



**30 October 2015**

Ms Penny Armytage  
Chairperson, Ministerial Advisory Committee  
Inquiry into the Environmental Protection Authority  
By email: [info@epa-inquiry.vic.gov.au](mailto:info@epa-inquiry.vic.gov.au)

Dear Ms Armytage,

**AGL submission to the Independent Inquiry into the EPA**

AGL Energy (AGL) welcomes the opportunity to make a submission in relation to the 'Examining the future task of Victoria's Environmental Protection Authority' Discussion Paper ('the discussion paper').

AGL is one of Australia's leading integrated energy companies, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and upstream gas exploration, storage and production projects. Within the state of Victoria, AGL is responsible for supplying gas and electricity to over 1.2 million customers and for generating around a third of the state's electricity at our power stations at Loy Yang (coal-fired), Mt Beauty (hydro), Somerton (gas-fired) and Macarthur (wind). AGL has also recently established a 'New Energy' business unit to deliver distributed and 'behind the meter' energy generation, storage, efficiency and management solutions for homes and businesses.

AGL is also Australia's second-oldest publicly listed company and has been operating in Australian communities for 178 years. With this experience, we recognise the importance of operating our facilities responsibly, and we are fully committed to the safety of our employees and local communities, and to the protection of the environment. We strive to meet and exceed regulatory standards which are informed by the best available scientific advice, and our decisions always comply with regulatory requirements. AGL is focused on improving how we engage with the communities in which we operate and addressing concerns about our operations. We have been, and continue, to listen to the people of these communities.

AGL acknowledges that regulatory frameworks and their application should evolve over time to meet changing community expectations and to reflect new understandings of risk, informed by developments in scientific evidence and research. As such, we welcome this review of the role and powers of the Environment Protection Authority (EPA).

Our detailed comments in response to the discussion paper follow.

## **Environmental Performance**

In hosting AGL's operations, local communities can experience both impacts, such as exposure to noise and emissions, and benefits, including employment opportunities, regional investment and economic development. We are committed to operating our assets in a responsible manner that minimises impacts on the environment, public health, and general amenity, and maximises the positive contribution to local communities overall.

AGL's primary concern for new and existing projects is the safety of workers and communities and we insist on the highest operational and compliance standards. The community has a keen interest in ensuring that AGL, along with other businesses, is held to highest standards of accountability for any environmental impact of our operations. AGL has a culture where environmental management is front of mind and part of everyday business, promoting excellent environmental performance, continuous improvement and the ongoing reduction of environmental risks.

AGL supports the role of the EPA in setting conditions and emission limits for industries to ensure local communities and the environment are protected from exposure to harmful levels of pollutants (including cumulative impacts from several sites). Environmental regulation should be based on the best available scientific research in relation to both epidemiological and toxicological evidence, along with margins of safety to ensure protection of sensitive groups. The treatment of environmental risk and mitigation between different industries should be undertaken in a consistent way. Where possible, regulatory frameworks in Victoria should be harmonised with requirements in other jurisdictions to enable the consistent application of environmental solutions demonstrated as effective in other states (and vice versa).

Licensing conditions also need to reflect community expectations, and provide confidence in the regulatory system. In setting license conditions, the EPA needs to balance business' need for certainty in relation to acceptable emissions and business practices (to support investment) with the responsiveness required to meet evolving community standards. If changes to business activities are required, these should be well signposted so that industry can accommodate them in future business planning, to facilitate an orderly transition to the updated standard

AGL has a strong compliance record across our Victorian operations, and in many cases we set internal performance targets that significantly exceed the requirements of our environmental licences. For example, at AGL Loy Yang, dust targets have historically been set at less than 25% of the EPA licence limits. Since 2011, AGL has invested \$29.6 million in precipitator maintenance to further reduce discharges of dust (averaging just 14% of the license limit in FY2015). We have also installed a Continuous Emissions Monitoring System to monitor emissions to air on a real time basis, which enables operators to proactively respond to changed or changing conditions to avoid breaches. AGL Loy Yang holds an accredited environmental licence in recognition of the high level of environmental performance and ongoing capacity to maintain and improve this performance.

At AGL's Macarthur Wind Farm, over 40,000 hours of noise monitoring has been conducted to date, which is well beyond the monitoring required by the Planning Permit. AGL has also voluntarily commissioned independent monitoring to help alleviate community concern regarding infrasound. The results demonstrated that there was no change to infrasound levels caused by the wind farm.

## **Community Engagement**

AGL recognises that our future success and reputational standing is shaped and measured by the social and environmental consequences of our decisions and actions. Effective standards to guide effective engagement and communication with communities are required, whether projects are in development, construction, operation or eventual decommissioning.

