELL:** So we're still saying December? We're not seeing any blowouts in the timeframe on that?

**Mr Barnes:** December is the—

**Senator CADELL:** What about full power?

**Mr Barnes:** Full power would be December—both units on diesel.

**Senator CADELL:** So you expect it to operate on diesel until the gas pipeline and storage is available.

**Mr Barnes:** Yes. Like I say, that's a matter of a short period. The gas pipeline and storage facility which is being constructed on site by APA is well progressed, and we're obviously looking at ways to bring it into December, but we will be able to operate the plant in December.

**Senator CADELL:** Okay. When we say 'early next year', are we talking about the first half or the first quarter?

**Mr Barnes:** The current schedule has it in the first quarter. If you go to the site, the progress on the pipeline is well progressed.

**Senator CADELL:** Once again, same questions—no timelines or changes to Snowy 2.0?

**Mr Barnes:** No.

**Senator DAVEY:** At this stage.

**Senator CADELL:** Look out for that. I don't know why that question's coming, Minister!

**Senator DAVEY:** I'm just hoping the gas pipeline isn't being tunnelled, because otherwise we're in a world of pain.

**Senator CADELL:** No, we've got a few [inaudible]. That's all I have for the moment, Chair. I will have more, but I'm organising myself.

**CHAIR:** Excellent. No problem. I've got one quick one. There have been delays. Things have taken a bit longer than expected. It's going to cost more money. Does it still stack up as a viable project?

**Mr Barnes:** The business case released on Friday provides the cost and the revenues.

**CHAIR:** Just give us the high level.

**Mr Barnes:** \$3 billion NPV, or a 7.4 per cent return.

**CHAIR:** What sort of value does it provide in terms of electricity across Australia? What's the value here in relation to the NEM and suchlike?

**Mr Barnes:** Clearly, with an electricity market with more variable renewable electricity, when it's not sunny or not windy then you need dispatchable power, and we believe that Snowy 2.0 can support three times its capacity in solar and wind projects. We've evidenced that with our existing business, where we've already publicly supported 1.75 gigawatts of new solar and wind. So, in terms of the reliability of the NEM and the carbon reduction targets, it's critically important.

**CHAIR:** Okay. Senator Davey.

**Senator DAVEY:** I've got questions about 2.0 too. I've just got your business case. There's a target total cost of \$12 billion. I'm just observing that there's nuclear for \$8 billion. And the timeline—it's going to be at least 10 years before it is commercially operable. Some people would say we could do nuclear for the same. But, back onto Snowy 2.0—my lovely Florence.

**Senator McAllister:** You're the first coalition senator, I think, all day to mention nuclear, Senator Davey, and it's half past seven!

**Senator DAVEY:** I'm not afraid of it, you see.

**Senator McAllister:** Intriguing. Perhaps not so for your colleagues.

**Senator DAVEY:** Florence. Where are we at the moment? Have got a Flo go-slow or have we stopped the Flo?

**CHAIR:** How long did it take you to come up with that!

**Senator DAVEY:** Thank you, thank you!

**Mr Barnes:** If we do end up with a fourth TBM, it will now have a name!

**Senator CADELL:** Eileen's a beautiful name! What are you doing?

**Mr Barnes:** Florence has hit very hard rock on the turn and, for a short section, is pinched by the rock.

**Senator DAVEY:** She's wedged.

**Mr Barnes:** 'Wedged' is a good word.

**Senator DAVEY:** Maybe we need to bring some of those rocks in here.

**Mr Barnes:** You wouldn't call it a usual event for TBMs, but it's not uncommon and there is a technique to blast away the rock with very high water pressure. If I go through the timeline, the pinching occurred on I think it was Thursday 15 May. We made that public the following day. The expert team to blast out the rock were deployed over the weekend, and they've been working for the last 10 days to free the rock around the machine. We're having some success—but I made a mistake in this room a year ago, giving shorter timelines, so we'll wait for that rock to be cleared.

**Senator DAVEY:** I fear it was to my questions, too! I think it was about a year ago, when Florence was bogged, that you were talking about using high-pressure water to get her out of the bog—no?

**Mr Barnes:** No. There's a different technique for where the ground is soft and one needs to liquefy the face of the machine, but this is quite different. We're in very hard rock.

**Senator DAVEY:** Is it the geologists again not identifying, or were you aware this hard rock was there, and it's just the angle of turn?

**Mr Barnes:** We knew we would face rock of this nature, but, for the exact moment and the exact metre, there's only so much geological surveying you can do.

**Senator DAVEY:** There have been reports that three sources connected to the project raised concerns, before she got stuck and before there was a partial collapse of tunnelling, about the proximity of drilling and blasting to the access tunnel. Did that partial collapse have anything to do with flows wedging?

**Mr Barnes:** As the crow flies, they're 17 kilometres apart, so they're unconnected. But there is an area, when we excavate the cavern, where we go over the access tunnels. It's a known risk, and the tunnels are specifically braced to handle that risk. We did blast through the tunnel, but the controls worked—the controls being that the tunnel was braced and all personnel were not in the tunnel system when the blast occurred.

**Senator DAVEY:** But we did have a partial collapse.

**Mr Barnes:** It's not a collapse. It's a blast through of the roof of the tunnel.

**Senator DAVEY:** Will that create further delays to the project?

**Mr Barnes:** No. That blast through actually just occurred a little early. That part of the tunnel will not exist in the final project. If you can picture a big cavern with the power station in, an access tunnel comes in, and you actually have to blast out of the tunnel to form the cavern. It just happened one blast sooner than we were expecting.

**Senator DAVEY:** So you're prepared for future work! It might actually help you reach the timelines.

**Mr Barnes:** It would have been better if it happened when we expected it, but the controls worked.

**Senator DAVEY:** I want to come back to some questioning I raised in February. Mr Whitby was very helpful but also not so helpful. It's not your fault, Mr Whitby. You said, to your knowledge, at that point in time Snowy Hydro had not had any conversations with the government in relation to the agreement reached with Senator Pocock about upper Murrumbidgee water contingency reserve for dry times. Have any conversations taken place? There are two parts to that agreement: a \$20 million deal for research and a \$30 million deal for contingency. I asked you in February about whether that contingency would be paying for forgone power generation. Have we got an update?

**Mr Whitby:** Again, we have no information to contribute there.

**Senator DAVEY:** Minister, are you aware of where that deal is up to and when we might see the guidelines for that contingency reserve?

**Senator McAllister:** I think the better time to ask that is to the officials who deal with it in the environment part of the department.

**Senator DAVEY:** Water day on Friday.

**Unidentified speaker:** Water day, yes—that would be the best place.

**Senator DAVEY:** But, just to be clear, Snowy Hydro, the organisation who will be required to do the water releases into the upper Murrumbidgee, has not yet been brought into the conversation.

**Mr Barnes:** No. I think the terms of reference for the review mechanisms are underway. But Snowy is subject to the regulations. We don't form the regulations. Our advice is sought on the technical aspects of it, but it's very early stages.

**Senator DAVEY:** But you are limited to how much gigawatt hours per annum you can forgo through releasing water, outside of the turbines.

**Mr Barnes:** We have the water licence, which covers our activities. The water licence year is to the end of April, and we've just finished the 2023-24 year and complied with all of our requirements.

**Senator DAVEY:** Just finally, how are storages looking at the moment? I can't have Snowy Hydro before me without finding out what the storages look like and whether we're going to meet our RAR for the next year.

**Mr Whitby:** We're in a comfortable position: not too wet and not too dry. But, of course, the outlook for the remaining part of winter and spring really determines where we'll end up in terms of required annual releases, et cetera. So it's anybody's guess there.

**Senator DAVEY:** You are restricted on the Murrumbidgee side as to how much you can release into the Tumut due to constraints and flood risks. At previous estimates I asked you about how you had written to New South Wales asking to increase that limit for the purposes of power generation, which was rejected at the time. Given that we've seen the reports that we might be facing power shortages across the energy market this summer, will you be making a similar request and hoping for a different outcome?

