

AUSTRALIAN SENATE
FINANCE AND PUBLIC ADMINISTRATION
REFERENCES COMMITTEE

**INQUIRY INTO THE
REGIONAL PARTNERSHIPS PROGRAM**

**Area Consultative Committee/Sustainable Regions
Advisory Committee**

Minutes and recommendations

New England North West ACC

**Namoi Valley Structural Adjustment
Package material relating to Primary
Energy Pty Ltd**

NAMOI VALLEY STRUCTURAL ADJUSTMENT PACKAGE
SUB-COMMITTEE MEETING

TUESDAY 24 JUNE 2003, 10AM
Gunnedah Shire Council



PRESENT:

Kevin Humphries (Chair), George Paul (Deputy Chair), Prue Hutchinson (Walgett), Gae Swain (Gunnedah), Jono Phelps (Irrigator Representative), George Seville (Narrabri), Ron Short (Quirindi), Jim Booth (Dept Infrastructure, Planning & Natural Resources)

BY INVITATION:

Steve Weakley (Minister Anderson's Office), Michael Lucas (DOTARS)
New England North West Area Consultative Committee Alec Macintosh and Rebel Thomson

APOLOGIES:

Paul Nankivell (Quirindi), Maree Cooper and Jeff Allen (DOTARS)

NEW ENGLAND NORTH WEST AREA CONSULTATIVE COMMITTEE

General Meeting

Thursday 26 June 2003, 12pm

Council Chambers Uralla Shire Council

Present: Robyn Barrett, Sam Barwick, David Brownhill, Nick Destephani, Hugh Harris (Chair)
Genevieve Harrison and Doris Kelly

Apologies: Gary Pollock and Kevin Humphries

By Invitation: Cr Ron Flimer and Tom O'Connor - Uralla Shire Council
Tom Vanzella - NENWRDB
Sandra Orvad and Stewart Klieghorn - NE Railway Company
Graham Marshall - Furracabad Farming for the Future Project
Rob Callaghan and Jack O'Hara - Walcha Shire Council
Reg Wilkins and Rex Sneyd - Inverell Motor Museum

Rebel Thomson, Alec Macintosh, Joanne Stead, Ildu Monticone, Paul Craigie
Maree Cooper - DOTARS

NAMOI VALLEY STRUCTURAL ADJUSTMENT PACKAGE
SUB-COMMITTEE MEETING

THURSDAY 28 August 2003, 10.00AM
Quirindi Council Chambers

PRESENT:

Kevin Humphries (Chair), George Paul (Deputy Chair), Prue Hutchinson (Walgett), Gae Swain (Gunnedah), Jono Phelps (Irrigator Representative), Jim Booth (Dept Infrastructure, Planning & Natural Resources)

BY INVITATION:

Michael Lucas (DOTARS), New England North West Area Consultative Committee
Alec Macintosh and Rebel Thomson

APOLOGIES:

George Sevil (Narrabri), Paul Nankivell (Quirindi), Jeff Allen (DOTARS), Maree Cooper (DOTARS)

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2. BUSINESS ARISING

Ethanol terms of reference referred to General Business.

5. GENERAL BUSINESS

H ethanol producers are looking for a 5 year ramp up period, to assist viability. The investors behind the Gunnedah Ethanol plant are developing considerably more information.

GP suggested the delay by the Department is disappointing and the report being commissioned possibly should be completed prior to announcing support or other for ethanol.

KH the proponent in Matthew Kelley had a rider on the application funding to sign his partner before receiving any finances from the NVAF. GSw what is the process of the decisions from now, can the Committee say they support the proponents and information gathered by the Committee and we need to push on with the proposals.

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PROJECT 4: PRIMARY ENERGY PTY LTD

Matthew Kelley and Josh Carmody

Taking course grains and producing alcohol, can be used as ethanol, feed alcohol and beverage alcohol. Cleaner fuels package paved the way to produce fuel grade ethanol. Delta T is the first to produce the molecular sieve which is low on inputs, cuts the energy inputs, microscopic zeolite beads to reduce the moisture content.

Tender is out for a 120m litre plant based in Gunnedah with a capital cost of \$67m large benefits in employment and the extension to Gunnedah of the Central Ranges pipeline.