### *Providing information to the community*

Communities need to have access to timely, accurate, complete and understandable information about the environmental performance and risks of local industry, particularly when environmental incidents give rise to immediate risks to human health or the environment (or could be perceived to do so). Businesses, the EPA, and other government authorities and departments may have a role to play, depending upon the nature of the incident and the level of risk.

AGL considers that the EPA can play an important role in public education, by providing independent and trustworthy information to the community on pollution and environmental risk. Communications need to be tailored for the intended audience, to ensure that the format and content are relevant and can be easily understood, with the context for the risk and any required action well explained. It is also critical that the EPA maintain an effective relationship and interface with the Department of Health and Human Services and WorkSafe Victoria so that interrelated information about environmental and human health risks may be effectively communicated to the public, employers and healthcare workers as appropriate.

The general public may not always be scientifically literate, so it is critical to quickly convey the seriousness of an environmental incident (for example, by providing a simple and relatable comparison for the exposure or level of risk, such as “five minutes of standing next to a busy road”). Without this context, the disclosure of very minor environmental incidents with negligible harm or risk may cause undue anxiety in some parts of the community as the implications of the information may not be well understood. Similarly, the EPA would be well placed to provide objective information about the relative environmental risks associated with different industries, including those that are well-established and accepted and others that employ new technologies or practices.

Community expectations around communications and timeliness of communication are changing with the emergence of new digital and social media, and businesses and government agencies need to build capacity in these areas to ensure they can keep pace.

### *Community consultation*

Communities should have opportunities to provide meaningful feedback to businesses about performance, operating plans and their ongoing expectations. AGL seeks to ensure effective and meaningful engagement with local communities through a range of channels. For example:

- AGL establishes Community Consultative Committees (CCCs) early in the development process for new Wind Farm projects (including AGL’s recent development of the Macarthur Wind Farm), bringing together representatives from the local community to provide an opportunity to

raise questions, voice concerns, build relationships and communicate with AGL. Once projects are operational, ongoing community engagement continues in various forms, including regular community consultation meetings, and providing updates to local councils and participation in local community events.

- At AGL Loy Yang, AGL's community engagement program includes an Environment Review Committee (ERC) which consists of community members as well as representatives from the EPA, the local council, and representatives from the Department of Economic Development, Jobs, Transport and Resources. The ERC meets quarterly to evaluate the environmental performance and future improvement plans for the AGL Loy Yang Power Station and Mine. The ERC ensures at least one of its meetings each year is open to the general public to enable a broad communication and assessment of AGL's environmental performance.
- AGL's public sustainability reporting program provides an accurate, transparent, responsive and timely account of our performance and commitments in relation to sustainability risks and opportunities.

### *Community investment*

AGL also contributes to our local communities on an ongoing basis, including using local suppliers where possible. AGL is proud to contribute to the infrastructure and wellbeing of these communities. For example, in Victoria:

- In the 12 months to June 2015, the AGL Loy Yang Community Support Program invested over \$82,000 to support a range of Latrobe Valley community, cultural, sporting and service groups.
- AGL Loy Yang invests over \$35,000 per annum in its membership of the Latrobe Valley Air Monitoring Network (LVAMN), which supports the EPA in measuring the impact of the local industry on the ambient air quality within the region. This provides a greater understanding of the impacts that our operations have on the environment, and any impacts can then be more appropriately controlled and mitigated.
- AGL Loy Yang is working with developers, research and academic institutions to establish new projects in the Latrobe Valley that could improve the performance and reduce emissions from the existing power station and transform brown coal into new value added energy products. Future projects will not only assist with the long term decarbonisation of the electricity sector, but will also provide economic and social benefits for the region and the State.
- In the 12 months to June 2015, the Macarthur Wind Farm Community Fund donated \$45,000 to a range of community organisations, including sporting, health and rural firefighting organisations. While the Oaklands Hill Wind Farm does not have an official community funding process, recent sponsorships have included educational and sporting organisations.

### **Climate change and renewable energy**

Climate change is an issue of global significance, and international coordination is required if dangerous climate change is to be prevented. It is therefore preferable that Australia's response to climate change occurs at the national level, including the setting of emissions reduction targets and policies. A long-term, bipartisan approach

to climate change policy at the Commonwealth level is required to provide investors with the certainty required to develop the long-lived and often capital intensive projects that will enable Australia to reduce its emissions efficiently over time, and at least cost.

A national approach is particularly important for the transition to a decarbonised electricity generation sector given the existence of the interconnected National Electricity Market (NEM) and Victoria's critical central position within it, importing and exporting energy to and from three of the five state jurisdictions within the NEM. These interstate implications involve the importing or exporting of emissions associated with electricity generation, and mean that any state-based electricity sector policies are likely to be sub-optimal unless careful consideration is given to their interaction with the NEM (and its associated markets).