**Mr Whitby:** Currently, there is quite a reasonable amount of airspace in Blowering, so we're reasonably comfortable in terms of the outlook across winter. There are no immediate plans, but it is an ongoing issue. No doubt, there will be circumstances where that constraint comes under pressure again.

**Senator DAVEY:** It is one of the values of Snowy Hydro that you can turn it on to fill in when there's not enough power in the grid. You can flick the switch and—

**Mr Whitby:** Correct, and the release constraints at Blowering are one of the things which limited that flexibility, so it will no doubt come under pressure again. But, for the time being, it's in a reasonably comfortable position.

**Senator DAVEY:** I will share the call.

**Senator ROBERTS:** Thank you for being here again. What is the communication budget—in relation to the cost and headcount—for Snowy Hydro 2.0 in each of the last three years, please? You can take it on notice if you need to.

**Mr Barnes:** Yes, I'll take that on notice. I can give you some colour: it's a small team of two to three people in the communications team. But we can provide details on notice.

**Senator ROBERTS:** The dollars and the numbers, yes. How do you handle the accounting for the tunnel boring machines, like Florence? Do you write off the purchase price, or do you depreciate it?

**Mr Barnes:** The cost is included in the \$12 billion of construction costs. It doesn't become an asset because, obviously, it's not in use post construction. But the cost of procuring the tunnel-boring machine and operating it goes to the asset cost of \$12 billion, and then that will be depreciated over time.

**Senator ROBERTS:** Of the Snowy 2.0 project?

**Mr Barnes:** Yes.

**Senator ROBERTS:** So there is no value in the machine at the end?

**Mr Barnes:** No. You can resell parts and the like, but they will be pretty well worn by the time the project is finished.

**Senator ROBERTS:** What was the purchase price of Florence? What is the current value on your books, given that it's not being used in an optimal manner?

**Mr Barnes:** We have a 'Capital work in progress' line on our balance sheet, which is the whole project. The cost of Florence we can take on notice, but they're in the order of \$100 million—but they're effectively a consumable.

**Senator ROBERTS:** The machine will be valueless at the end?

**Mr Barnes:** Effectively, yes.

**Senator ROBERTS:** The machine has no value, so it's not going to be written off. Is it just part of the construction cost of the project?

**Mr Barnes:** In the same way that 60 or 70 per cent of the project costs are people costs, who will no longer be working on the project.

**Senator ROBERTS:** You're not turning them into slaves?

**Mr Barnes:** No.

**Senator ROBERTS:** So far in this headrace tunnel, you've run into ground that was too soft and rock that was too hard and jammed it going around the corner. Is this a contractor driving the machine, or is this you getting the calculations of the project wrong over and over again? What's gone wrong? There seem to be big flaws.

**Mr Barnes:** As we've said before, the geological conditions across the project are very variable. We have traversed the event that happened in December 2022. There was a project that wasn't operating effectively, and we have corrected that. The current issue of sticking in hard rock is something that's not uncommon through these types of tunnels. The project team are very engaged; we were public within a day. There are two meetings a day to work out what to do next. We see it as one of the normal challenges of a mega project. Obviously, as we've discussed before, the December 2022 incident could have been handled better, and that's why we reset the project.

I believe the reset is working, and we've hit one of the challenges we will face on a mega project which has a geological risk.

**Senator ROBERTS:** I come from a mining background. If we know that the geology is going to be highly variable, then, depending on the value of the deposit and the return over the life of the project, the mine, we would do more drilling at closer spacing. What extra exploration did you do to minimise the risk of what you already admitted was a highly variable site?

**Mr Barnes:** I think there was \$100 million spent in the pre-financial investment geological surveying. Obviously, operating within a national park and with the cost of the geological survey, there's a point where you have to make a risk based decision.

**Senator ROBERTS:** That was before your time, right?

**Mr Barnes:** Yes. We are able to probe ahead of the machine to test the conditions, but it's not foolproof, as we've discovered.

**Senator ROBERTS:** In a private enterprise project, if it had too many delays, the project would go bankrupt, and that would be it. But here you've got a bank behind you with a seemingly endless amount of cash. What are we up to now—\$14 billion?

**Mr Barnes:** We updated the business case and released it publicly on Friday and reaffirmed the \$12 billion cost.

**Senator ROBERTS:** What was the original cost estimate?

**Mr Barnes:** I think the contract cost at FID was \$5.9 billion. So \$12 billion is in the public business case and shows a return on an MPV basis of \$3 billion.

**Senator ROBERTS:** So the cost has doubled.

**Mr Barnes:** Yes, but the revenue case has also increased over that period.

**Senator ROBERTS:** The only way it makes money is if electricity prices are unreasonably high in the peak electricity-use periods, which means a failure of the National Electricity Market is what enables Snowy 2.0 to go ahead.

**Mr Barnes:** We would argue that the role of Snowy 2.0 in the market is actually to facilitate the delivery of the lowest cost form of energy in solar and wind, and we provide the backup to that low-cost energy. It's not actually an energy producer; it's just there for insurance.

**Senator ROBERTS:** Has anyone been held accountable for these repeated failures? Who picks up the tab—taxpayers?

**Mr Barnes:** Well, the \$12 billion project cost is still what we believe the project will be delivered for. As I said, mega projects have challenges along the way. You allow for those. It was important that we reset the project such that the contractor and the Snowy team are working collaboratively to solve it—and transparently. As soon as we hit this pinch point, we made a press release the following day to that effect.

**Senator ROBERTS:** Can you understand the frustration from taxpayers, who are feeling frustrated because our money is being seemingly flushed down the toilet faster than you can drill the pipe? Why hasn't anybody been sacked?

**Mr Barnes:** I joined the company 16 months ago.

**Senator ROBERTS:** Someone had been sacked!

**Mr Barnes:** I obviously lead the reset of the project. When we reset the project, we had a target for this financial year of making eight per cent progress, and eight per cent in a volumetric sense.

**Senator ROBERTS:** What do you mean by eight per cent?

**Mr Barnes:** If the project is 100 per cent, we needed to make eight per cent progress this financial year.

**Senator ROBERTS:** Excavation of eight per cent?

**Mr Barnes:** Well, its earned value is the calculation, which is the total volume of the work required to finish the project.

**Senator ROBERTS:** So not volume of stone but volume of work.

**Mr Barnes:** Volume of work. We've achieved six per cent as at the end of April and are on target to achieve eight per cent for the financial year.

**Senator ROBERTS:** The passage through natural asbestos deposits is still to come. Can you provide me with a drilling plan and risk management plan, including occupational health and safety workers who will be exposed to asbestos?

**Mr Barnes:** The primary control is that, as we approach the naturally occurring asbestos, the Florence TBM will go into what we call closed, or slurry, mode. It will excavate in a closed loop with a liquid in front of the machine, and that will be extracted through pipes. So there will be no exposure of any individual to asbestos.

**Senator ROBERTS:** What about disposal? Eventually it dries out, presumably.

**Mr Barnes:** It dries out.

**Mr Whitby:** There's a separation in the slurry treatment which removes the asbestos from the slurry, and that uses a contained process. And that will be disposed of under the approvals we have.

**Senator ROBERTS:** On notice, can we have a copy of the overall plan?

**Mr Barnes:** I don't know if it is in the construction approval documentation.

**Mr Whitby:** I presume it is.

**Mr Barnes:** I think it is a public document—

**Senator ROBERTS:** I'd hope so.

**Mr Barnes:** so we can give you a link on notice.

**Senator ROBERTS:** Minister, will the Commonwealth make a provision in the budget against future medical claims for workers on this project who will be exposed to asbestos? Do you acknowledge the risk and the government's liability?

**Senator McAllister:** I think that questions about the financing of this project generally are to be asked of the Department of Finance. I understand the question that you're asking. It may be that officials have additional information to provide, but I think it's a Department of Finance question.