Grain requirement is varied wheat, sorghum and corn will fit into the market. 400megs of water is required - discussing details with Gunnedah Council. Gas requirement 1.6pj

Regional Benefits

Capital Expenditure

Employment 50 permanent, 350 indirect, 500 constructions

Operations expenditure each year \$81m

Project Partners

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Environmental Attributes

Primary energy is a renewal energy company therefore the company will be benchmarked against world environmental standard. Life cycle of the ethanol product will be mandatory - analyzing all inputs and the application of the technology through to vehicles

Consumer confidence is an important issue. Carbon Dioxide is a green house gas, plants induce carbon dioxide, and fossil fuels are additional carbons being released into the atmosphere. The ideas are to create a closed cycle for carbon dioxide. Using the technology of the plant, existing CSIRO study that suggests the energy balance from renewable fuels

120mJ of ethanol
90,000 tonnes of high protein meal per annum

CSIRO report details a number of positive outcomes for ethanol production.

Octane usage in fuels will increase in the near future. More sophisticated engines need more sophisticated fuels (higher oxygen) there is a drive from fuel companies and legislators to find an alternate source of Octane. Ethanol is a clean not contaminating source of octane.

Benefits to Gunnedah - water sources will be drawn from grey water usage in the Gunnedah Shire. No water recharge. Extreme interest for the high protein meal.

Linkages with Central Ranges Gas Project are integral to the development of the ethanol plant and the development of a co-existing gas plant. Ernest and Young will be contributing to validating the validity of ethanol and fuels.

Excise Issue - five year relief on excise the financiers have agreed to pursue a larger plant to take advantage of the excise relief. Demand is now driving the capacity of the plant. The Governments fuel objectives are supports of the renewable fuels industry of 350m up to 2010 companies backing the policy are BP, Shell, Exxon Mobile + 1.

Other countries UK, Canada on 8 May EU Parliament each of the 15 & additional 10 (when expanded) are also supporting the continued use of ethanol and renewable fuels. There maybe export opportunities for ethanol also.

PE is looking at export markets into Europe and Asia.

Distillers' high protein meal has large export potential. Research is complete and construction is the next phase. The development and project is new technology.

Indications are that the project will go ahead without the NVAP funding. Over \$1b of investment into the region will be forthcoming. This project will be the first, the project development has been managed and risk on Matthew Kelley. The solution is being presented by a local in the region.

Gas availability has been guided by the infrastructure project from the Central Ranges project both can be achieved and they are working together. Gas load will be approximately 80% of pipeline capacity. Research being done about combining ethanol with diesel the technology is a couple of years away. There is also some work being done in Brazil on av-gas.

Source of sorghum especially during drought, domestically used 10.5m sorghum and the requirement is guaranteed for 7 years.

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ML other financial support from the Commonwealth Government, today application in for g-gap funding. PM is committed to 16c per litre, keen to see the targets met in 10 years time. Opportunities are still under review.

CIDA application submitted over 12 months ago

6.7 ETHANOL PLANT - GUNNEDAH

KH asked the committee if they supported the project. JP asked if there were any sources of funding available. RT suggested Regional Partnerships would not have the resources available, DOTARS have a quarantine figure for projects of National significance however no information is available for projects that may fit into this criteria.

GP suggested the project be aligned to some sort of performance payments. GSw reiterated the commitment from Matthew Kelley to the development of this project. \$1.5m will be spent on getting the project to sign off stage. RT asked if any of the funding was retrospective as that would not be covered under the NVAP. The proponent now has the confidence of the Commonwealth Government in the development of this project. In light of the Gunnedah plant the clustering of ethanol plants in the region could be an opportunity. KH suggested that the project is of National significance.

RS added that the assessment of the Quirindi project is well advanced. KH gas is linked to the development of the project. Ethanol plant is linked to being the driver of several other industries. KH and Gv supported the application to the package. JP supported the concept to the package.

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GSw supported the project as a supporting driver to the agricultural sector and sustainable energy developments. JP will the project go ahead anyway without the support of the NVAP, isn't that consideration criteria for the package. GP suggested the proponents' contribution recognizes the commitment by the proponent.