The 2015 AGL Greenhouse Gas Policy outlines a renewed commitment for AGL to contribute to Australia's climate change objectives. As the owner of significant greenhouse gas emitting assets, AGL has committed that it will not extend the operating life of any of its existing coal-fired power stations, and that by 2050, AGL will close all existing coal-fired power stations in its portfolio. AGL will also continue to advocate for effective long-term government policy to reduce Australia's emissions, and that will enable further investment in renewable and low-emissions power generation.

The generation mix in the NEM, including in Victoria, is old and emissions intensive by international standards, and around 75% of the installed capacity is already operating beyond its original design life. The decarbonisation and modernisation of the electricity sector will span several decades, and a long-term vision and trajectory for this transition is essential, to ensure continued investment in zero-emissions energy sources, and the orderly retirement of old and emissions-intensive power stations. Establishing long-term policy certainty and resolving electricity market oversupply of ageing high-emissions plants will be critical to attracting investment to the large-scale renewables sector.

Targeted policies that should be considered for the transformation of the electricity sector include:

- Emissions standards for all new power stations (as has been implemented in the USA);
- Regulation which drives the progressive closure of older, emissions-intensive power stations or retrofitting with carbon capture and storage (CCS) technology (as has been implemented in Canada); and
- Continued incentives for renewable energy with increased scope to include all zero and near-zero emission energy sources.

Such policies would facilitate a gradual but meaningful reduction in electricity sector emissions, which comprise around one-third of the Australian total.

The EPA could eventually have a role in monitoring and enforcing compliance with new regulation, such as emissions standards for new power stations.

#### *Wind farm planning conditions*

AGL would support the EPA assuming responsibility for monitoring wind farm compliance with certain environmental conditions within their planning permits, such

as noise monitoring. This responsibility requires specialised and highly technical expertise, and this resource is generally not found within local Councils. This would also be consistent with other states where wind farms are licensed facilities with compliance enforced by the EPA (similar to other industrial and commercial sites, including thermal power stations).

The decarbonisation of the electricity sector is likely to require the development of numerous renewable energy projects within Victoria, including wind farms. AGL considers that centralising this compliance monitoring function will enable considerable expertise to be developed within the EPA, ensuring a streamlined and consistent approach for existing and new projects, and eliminating the replication of the function across an increasing number of Councils.

### **Planning and land use**

In future, growing populations and a changing industrial mix will likely result in new tensions between different land uses, due to either the encroachment of new urban developments onto existing industrial sites, or the development of new industries. It is therefore important that planning frameworks provide for the rigorous assessment of environmental risks for new developments, including the impact of noise, odour, dust, light and other amenity issues for current or future residents. The views and needs of both locals, and the broader community need to be represented. Planning authorities should draw upon the expertise of the EPA to inform decision-making processes using the best available scientific evidence. Some industries and land uses can successfully co-exist with minimal impact and risk, while for others, appropriately sized buffer zones may be required.

### **EPA engagement with industry and the community**

AGL welcomes initiatives by the EPA to increase its responsiveness to businesses and the community, and to promote improved environmental performance for the benefit of all Victorians. AGL considers that this is best served through the use of a 'client manager' model for relationships between licensees and the EPA, where there is a central point of contact within the EPA for each licensed facility. This model fosters strong relationships and enables the EPA 'client manager' to develop a thorough knowledge of current and legacy environmental issues at the site, as well as an understanding of current activities and future business plans. With this background knowledge, the EPA would be better placed to respond quickly and decisively to queries, and licensees would know who to contact to follow up outstanding issues. AGL would also support the development of industry-specific expertise within the EPA so that it can provide greater guidance to businesses on how license conditions may be met and global best practice performance to not only support ongoing compliance, but to also drive continuous improvements to performance.

AGL also supports ongoing engagement between the EPA and its key stakeholders, including industry, community groups and non-government organisations. These forums should have formal charters and broad participation and can provide opportunities for feedback and information exchange, allow for stakeholder involvement in key decision making, and would help to ensure that the EPA is well-placed to meet the expectations of communities now and into the future.

## **Closing remarks**

It is critical that the public has confidence that the environmental regulatory framework is fit-for-purpose and continues to reflect community expectations concerning the protection of human health and the environment. Policy makers, industry and the EPA all share responsibility for ensuring this is the case.

AGL is committed to excellence in environmental performance and we are confident our current environmental management systems can meet evolving regulatory and community standards.

Should you have any questions or comments, please contact [REDACTED] on [REDACTED] [REDACTED].

Yours sincerely,

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Doug Jackson  
Executive General Manager, Group Operations  
AGL Energy Limited