**Senator ROBERTS:** No-one knows if there's a considered contingency for a liability?

**Senator McAllister:** I think the Commonwealth has broad provisions to manage risks, but it's probably one for the Department of Finance, who are broadly responsible for the financing strategy, as the shareholder minister.

**Senator ROBERTS:** Mr Barnes, you're the chief executive officer. Could we get that from you on notice?

**Mr Barnes:** We don't make a provision for that circumstance. Our job is to make sure no-one is exposed.

**Senator ROBERTS:** If Snowy Hydro was terminated right now and the site put back how you found it, what would be the cost to taxpayers?

**Mr Barnes:** We have spent \$5.3 billion to date. We have not considered the cost to stop the project; we're focused on finishing the project.

**Senator ROBERTS:** So you haven't calculated the cost of expenditure so far plus cancellation and the cost of remediation?

**Mr Barnes:** No.

**Senator ROBERTS:** Has anyone from the current government or the previous LNP government asked you for that figure, or some version of it?

**Mr Barnes:** Not that I'm aware of.

**Senator ROBERTS:** Thank you.

**CHAIR:** Senator Cadell.

**Senator CADELL:** I'm not in full Rain Man mode, but I've just gone through the business case and some numbers as best I can. You raised the 10 per cent increase in capacity last time. That's from better generators or a fudge factor on the generators we've got in there; is that correct?

**Mr Barnes:** The provider of the equipment, Voith Hydro, always had an overcapacity obligation.

**Senator CADELL:** Yes, I think you mentioned that last time.

**Mr Barnes:** As we opened up the relationship and worked, technically, more closely together, they were able to guarantee that through a little bit more analysis.

**Mr Whitby:** The machines themselves were individually specified with a 10 per cent overload capability, but originally the station wasn't specified, on total, with 10 per cent, so we worked closely with Voith to achieve that on the station, basically.

**Senator CADELL:** This is where I'm really struggling with my memory. I'm thinking about frictional losses. On the original 2018 case, under the water frictional losses, when we were running at 1,000 megawatts, I think we were at about 75 per cent frictional loss.

**Mr Whitby:** At full station capacity.

**Senator CADELL:** I thought when we went to 2,000 we were at 67.

**Mr Whitby:** No.

**Senator CADELL:** It was always 70?

**Mr Whitby:** I believe so.

**Senator CADELL:** At full station?

**Mr Whitby:** Yes.

**Senator CADELL:** No matter whether it's 2,000 or 2,200?

**Mr Whitby:** Yes. The curve is very exponential, so it definitely wasn't at half the station capacity.

**Senator CADELL:** What is the frictional loss at 2,200?

**Mr Whitby:** I'd have to take that on notice.

**Senator CADELL:** I'm okay with what you say about the greater differential, from 85 to 100 megawatts. I think that's understandable with the industry market at the moment. But to get these sorts of numbers—I've just done, literally, a 15-minute back-of-the-envelope thing—we're pumping and generating longer under this plan?

**Mr Barnes:** Yes, in that there's more volume pumped, because it's 10 per cent bigger, but also we see more opportunity, because of the success of renewables, to be pumping longer.

**Senator CADELL:** Under this model that we have, where we're talking about these numbers, what's the estimated pump time and estimated generation time per day?

**Mr Barnes:** It's hard to do per day off the top of my head, but the generation is 5.3 terawatt hours.

**Senator CADELL:** Yes, up from 3.5 originally.

**Mr Barnes:** And the pumping would be 20 to 25 per cent above 5.3 terawatt hours. So the facility will be doing something about two-thirds of the time, whether it's pumping or generating.

**Senator CADELL:** So we need uptime on every generator and every pump of at least 16 hours a day.

**Mr Barnes:** Yes. A hydro plant is incredibly reliable for a very long time.

**Senator CADELL:** Okay. I'm just spitballing. Accepting the uplift, accepting the generator stuff, accepting the frictional loss doesn't increase like you're going to tell me, because it gets exponentially better—I just remembered, I thought it was 75 in 1,000 in the original case?

**Mr Barnes:** No.

**Senator CADELL:** Okay. Operating for 16 hours a day, we think it's reliable. So you're standing by the business case?

**Mr Barnes:** Yes.

**Senator CADELL:** Good. Just very quickly on environmental stuff, I noticed in the response to the NPA's letter, you mentioned about six plans yet to be approved or applied for.

**Mr Barnes:** We're down to five now.

**Senator CADELL:** Which ones have been completed and which ones are still outstanding?

**Mr Barnes:** I don't have it off the top of my head. There are so many acronyms. We're happy to give you the release on that.

**Senator CADELL:** Can you tell me on notice which five are still outstanding and their status and which one is completed?

**Mr Barnes:** Yes.

**Senator CADELL:** Going through that report, the last penalty was in January 2024. It was a \$15,000 fine to WeWork for an event that happened in 2023. Are there any ongoing actions from incidents that have happened? That fine was 12 months after the incident. Are there any other ongoing investigations or things like that?

**Mr Barnes:** There's been one subsequent fine to a company called Lead Engineering, who were a sub-subcontractor, for a discharge of water.

**Senator CADELL:** How much was that fine?

**Mr Barnes:** It was \$15,000. We're currently working two enforceable undertakings. One is associated with filling in the sinkhole above Florence, which this week now looks like it's pretty finished. And there were elevated nitrate levels identified on our spoil tip, which we're working with the EPA to remediate. We're working well. There are no problems. They're all the ones I can think of that are on foot.

**Senator CADELL:** So that's three or four \$15,000 fines to subbies or contractors?

**Mr Barnes:** It would be in that order. We, Snowy, also got fined four times \$15,000 for the late delivery of those management plans.

**Senator CADELL:** But there were six of them.

**Mr Barnes:** They only fined us on four.

**Senator CADELL:** That's nice—a group discount.

**Mr Barnes:** We were in close consultation with the regulators on the content of those plans, so it was a little perplexing to be honest.

**Senator CADELL:** So you've been fined for four of them. Five are outstanding. Are there other actions that can be taken if they aren't lodged by certain times?

**Mr Barnes:** I think we can incur further fines, but, for example, one of the management plans is on its seventh draft in consultation with the relevant regulators, so we're incredibly well engaged on the topic.

**Senator CADELL:** Last time the conversation was around about a 1.6 equity injection, from memory. Is that still the case?

**Mr Barnes:** I think it was 2.6, and it's been confirmed as 2.6.

**Senator CADELL:** I'm not sure that was the answer last time, seeing as I read it about 15 minutes ago.

**Mr Duggan:** This was an announcement as part of the budget.

**Senator CADELL:** So it has increased to 2.6 now?

**Mr Barnes:** You might have the paperwork in front of you. I think it was always 2.6. I may have got it wrong at the time.

**Senator CADELL:** Is that all we're getting, Minister? That's the budget now? That's all that's going in?

**Senator McAllister:** The budget makes a provision for 2.6 in equity, and I think it also sets out a loan arrangement.

**Senator CADELL:** How much was the loan?

**Senator McAllister:** It was \$4.5 billion.

**Senator CADELL:** That's up to more than six, which is the extra money. I think you need an extra six—from six to 12. Or is that total for the whole project?

**Mr Barnes:** We fund Snowy at the corporate level, so we have a mix of cash flow, debt and equity injection. The permanent equity injection in this budget was \$2.6 billion. The construction loan of \$4.5 billion, if not provided by the Commonwealth, would have been provided by public debt markets, so we don't really think about it as a matching exercise. It's a corporate funding package, obviously through a period of high capital spend on Snowy 2. The \$4.5 billion, of course, is expected to be repaid promptly.

**Senator CADELL:** 'Government promptly'? How promptly is 'promptly'? Are there terms to it?

**Mr Barnes:** That's being worked through with Finance.

**Mr Duggan:** Obviously, for competitive neutrality purposes it's charged a commercial, competitively neutral interest rate. Snowy has to repay the loan under the terms, effectively on project completion, so this is a construction loan to essentially see them through to that period. So the repayment occurs from about 2029 forwards.

