ABB

Ref: GPH-2009-0015 CPRS

25 May, 2009

Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary
Re: Inquiry into the Carbon Pollution Reduction Scheme Bill 2009 and related bills

Joe White Maltings would like to advise the Senate Committee of our concerns and those of the Australian malting industry regarding the implications the CPRS in its current form.

1. The lack of a weighting system for assessing EITE eligibility does not accurately measure the degree of export exposure faced by firms. i.e. currently a company with 5% export has the same threshold for support as a company with 80% (such as JWM). This should be revised to a sliding scale for the EITE threshold depending on the level of export exposure, which would broaden the scope of businesses captured and more fairly distribute the pool of funds allocated to the EITE.

2. The lack of credits recognising past investment that has targeted improved efficiency and reduced emissions. A recent third party EEO audit of JWM Perth malthouse highlighted a 97%+ gas utilisation efficiency, this is extremely high, and can not be improved on with or without CPRS incentives, yet the scheme does not recognise this and applies the same cost of compliance penalties regardless of the level of "Best Practise" utilised at the facility.

3. The CPRS unintentionally applies a disincentive on energy intensive waste water treatment for reuse (WWTRP) projects. The construction and operation of conventional WWTP's for compliance to meet discharge standards is an accepted cost of doing business. However, the adoption of technologies (typically Reverse Osmosis) when applied to Waste Water Treatment for the purposes of reuse, significantly adds to the cost of the project and generally makes them a poor investment from an Internal Rate of Return (IRR) perspective. The IRR for this type of project is typically 5% (very low for commercially driven projects), when the cost of ETS permits is added this IRR falls to less than 3% and makes the projects completely non-viable. The Perth malthouse WWTRP saves 300ML per annum (300,000,000 L), future projects have the capacity to save a further 400+ML per annum, the ETS permit costs as a result of the CPRS legislation puts these projects and the associated water savings at risk. Two of these projects will directly affect water demand from the

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Murray River. Therefore a key objective of the CPRS in this situation is in direct conflict with Government's objective to save potable water by encouraging the recycling of industrial waste water.

4. The need for companies to be able to opt into the CPRS trading scheme at their discretion, not at that of the energy provider. Joe White Maltings Perth facility triggers the 25,000mt emissions level for ETS participation, yet even though Perth is in the ETS, and in-house infrastructure needs to be adopted to manage this, we can not at our choosing opt our other facilities in, unless we have the permission of the energy provider for this site. The energy provider may vary from state to state and accordingly, plant to plant. The current legislation provides no incentive for the provider to allow us to opt in. In fact the 'cost of compliance' pass through costs clause, means they can charge up to 150% the cost of ETS permits, consequently this is a disincentive by encouraging them to not allow industries to voluntarily participate in the ETS.

5. The need for the Climate Action Change Fund (CCAF) to be targeted at projects offering the most benefits, not those attaining hurdles targeted at a very small proportion of Australian industry, which have projects with thresholds in excess of $150 million. The CCAF should value projects on benefit and contribution to the Australian Carbon footprint, not on size and ease of compliance.

Please consider these points carefully as they will have a significant impact on the malting industry within Australia and may result in plant closures, job losses and carbon leakage to third world locations where labour intensive and energy inefficient malthouses could be built and operated cheaply. The multiplier impacts of malting industry closures would be detrimental to farming communities, the agricultural value chain as a whole, and the various suppliers required to maintain our business processes.

Yours Faithfully,

Gary Hughes
General Manager Joe White Maltings
A DIVISION OF ABB GRAIN