GP asked if there was the possibility to have the grant extended over two years. KH suggested the project needs the funding this financial year. KH added Matthew Kelley is not a significant shareholder in the company.

PH commented that we had two similar projects and asked if the two projects were going to be sustainable in the region. GP acknowledged that the proposals used different raw materials and the value of all the end products were in demand. RS the demand for fuel end consumption was sound. KH the critical point on the rebate is the expansion of the plant and to take advantage of the excise rebate. KH thinks that the debate may go back to cabinet and reconsider the mandate for ethanol additives in the fuel.

KH recommended to the committee Primary Energy Pty Ltd be offered \$1m, the project funding was originally for bridging finance. RS moved that the project be endorsed for funding of \$1m and performance measures be based on the confirmation of financiers, seconded JP.

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NAMOI VALLEY STRUCTURAL ADJUSTMENT PACKAGE

At the meeting on Tuesday in Gunnedah, the Committee met and considered a number of applications the project before the Committee for consideration for funding is the Ethanol plant in Gunnedah. The Gunnedah plant has developed since the Commonwealth announced its standing on ethanol and legislating. The proponent for the plant is Matthew Kelley, explaining his application for funding of \$1m. As the proponent he will be coordinating all parties of the project to contracts to construction.

The NVAP Committee endorsed an application from Primary Energy to draft all contracts and consultants for funding. Delta T has the finance for the technology and construction, AWB have agreed to provide the grain, Matthew's job is to keep all the components in line to construction.

DB endorsed the Commonwealth's position on ethanol for alternative energy sources and regional development. DB declared a possible pecuniary interest in the project as his family farm produces grain on the Liverpool Plains and he is disappointed funding is coming out of the NVAP fund not any other source of energy funding.

Moved DK the project be support for funding from the NENWACC seconded RB.

WB spoke to the application from the ethanol, no monies have been provided from the Commonwealth Government to date. DB the Gunnedah location of the ethanol plant worth and the contributions, WB reiterated that the planning for the ethanol project should include consideration or commitments to support local business and local indigenous communities with employment.

The Hon Wilson Tuckey MP
Minister for Regional Services, Territories and Local Government
Parliament House
CANBERRA ACT 2600

Dear Mr Tuckey

On 24 June 2003 the Namoi Valley Advisory Committee (NVAC) considered applications under the Namoi Valley Structural Adjustment Package.

Among other things, at the meeting the NVAC recommended that you agree to the funding of the *Primary Energy Pty Ltd project, contingent on a positive financial "due diligence" exercise and ratification of the NVAC recommendation by the New England North West Area Consultative Committee (NENWACC). As you know the NVAC is a sub-committee of the NENWACC.

The applicant, Primary Energy Pty Ltd, is seeking \$1,000,000 from the Package towards the finalisation of contracts and partner funding to ensure commencement of the Gunnedah Ethanol Plant. The Ethanol Plant will be a 120 million Litre/pa grain ethanol bio refinery, with a capital cost of approx \$67 Million. The grain requirements are 300,000 tonnes. The benefits to the Namoi Valley include, employment 50 permanent, 350 indirect and 500 construction; operations expenditure \$81.25 Million pa; catalyst & base load customer for \$120 million Central Ranges Natural Gas pipeline; generation of an additional \$30 million in household income pa; expand the economic base of the local economy by \$170 million; generate additional revenue for local grain farmers. Primary Energy Pty Ltd will inject an initial 12 month regional contribution of \$516 million with a 5 year regional contribution of \$1038 million.

The "due diligence" investigation of Primary Energy Pty Ltd has been managed by the Department of Transport and Regional Services and no obvious financial risks were identified in providing this funding.

As Chairman of both the NVAC and the NENWACC, I can confirm that the NENWACC has endorsed the NVAC funding recommendation.

If you agree to the NVAC recommendation, I would like to invite you or Mr Anderson to make the formal announcement of funding onsite at Gunnedah. If you or Mr Anderson are not available, I seek your agreement for me to make the announcement on your behalf.

I look forward to your response.

Yours sincerely

Kevin Humphries
Chairman
Namoi Valley Advisory Committee

26th June 2003