**Senator CADELL:** In a lump sum or over time?

**Mr Duggan:** That is a question. It's being managed by the Department of Finance. Any more detail would probably be best put to Finance.

**Senator McAllister:** I think that's why we're both looking. We have these headline numbers, but it is the Department of Finance that leads on the financing arrangements.

**Senator CADELL:** That's all I have.

**CHAIR:** One question for Senator Roberts.



**Senator ROBERTS:** Could I please have on notice, Mr Barnes, the latest earned value management report?

**Mr Barnes:** We're able to provide the earned value figure on notice.

**Senator ROBERTS:** Yes, please. That's what I meant. Thank you.

**CHAIR:** Senator Davey.

**Senator DAVEY:** Just very quickly, on the transmission lines that will connect Snowy 2.0 to the rest of the world, which are going through the national park: the construction of those transmission lines is not Snowy Hydro, is it?

**Mr Barnes:** There are two elements to the construction. There is the connection from Snowy 2.0 to the connection point at Maragle, which we refer to as the shallow connection, and that is Snowy's responsibility that we have contracted Lumea, a division of Transgrid, to build for us. We will pay for that over time as a tariff.

**Senator DAVEY:** And that's going through a portion of the national park?

**Mr Barnes:** Yes.

**Senator DAVEY:** My understanding is that, for the project, there are eight kilometres through the national park.

**Mr Whitby:** It's of that order, yes.

**Senator DAVEY:** And is that all the Snowy portion that you've contracted Lumea to do?

**Mr Barnes:** Yes.

**Senator DAVEY:** I note the New South Wales parliament has already had one inquiry into transmission lines under- and over-ground, and I believe—I'm not sure if it's completed yet—there was a second inquiry instigated. Given Snowy is tunnelling already—however successfully or otherwise—did Snowy consider using the boring tunnels you've already got to tunnel the transmission lines for that eight kilometres that's through the national park's pristine highland environments?

**Mr Barnes:** I'm no expert, but I think tunnelling a hydro-waterway is a very different technique to undergrounding a transmission line. It was before my time, but I think there was a—

**Mr Whitby:** Certainly Transgrid considered the options, and there was a great deal of debate and scrutiny on that decision, but the answer, in terms of using the TBMs for that, was no.

**Senator DAVEY:** My understanding is that the National Parks Association of NSW was taking the state government to court over that eight kilometres. Do you have any update on where that court action is, or have you been involved in that court action or brought into it all?

**Mr Barnes:** No. I think it was between NPA and the National Parks and Wildlife Service of New South Wales. I think there was a judgement just before Christmas. I will note—it's sort of tangential to your question—that the shallow connection will, I think, take up 80 hectares. It's not part of our approval, but, through a reconsideration of the transmission in and out of the park, we are releasing 140 hectares back to the park. So this activity will make a net contribution of some land back to the park.

**Senator DAVEY:** I'll look up that judgement. Thank you.

**CHAIR:** Thank you very much. We will let you head home.

### **Department of Climate Change, Energy, the Environment and Water**

[20:04]

**CHAIR:** We will now return to program 1.2, Support reliable, secure and affordable energy, and we will go to Senator Sharma.

**Senator SHARMA:** I was hoping to ask about the Capacity Investment Scheme. Can we get those witnesses at the table. Could we just start with a quick explanation, for my benefit, of the Capacity Investment Scheme. It was originally announced, and then an expansion of it was announced in November last year. For my own benefit, can I get an explanation of how the scheme works and what its current structure and design are?

**Mr Brine:** Yes. At a high level, the Capacity Investment Scheme is seeking competitive tender bids for 32 gigawatts of additional renewable generation and storage capacity to deliver the Australian government's 82 per cent renewable energy target by 2030. The expanded scheme was announced in November 2023. That built on an earlier scheme which was focusing on delivering six gigawatts of dispatchable power and had been announced the previous year.

**Senator SHARMA:** Okay. The earlier scheme was six gigawatts of dispatchable power, and the new scheme is 32 gigawatts. What's the breakdown between dispatchable and—is it non-dispatchable?

**Mr Brine:** Yes. It was initially six gigawatts of dispatchable, and that was increased to nine, and there are 23 gigawatts of variable renewable energy

**Senator SHARMA:** How does the scheme work? It's effectively an underwriting scheme; is that right?

**Mr Barnes:** That's correct. There are a series of tenders that would be run, negative auctions where project proponents will bid in proposals. They'll bid in a floor level of support. So, if their revenue falls below the floor, they receive support from the Australian government. If their revenue's above a ceiling, they share some of those revenues with the Australian government. And there's a cap nominated each year for a total amount of support that the project proponents can receive from the government. So there are three biddable variables.

Those proposals are assessed through a two-stage process by our tender delivery partner, a subsidiary of AEMO, AEMO Services Ltd. They'll model a variety of scenarios. They'll look at the level of financial support that may be expected to be provided in those different scenarios, given the biddable variables that have been lodged. Importantly, though, they'll also look at how much confidence they have that the project will actually be delivered, the track record of the project proponents and the contribution that those projects will make to the local community and to First Nations peoples.

**Senator SHARMA:** It's a request for tender you put out?

**Mr Brine:** That's correct.

**Senator SHARMA:** But the request for tender doesn't state the floor price or the ceiling price?

**Mr Brine:** That's correct. They're biddable variables. It will state the level of support that we'll provide when revenue falls below—so we provide 90 per cent revenue support of the gap between their floor and what their actual revenues are. And it states the revenue sharing, so the 50 per cent; we share revenue above the ceiling. But the biddable variables are up to the project proponents. We're really trying to extract innovation and extract the power of the market to drive the best projects to deliver the mix of reliability and affordability that we'll need over the coming years.

**Senator SHARMA:** Okay. What would be a typical size in a response to the request for tender—a half-a-gigawatt project to a two-gigawatt project? What's normal in this market?

**Mr Brine:** It's variable. It varies a little bit across the dispatchable component, the variable renewable energy component and the types of projects. Mr Mazouz might have some figures in mind.

**Mr Mazouz:** The minimum is 30 megawatts. It will vary depending on the kinds of projects we'll be getting. We don't have the statistics yet.

**Senator SHARMA:** When did the first iteration of the scheme begin for the six gigawatts of dispatchable power?

**Mr Brine:** The first standalone auction commenced in December last year. There was a discussion paper put out in August 2023, and then the first auction commenced in December. That was targeted at dispatchable power in Victoria and South Australia. It was seeking 600 megawatts of proposals, with 200 in Victoria and 200 in South Australia. The remaining 200 could be in either jurisdiction. We were looking for four-hour-equivalent batteries. That's 2,400 megawatt hours in total or 2.4 gigawatt hours. The tender received 59 gigawatt hours worth of bids. We were seeking 2.4 and received 59 gigawatt hours worth of bids. That's a very strong response from the market. The most meritorious projects were then selected to enter stage B—the detailed financial modelling assessment—and 10.2 gigawatt hours worth of projects were pushed into that stage B assessment. We could have selected more. The proposals we received were quite meritorious, but we needed to draw the line at a level our tender delivery partners could conduct the assessments at in a sensible timeframe.

**Senator SHARMA:** Has the stage B assessment concluded?

**Mr Brine:** The stage B proposals are required to be lodged by Friday this week. Then the tender delivery partner will conduct their detailed assessment with a view to having final proposals put to the minister for approval an announcement in August or September this year.

**Senator SHARMA:** That would be for 600 megawatts of dispatchable power. Will those be the first projects announced under this capacity investment scheme? It will be the first—

**Mr Brine:** That's correct. There was an earlier trial that leveraged the existing New South Wales roadmap infrastructure. The government funded a number of projects under that. There were six successful projects announced totalling 1.1 gigawatts of renewable energy. But the South Australia and Victoria tender will be the first standalone CIS tender.

**Senator SHARMA:** Once that announcement of the successful tenderers is made, what is the indicative timeframe for delivery?

**Mr Brine:** Ms Wiltshire might have more details. There was a target operational date for the VIC SA tenders.

**Ms Wiltshire:** The target operation date for those projects is 31 December 2027. Projects don't have to meet that timeframe, but that's the indicative timeframe that we're aiming for. Some may be before or after that time.

**Senator SHARMA:** Is it correct to say that most of these projects are greenfield developments? Does land need to be acquired, depending on the facility that we're building?

**Mr Brine:** I doubt they'd be greenfield. They will be looking for projects that had their planning approvals through and had a plan for connections. To be competitive in that stage A process, you need to show that you can credibly deliver within that timeframe. If you were completely greenfield and hadn't secured those approvals, that would be out of the question.

**Senator SHARMA:** For the second phase, then, of the Capacity Investment Scheme—this is the 23 gigawatts of renewable capacity and 8.4 gigawatts of dispatchables that we've got left on the balance sheet—what's the timeline and the process for those?

**Mr Brine:** We've got the first variable renewable auction commencing on Friday. It actually opened for registration on the 16th of this month. A design paper for that auction was released in February. We got a lot of submissions—100 submissions—in relation to that. We conducted a public webinar in March to inform the design which had more than 500 participants. We put out a market brief earlier this month, and it opened for registrations on the 16th. This Friday we'll open that for the stage A bids to commence. We'll release the detailed guidelines, and it'll open for bids on Friday. That will be six gigawatts of variable renewable energy.

**Senator SHARMA:** In that guidance or those guidelines that you're putting out to accompany that, is there an indicative timeline for delivery of those six gigawatts of variable renewable energy?

**Mr Brine:** We haven't released the guidelines yet. We did release the market brief, though. Did we identify a target?

**Ms Wiltshire:** As Mr Brine said, all of the details will be clearly outlined in the tender guidelines, which will be released at the end of the week when the tender is open, but the market brief that was put out a few weeks ago aimed to have the whole process concluded indicatively by the end of the year. The stage A bids will close around 1 July.

**Senator SHARMA:** In terms of actually delivering the six gigawatts or the particular project—you mentioned 31 December 2027 for the first phase. Have we got an indicative timeline for this next tranche?

**Ms Wiltshire:** This will be outlined in the tender guidelines. We expect the commercial operation date for those projects to be, I think, at the end of 2028-ish. That will all be clearly outlined in the tender guidelines. But, again, projects that can deliver sooner are likely to be found of higher merit than those that are operational at a much later date.

**Senator SHARMA:** Is there a timeline beyond this for the capacity? I gather the expanded scheme will be rolled out from 2024 to 2027. You've got regular, ongoing competitive tenders happening. When do you expect to have issued tenders for the entire 32 gigawatts?

**Mr Brine:** The tenders for the national energy market for the east coast will be run every six months. The next tender will be conducted in November—it will open in November—and that will be for another four gigawatts of variable renewable energy and two gigawatts of dispatchable. We'll run them at the same time, and we'll continue to run variable renewable and dispatchable auctions together for the NEM every six months. So there will be five more auctions.

We're also running separate auctions in Western Australia. The first of those auctions will commence in late June or early July of this year. The objective there is to have the auction conducted in time so the successful projects can participate in Western Australia's Reserve Capacity Mechanism, which I think closes in March 2023.

We've announced the schedule of 2024 tenders, and I think the government, later this year, will announce the plans for auctions after that. That does give a strong sense to market participants that, if they don't have their bid ready for May, there are future auctions that they can participate in. If they do need that time to improve the quality of their bid, that time is available, and there is a predictable cadence of future auctions that have been committed to.

**Senator SHARMA:** The timeline for the government's renewables target is 82 per cent by 2030, right? I guess my question is: are these projects likely to have borne fruit by 2030 such that they make a meaningful contribution to that?

**Mr Brine:** We have the first six of the 23, so a quarter of that, coming up in this May auction.

**Senator SHARMA:** In this next round of tender auctions.

**Mr Brine:** The experience with the Victorian auction gives me some confidence that the market has confidence in the product. We were very pleasantly surprised at the strong response. When I talk to project proponents, I get the strong sense that people are accelerating their projects to ensure they can participate in the schemes. It is certainly having the effect of accelerating the deployment of renewables.

**Senator SHARMA:** On the underwriting component, if you conclude a commercial arrangement with a provider of renewable energy or dispatchable power, and the price they're selling into the market at is less than the floor that's been negotiated, you said the Commonwealth carries 90 per cent. Is that a fixed figure?

**Mr Brine:** That's correct. There are special, technical rules around negative pricing events. Negative pricing events will be deemed to be \$0 and will cover, essentially, 90 per cent of the difference between zero and the floor. But each project proponent will nominate an annual cap, so our liability is constrained to that cap, so we know exactly what the Commonwealth is taking on when it signs these contracts.

**Senator SHARMA:** Is there an overall cap on the Commonwealth's liability that it'll sign up to for this?

**Mr Brine:** Yes, there's a budget that the government will approve.

**Senator SHARMA:** What is that figure?

**Mr Brine:** That's not for publication. The government decided that would not be for publication when they announced the policy. There's \$200 million over nine years that has been put aside for departmental costs—to design the scheme, administer the auctions and manage the contracts after they've been signed. If we were to announce the budget for the scheme, that would undermine competitive tension in the scheme. We'd essentially be telling project proponents the maximum we'd be prepared to pay, so it would, I think, weaken some of those market incentives we were talking about, and compromise our ability to deliver value to the taxpayer.

**Senator SHARMA:** How will this be treated in the budget papers, though, once it starts to fall within the forward estimates period—because it's a contingent liability, right?

**Mr Brine:** It is. That's correct.

**Senator SHARMA:** How will you treat this? Obviously, the Commonwealth and taxpayers should know what the size of that contingent liability might be.

**Mr Brine:** That's right. In MYEFO, before this policy was announced, there was a measure that sort of explained the treatment, and you can see the budget treatment in a number of places. The total financial impact wasn't published separately. It is included in the 'Effect of policy decisions' line in the MYEFO statement of expenses table, which you'll find on page 83. It's also included in statement 6 of the budget papers—that's the functional split of the budget—and it appears under the 'Fuel and energy' subfunction. There is a detailed entry in the statement of risks in MYEFO, and that notes that the budget impacts will be determined by future energy costs and the fine details of the design of the scheme. These risks will be included in the statement of risks each time the budget's updated, with an updated entry of the risks that the Commonwealth are managing and the nature of that contingent risk you referenced.

**CHAIR:** We'll share the call in a minute, if you want to wrap up that line of questioning.

**Senator SHARMA:** Just a couple more quick questions, if I could. If the Commonwealth does need to pay these providers because the price falls beneath the floor, is that just going to be borne on the balance sheet or is that going to be passed on to consumers or put onto retailers? How will that work?

**Mr Brine:** That will be borne on the budget. That would be an expense in the budget, falling under the 'Fuel and energy' subfunction of statement 6.

**Senator SHARMA:** I think I'm correct in saying that there's a scheme in the ACT which is a little similar to this, right?

**Mr Brine:** In New South Wales there's a scheme—

**Senator SHARMA:** The Large-scale Feed-in Tariff Scheme or something?

**Mr Brine:** I think it's more similar to the scheme that previously operated in New South Wales.

**Senator SHARMA:** But that one works through a network charge, doesn't it?

**Mr Brine:** It is recovered; that is correct.

**Senator SHARMA:** It's recovered from the consumer.

**Mr Brine:** That is correct, yes.

**Senator SHARMA:** There's no proposal or mechanism to do that here—

**Mr Brine:** No.

**Senator SHARMA:** so that the user bears the cost themselves or bears a component of the cost?

**Mr Brine:** That's correct. But, in the event that the scheme is successful and the renewable energy is deployed, you would expect, with 32 additional gigawatts of renewable energy and everything else constant, that prices would be lower. So, in the event the scheme is a success, prices are lower. So, while the government is outlaying funds to support project proponents, consumers are also enjoying lower prices and businesses are becoming more competitive as one of their key inputs is at a lower cost. It's almost, in a sense, that the world in which the scheme is making payments is a world where we're delivering affordable energy for consumers and businesses.

**Senator SHARMA:** When the arrangements are concluded with the providers that been through the stage A and stage B processes, will the commercial details of that arrangement be published—the floor price, the ceiling price, the Commonwealth's liability and the profit-sharing arrangements above it? Will all of those elements be published?

**Mr Brine:** I think we're looking at, again, the approach with the ELTESA. There are details published about the successful bids, and, yes, we'd look to follow that example. We haven't worked the exact details of that out yet. We'll nail that down with our tender delivery partner over coming months, but we'll definitely look to provide a degree of transparency over the outcomes of the scheme.

**Senator SHARMA:** This is a very simple question—a fundamental question, though: what's included in this? Can you get funding for a gas project, for instance?

**Mr Brine:** Not a gas project. It needs to be a renewable energy project, consistent with the definition that was used for the LRET. It's technology neutral, though, amongst renewable energy projects. I think the experience with South Australia—

**Senator SHARMA:** Solar, pumped hydro, wind—what are the sort of—

**Mr Brine:** Yes—lithium ion batteries, wind, solar and firmed solar. They would probably feature most prominently in the scheme, I suspect.

**Senator SHARMA:** What interaction will this have with the gas market, though? AEMO expects the importance of gas as a firming agent for a grid that's dominated more by renewables is going to grow, but is this going to have some sort of competitive impact on the provision of gas? It's an intervention, so it distorts the market to a degree. How does this sit with gas in the transition strategy?

**Mr Brine:** As Mr Duggan was mentioning earlier, the future of an energy sector with high renewable energy penetration is still a future with a significant role for gas in a firming role. I don't think there's any doubt that there's a significant future for gas in the energy sector.

**Mr Duggan:** Again, the Capacity Investment Scheme effectively takes us from what we were projecting to be the 2030 outcome, which was in the order of 68 per cent renewable penetration, up to the 82 per cent that the integrated system plan would have for AEMO under the step change scenario. Under the step change scenario you do see, again, a significant role for gas to provide the firming that enables the renewables. It's all consistent with that sort of plan.

**Senator SHARMA:** So the assumption is still that gas is going to play a significant role in the future.

**Mr Duggan:** Yes, just not supported through this scheme.

**Senator SHARMA:** Because we have confidence that the commercial market is sufficient to incentivise the provision of peaking gas power plants and things?

**Mr Duggan:** Yes. I guess at this stage there's not a sense that we do need to provide that sort of support. The other thing I would point to is that the Capacity Investment Scheme is being rolled out with the states and territories. We're doing this as part of renewable energy transformation agreements. In those agreements there are bilateral schedules. Our contribution to firm capacity is the Capacity Investment Scheme. Different state governments are also seeking to make their own investments and their own contributions through their own schemes, so we're not seeking in any way to define the way state governments might approach that challenge of retaining the firming capacity that's needed in their jurisdictions. But, from the Commonwealth point of view, it's built around clean, dispatchable energy. That's what the Capacity Investment Scheme's there to support.

**Senator SHARMA:** Just so I understand, the second phase of the Capacity Investment Scheme—its expansion from six gigawatts to 32 gigawatts—was prompted by a realisation that we weren't going to hit an 82

per cent renewable energy target by 2030, and we had to find a way to address that gap. Is that right? I'd gathered that from what you'd said earlier.

**Mr Duggan:** Yes. When that expansion was announced by the government, it was very evident that, in order to get to 82 per cent, there was an acceleration in renewable energy investment that we needed to see. The reason for that—and the reason for the underwriting support—is that obviously, when you're getting to higher levels of renewable penetration, you are getting to levels of prices that start to affect the economics, so, to get that acceleration, providing that underwriting support is what provides the incentive and the bankability around these renewable energy projects to get them into the system. So, yes, I think it's reasonable to say the government did see a need to provide that kind of support to get more renewables in quicker in order to achieve the 2030 target, which, as you know, is fundamental to the 43 per cent emissions reduction target. It all held together in that regard.

**Senator SHARMA:** I just have one final question if I might, Chair.

**CHAIR:** Certainly.

**Senator SHARMA:** Just so I can understand the scale of this, what does 32 gigawatts represent in terms of the production capacity of, say, the overall Australian energy market, the east coast market?

**Mr Brine:** I think it's about half of the NEM.

**Senator SHARMA:** Is the NEM about 64?

**Mr Brine:** Yes.

**Senator SHARMA:** What's Western Australia? This project operates nationally, so you've got projects in Western Australia too.

**Mr Brine:** That's right.

**Senator SHARMA:** Do we know what Western Australia is, roughly?

**Mr Brine:** I don't have the figure for WA. It's significantly less than that, but—

**Senator SHARMA:** Is it six to 10 or something?

**Mr Brine:** I don't know the figure.

**Senator SHARMA:** Okay. So this is a pretty sizeable chunk? It's like half the size of the NEM.

**Mr Brine:** Correct. It's very significant.

**Senator SHARMA:** Okay. Thank you, Chair.

**CHAIR:** Thank you. We will take a short break and come back with outcome 1.2 in continuation.

#### **Committee suspended from 20:31 to 20:41**

**CHAIR:** We will resume with program 1.2, Support reliable, secure and affordable energy. We are going to release the Australian Energy Infrastructure Commissioner, given that it's just an acting appointment at this point in time, but Senator Cadell does have a question to pose now. We'll do that first, before we continue.

**Senator CADELL:** Mr Duggan, given that the acting Energy Infrastructure Commissioner is a temporary appointment, how is the recruiting for that going? Do we have a timeline or anything like that?

**Mr Duggan:** I'll hand over to Ms Bennett, who is running the recruitment process, to give you your answer.

**Ms Bennett:** We've just appointed a search firm to undertake the recruitment for the permanent Australian Energy Infrastructure Commissioner. We expect the position will be advertised very shortly, and then we'll obviously progress the appointment as soon as possible after that.

**Senator CADELL:** Is there an estimated timeline? Someone in place? Years? Months?

**Ms Bennett:** No. As soon as we can. Mid-year is what we're aiming for.

**Senator CADELL:** Okay, that is good.

**Ms Bennett:** Which is soon—as soon as we can.

**Senator CADELL:** That is the only question I have on that. Thank you, Chair.

**CHAIR:** Fantastic. We will go to Senator Payman.

**Senator PAYMAN:** My question's just on the back of Senator Sharma's questioning on the Capacity Investment Scheme. Is it correct that AEMO has been warning about the need to accelerate investment in generation for numerous years through various publications such as the ISP and the Electricity Statement of Opportunities? I think that's just a yes or no.

**Mr Duggan:** Yes, that's correct—in fact, most recently with the release of the Electricity Statement of Opportunities, which, as we discussed earlier in response to a previous question, is really about providing the market with clear information about where the opportunities exist to invest in order to ensure that we've got enough supply-side capacity there in order to meet future demand. So, yes, for several years now, there's been a very clear signal stamp over the 10-year period of the ESOO, as we call it, about that need for additional investment, and the Capacity Investment Scheme will be one of the instruments which will help to deliver on that additional capacity.

**Senator PAYMAN:** From my understanding, ESOO is agnostic about emissions reductions and is a document focused on ensuring reliability in the system. Can you confirm that the need for greater generation investment, as presented by AEMO, has been about ensuring reliability of the system?

**Mr Duggan:** Yes, certainly. The most recent Electricity Statement of Opportunities identified that there is a need—looking at the east coast electricity market—in most jurisdictions for additional investment over the short to medium term in order to provide the generation capacity that's required for Australia. The most recent iteration of that, consistent with what we've seen in the last few years, has demonstrated that need just for continued investment. Again, the Capacity Investment Scheme is part of the solution to that.

**Senator PAYMAN:** What's the difference in reliability forecasts when the capacity scheme is included?

**Mr Duggan:** I might turn to my colleague Ms Pang on this one. The *Electricity statement of opportunities* incorporates a policy sensitivity scenario that includes elements of the Capacity Investment Scheme but, importantly, not all of the Capacity Investment Scheme. It's important here to make that distinction, but I'll pass to Ms Pang.

**Ms Pang:** As Mr Duggan mentioned, the recent *Electricity statement of opportunities* update released on 21 May provided a number of tables within it, and it provided a reliability forecast against a sensitivity scenario that incorporated all federal and state schemes. Within that, there were the Capacity Investment Scheme tenders that are public; however, it does not include the full 32 gigawatts that has been committed under the Capacity Investment Scheme. Noting that sensitivity does not include the full Capacity Investment Scheme allocation, it still did provide that, under the federal and state scheme sensitivity, the reliability gap has really shrunk down. As an example, without including the sensitivity, the gap in 2025-26 in New South Wales could be equated to 1,040 megawatts. However, following it, the gap really diminishes to just 865, or even in this year, in 2024-25, it moves from 270 to zero in New South Wales. So that demonstrates that, through actions such as the Capacity Investment Scheme and other state schemes like New South Wales's LTESA, the market is responding, and federal and state schemes are helping to close that reliability gap.

**Senator PAYMAN:** Based on the latest *Electricity statement of opportunities* released last week, will the Capacity Investment Scheme improve the reliability outlook? If so, can you confirm that the ESOO did not take into account the May and future Capacity Investment Scheme tenders?

**Ms Pang:** Yes, I can confirm that.

**Senator PAYMAN:** Finally, what would the impacts of a slowdown or pause in renewable storage and transmission investment mean for that reliability outlook you were just mentioning?

**Ms Pang:** Was that a slowdown in investment?

**Senator PAYMAN:** A slowdown or pause in renewable storage and transmission investment.

**Ms Pang:** What would that mean for the reliability gap?

**Senator PAYMAN:** Yes—the outlook of the gap.

**Ms Pang:** It would not be ideal. The reliability gap would remain if investment slowed or paused. One example as well is if you look back at the 2018 ESOO—I guess this is an example of how the ESOO is actually working—the forecast showed quite a gap even from the reliability standard, which is the less conservative of the two reliability metrics used in this year in, I think, New South Wales and Victoria, and those have closed. As we see, it's more of a comparison to the interim reliability measure, which is far more conservative, and that just demonstrates that, in a five-year period as an example, the ESOO is working to provide market signals for investment and to bring on new generation.

**Senator PAYMAN:** Wonderful, thank you. That's all from me, Chair.

**CHAIR:** Senator Cadell.

**Senator CADELL:** I might stay on this topic while you're here. I note that in AEMO's report, every state—other than our Tasmanian brothers—goes above the reliability standard by 2031, under their scenario, in terms of shortfalls. We've seen Eraring extended for a couple of years at least, since that report. I think, in answer to my

question on notice in April, the department said it hasn't been asked for a brief on the extension. Are we looking at the effect of extensions of current generators on this? Has there been a report? Has the minister asked for a report on the extension of Eraring and what this does for energy security and/or emissions?

**Mr Duggan:** In terms of the energy security element of it, the decision or the agreement to extend Eraring is obviously an agreement between the New South Wales government and Origin. The Commonwealth wasn't party to that agreement. But it's fairly readily calculable on the basis of what's been released publicly: two units of the Eraring Power Station continuing through for two additional years from August 2025 to August 2027. Considering what megawatts are provided through that and then applying that to the reliability gaps that were in the ESOO can give you a good sense of what contribution that agreement between the New South Wales government and Origin will make to closing the reliability gaps in New South Wales.

**Senator CADELL:** My concern is the turbo lag between cash investment and the generation. I think Western Sydney University and the ANU have looked at how long it takes to go from FID to commission for average wind projects. The last time I looked, for a solar development it was 41 months from FID to commissioning, and for wind it's 53 months, under their scenarios. I think in New South Wales it's even worse. It can vary state by state based on planning and all sorts of things. If we're talking about this 2030 scenario and if those things run true, we almost need a four- to five-year final investment decision to meet that criterion. Given that we are 5½ years away from 2030, it's a very hard thing to get these things happening on the ground, isn't it?

**Mr Duggan:** In response to Senator Sharma's question, the evidence given by my colleagues was that we've set target generation dates and we will continue to set those as part of the tenders. The first one of those is set for 2027. As the tenders roll through, those dates, of course, will continue to roll through. You're right. From concept through to generation, of course you need to go through all the various steps to get a project up and running. But I think the evidence also went to the fact that those projects that are relatively well advanced—be it in approvals or access to long lead items, all the things that go towards getting you in a position to be able to generate—will be assessed as being most meritorious and those projects will be the ones that get the support because, as we've described before, the Capacity Investment Scheme really is about accelerating and getting that capacity in prior to 2030. So everything built into the tender arrangements and the merit criteria is designed to achieve that outcome.

**Senator McAllister:** I'll just complement that. Mr Duggan provided evidence earlier about the RETAs—the bilateral agreements with each of the states and territories. They too are designed to address some of the non-financial barriers to entry for these projects, including planning systems, and also to provide greater certainty for an orderly transition and the exit of some of the ageing coal-fired plants.

**Mr Fredericks:** I can complement that. We can talk about this tomorrow in outcome 2 if you like. Of course, in the budget there have been considerable additional resources provided to, effectively, the regulator within DCCEEW in order to lean in and drive more efficient environmental assessment processes in the Commonwealth's realm. You know well, Senator, that, ironically, the Commonwealth role in that can actually be much more than is thought. But, nonetheless, we are seized of that issue. It's a proper issue that you're raising. I think the government has recognised that in budget funding, and we can talk about that tomorrow as well.

**Senator CADELL:** We might go to that. I know the AEIC is not there, and there are reasons for that. Given that report about 92 per cent of consultations—consultation, at the speed it's happening now, isn't working. That's one thing that probably could take longer and get better going forward. That's my concern. We're rushing. Are there penalties or concerns—going back to the capacity scheme and others—if they don't meet those generation dates? Is there a penalty if they don't meet those dates?

**Mr Duggan:** I might get my colleagues, who are putting together the tender guidelines on this. There will be test points at various points along the way. Once you've been successful in a tender, you need to continue to demonstrate, all the way through to final generation, that you've met certain project deadlines along the way. The reason for that is to ensure that we're not supporting projects where—to your concern—for one reason or another the timeframe gets pushed out. Of course, this is a scheme about supporting generation at 2030. So, if there are projects which do push beyond their expected completion date, there's the opportunity for the government to tender for additional projects—so effectively to return that money to the Commonwealth to then make that available in the next generation tender.

**Senator CADELL:** So there are penalties. They may have to return all the funding, if they can't meet—

**Mr Duggan:** They wouldn't have received funding because they only receive funding when they're—

**Senator CADELL:** If they did offset—

**Mr Duggan:** Effectively, what they lose is the contract which gives them the right to receive funding in future.



**Senator CADELL:** Wow.

**Mr Brine:** I might just mention that the approach we're bringing to this is consistent with the Commonwealth Procurement Rules. We're really looking for value for money. There's no point in us underwriting projects that look to be cheap but are never actually going to be delivered. In that value-for-money assessment, we're really looking for credible projects. It's very important that we choose the right projects at the outset, and that's why that stage A is really focused on project deliverability, and then, in the contract that's awarded, there are a number of provisions that Ms Wiltshire might speak to around milestones and cure plans.

**Ms Wiltshire:** The contract, or the Capacity Investment Scheme agreement, that successful proponents will sign does have quite a lot of milestones and checks and balances, if you like, leading up to when the project is actually developed. While underwriting payments wouldn't start until the project reaches that commercial operation date, along the way they have to provide us with significant reporting at quite regular intervals to show that they are making regular progress and developing their project in line with the timelines that were agreed. And then, if things do go wrong, there are things like cure plans as part of the contract that allow us to work with them to make sure that they are making progress, to rectify whatever issues are going on, so that we have full visibility of that. In the worst-case scenario, like Mr Duggan said, the projects would be terminated, but that would be as a last resort. We would work with—

**Senator CADELL:** The agreement will be terminated. The project may still go ahead with their own funding, but just not under the Capacity Investment Scheme anymore?

**Ms Wiltshire:** Yes. There are all sorts of scenarios. There could be a situation where the project itself may not go ahead, for example. But all things are possible.

**Senator CADELL:** To that point, we just had Snowy Hydro on. They've had their reset document. They've doubled their budget and taken a little bit longer than first anticipated many moons ago.

**Senator DAVEY:** They got bogged and wedged.

**Senator CADELL:** Things happen on these projects. I don't know many that have run on time. I'm not saying that I do not know any that have run on time. Has the department kept a reference of estimated dates and completion dates of projects around town? I can talk about what the Clean Energy Investor Group have looked at. I can talk about the Western Sydney uni. Do you keep an eye on other projects and how long they take, compared to what they think will do?

**Mr Duggan:** We're very attentive to that. AEMO is incredibly attentive to that, for the reason, of course, that they need to then manage the implications of projects running over. It has implications for reliability, as it does for generation. So we monitor that very closely, and that's given us the confidence, through the work that we do, to set the timeframes for generation that we're setting through these tenders, because we have a pretty good sense of what it takes to get projects from whatever point they are at now to the point of completion. That's been developed over a period of time.

**Mr Brine:** I would just add that part of the thinking behind frontloading the scheme—out of the 23 gigawatts of variable renewable energy, we are doing six in the first of six options and then four in the second.

**Senator CADELL:** We've got to hurry.

**Mr Brine:** Locking those in early gives us a maximum amount of time to deliver by 2030 but also gives us the flexibility that, if the project does seem to be going off the rails for some reason, we can, as Ms Wiltshire says, as a last resort, cancel that contract and we've still got time to re-tender and provide underwriting support to another proponent.

**Senator CADELL:** I might go on a different tangent now. I might also come back to this later. I think six Gippsland offshore feasibility licenses for offshore wind were issued in early May. Is that correct?

**Mr Gaddes:** Yes.

**Senator CADELL:** Five Indigenous consultation—

**Mr Gaddes:** No, another six in consultation with First Nations groups.

**Senator CADELL:** How many more can we expect? Are we looking at the Illawarra? Are we looking at the Hunter? Are they expected to be announced this year or this month?

**Mr Gaddes:** We've done three. We've finished consultation on three of the six priority areas. The other three have been declared. Feasibility licence processes have closed for the Hunter, so the Offshore Infrastructure Registrar is assessing those licences. There will be a number of licences to be granted there, so we'll have to go through the same process—preliminary decision, consultation and final decision.

**Senator CADELL:** Is there an expected timeframe on that?

**Mr Gaddes:** That's subject to the minister's timeframes. Southern Ocean is also open for feasibility licences. It closes in July. There's a similar process there. The minister will then make a decision to [inaudible] final three areas—Illawarra and either Bunbury or Tasmania—and then they'll follow the same processes.

**Senator CADELL:** Minister, I expect I know the answer, but are there any insights from the minister's office about when those might be announced for the Hunter?

**Senator McAllister:** As the evidence has already been provided to you, it's a decision for the minister.

**Senator CADELL:** I will take that. I'm from the Hunter. There has been—and I've stirred—significant concern over the issue.

**Mr Gaddes:** Thank you, Senator.

**Senator CADELL:** You're welcome! My concern is that, up until now, there has been a network of only five floating offshore generators. Are we not rushing a little bit to talk about there being 100-plus when that's never been done commercially anywhere in the world as part of what we're doing?

**Mr Gaddes:** I think the way to characterise that is that these are feasibility licences. By the nature of the licence, they go in, do all the testing, go and work up there and have got the project proposal. A lot of people think that, as soon as that feasibility licence is issued, there will be turbines there next year. Because the floating offshore wind technology is not as well-advanced as the fixed, it's fair to assume it will take them longer to work out the feasibility and technology and to consult and engage with the community about those concerns than it would in other areas. It's fair to say we think it will be quite rapid in Gippsland because it's fixed technology. It will be a considerably longer time for the feasibility licence holders to work up those processes for the Hunter and the Illawarra, where it's floating.

**Senator CADELL:** When people like me are running around saying, 'We'll cancel it; we'll pull it,' is that hurting investment security and certainty for these firms? Please say yes!

**Mr Gaddes:** That's an opinion. That's a bit tricky for me.

**Senator CADELL:** Have you heard comments that the investment security [inaudible] may be troubling for some of the proponents?

**Mr Gaddes:** It's very early days for the floating sector. It's very early days for the sector in Australia. As I said, some of the zones are more prospective than others. The other things that help investment certainty is the fact that the Victorian government has announced a tender and support for it there. There's a pipeline of things you would need as a proponent and certainty you would need to go and develop it, and it's all there in Victoria and Gippsland. Those elements aren't yet in place in New South Wales for the Hunter or Illawarra. The feasibility licence holders will have more work to do before they can have the certainty to develop their projects and table them.

**Senator CADELL:** Mr Fredericks, what role will DCCEEW have in the \$300 energy rebate? I know it's being handled by Treasury, but are you taking any role whatsoever?

**Mr Fredericks:** No; to be frank, that was a measure developed in the Treasury portfolio. It appears in the Treasury portfolio. It's to be delivered in the Treasury portfolio.

**Senator CADELL:** I'm going back again. Sorry; I'm all over the place because I'm going off people's testimonies in order. On the capacity investment scheme, it was said in evidence that the benefit might be that prices are lower across the economy at the outset of that. Wouldn't that see the Commonwealth government and taxpayers exposed to greater underwriting costs so that technically it's still being paid for, just by a different mechanism?

**Mr Duggan:** I think the evidence on the extent that the capacity investment scheme—and we expect it to be successful in getting more low-cost renewable energy into the system—was that you would anticipate that to have a downward impact on price. The implication of that, of course, is that the prospect of then getting to those bid floors increases. On the one hand, yes, there's a fiscal cost, but it's at a time when households and businesses are benefitting from lower electricity prices.

**Senator CADELL:** So it would be a subsidy paid by the taxpayer instead of the customer, basically. Senator Sharma was talking about the customer paying the rebate; the taxpayer would be doing it in this case.

**Mr Duggan:** The way I'd characterise it is that the taxpayer is providing the underwriting support to get that new renewable energy capacity into the market, and that's what drives down wholesale prices into the national

electricity market, into the WEM. So, yes, to the extent that the result of that is lower prices, that's obviously a good outcome for consumers.

**Senator CADELL:** I think you're coming tomorrow, so I won't go into the thing. Was your department or the government asked to help contribute to keeping Eraring open?

**Mr Duggan:** As I mentioned earlier, we weren't privy to and were not part of the contract negotiations between New South Wales and Origin.

**Senator CADELL:** I understand that, but did the New South Wales government not include in you in the contract or ask you at all to be involved in any—did they kick the tyres and see if there was any chance they could seek some help?

**Mr Duggan:** Not to my knowledge.

**Senator CADELL:** Okay. Chair, I have some very good news.

**CHAIR:** I feel like I need a gavel at this point—going once, going twice. Thank you very much, everybody. Thank you, committee, for your cooperation. That does conclude today's hearing. I'd like to thank all the witnesses for coming along and, to all those people who came along and got sent away, I'm sure we'll have you back next time. I would like to thank Hansard and Broadcasting for the spectacular job that they always do and remind senators that the committee has agreed that any written questions on notice should be lodged with the secretariat by 14 June 2024.

**Committee adjourned at 21:06**