



6 September 2024

NSW Department of Climate Change, Energy, the Environment and Water
(DCCEEW)

Opportunities for a renewable fuel industry in NSW consultation

Via email: renewablefuelscheme@environment.nsw.gov.au

RE: Business NSW submission on opportunities for a Renewable Fuel Industry in NSW

Business NSW is grateful for the opportunity to submit a short response to the opportunities for a Renewable Fuel Industry in NSW discussion paper.

Business NSW is NSW's peak business organisation with close to 50,000 member businesses. Business NSW works with businesses spanning all industry sectors, the majority of which are small or medium enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

Business NSW supports opportunities for a renewable fuel industry in NSW. Renewable fuels can provide both a short-term bridge for decarbonisation where electrification is unlikely or not yet available, and long-term solutions for energy and industrial feedstocks. A strong renewable fuel industry in NSW can accelerate a low carbon economic transition that benefits NSW businesses. Business NSW will be doing more work in this space this year, and as such the submission will be brief.

Summary of recommendations

Business NSW believes overarching policies and regulations for a new industry need be developed through targeted consultation on each renewable fuels type to ensure opportunities are created for innovation and market growth. Policies and regulation also need aligned with existing state and federal policies. Consideration and thorough investigation on the impacts to NSW businesses needs to be undertaken if renewable fuels are to be made mandatory in the future.

The Renewable Fuel Scheme and any future renewable fuel strategy for NSW should include renewable gases such as biomethane and e-methane. Additionally, to guide this, the NSW government should develop an overarching NSW Gas Strategy as a roadmap for gas in NSW.

Government needs to incentivise the industry, especially feedstock production to support production and regional businesses. Opportunities for feedstock and general fuel production should be investigated near NSW ports and Renewable Energy Zones (REZs) for shared infrastructure, and regional SME freight and logistics should be investigated as an untapped opportunity to support distribution.

Lastly to support the development and maintenance of a renewable fuel industry, Business NSW recommends developing a nationwide workforce strategy to ensure the skills and labour are available to support the renewable fuel industry.

Recommendations

These are some of the more significant points to be considered when progressing opportunities for a renewable fuel industry in NSW:

1. Develop optimal policy and regulations for innovation and market growth

Recommendations:

- Identify fuels to be included and necessary to offset carbon emissions, to allow better targeted consultation.
- Undertake a state and federal policy review of any existing policies that will limit a transition to renewable fuels.
- Ensure new policies and regulations create opportunities in renewable fuels.
- Consider the impacts of making renewable fuels mandatory on small and medium NSW businesses.

Business NSW broadly supports the strategic objectives to guide the development of policies and actions for growing a domestic renewable fuel industry. The renewable fuels to be included under this strategy have not yet been determined, and each fuel is characteristically different. Therefore, the NSW government need to identify fuels to be included and necessary to offset carbon emissions, to allow better targeted consultation and policy for each individual case.

It is vital that best policy and regulation pathways are well thought out to allow for a renewable fuel industry in NSW to develop. The development of a renewable fuel industry will support future productivity for NSW businesses.

For the NSW government to build a renewable fuel industry in NSW, there needs to be a state and federal policy review of any existing policies that will limit a transition. This includes that renewable fuels which are competing with current industries that are directly subsidised by other parts of government.

Government also needs to look at how to not overregulate opportunities in renewable fuels to allow for industry production, adoption, and utilisation of renewable fuels so that it also drives innovation and market growth and acceptance.

Business NSW also asks government to consider the impacts of a new industry or if renewable fuels were made mandatory on small and medium businesses across NSW. Challenges in renewable energy transition are already occurring with businesses struggling to afford energy bills or ability to upgrade equipment for operating with renewables. If the introduction of renewable fuels is intended to encourage small businesses to implement upgrades in their operations, this may be a straightforward replacement of a piece of inefficient equipment.

However, in many cases, improving energy efficiency will require significant planning, design, reorganisation, evaluation and training to integrate a new or different piece of equipment into their business. For small business owners, this process takes precious time when they are already under pressure from economic conditions, rising costs of doing business and ongoing worker shortages. Ongoing consultation with businesses in NSW is vital in developing opportunities for a renewable fuel industry, and it is firm view that small and medium business should be encouraged to participate in any consultation. Business NSW would be happy to facilitate this through our engaged member base.

2. Include renewable gases in the Renewable Fuel Scheme

Recommendations:

- Include biomethane and e-methane in the Renewable Fuel Scheme and any future renewable fuel strategy for NSW.
- Develop an overarching NSW Gas Strategy
- Ensure Capital

NSW has many gas-reliant businesses who cannot electrify all their heating, refining and reforming processes required in their operations. In August 2024, BNSW published their latest Business Conditions Survey, which showed that 18% of all businesses and 64% of Accommodation and Food service businesses are still totally reliable on gas as an energy source.

Business NSW has been a strong advocate of further gas resource development during the period of energy transition and for the long-term energy security of NSW.

Gas will aid NSW's energy security and reliability by catering to both basic energy demands and peak loads, reducing the risk of shortages and price spikes to enhance energy security for all consumers.

Business's not only want affordable energy but also ways to decarbonise. And while over the long-term, a transition to a zero-emissions energy system is possible, it is vital that energy supplies be maintained across the intervening period.

As a result, in its 2019 report *Running on Empty* Business NSW advocated a three-pronged approach to addressing gas supply shortages in NSW. While some steps have been taken to develop these, there remains the potential to go further with each, and the growth of the renewable gas market would help drive this approach.

Business NSW asks that biomethane and e-methane be included in the Renewable Fuel Scheme and any future renewable fuel strategy for NSW. Biomethane is a renewable and carbon-neutral replacement for natural gas that can aid in the decarbonisation of Australia's gas network and gas reliant businesses of NSW.

Biomethane is a drop-in natural gas substitute, able to be directly injected into existing gas pipeline and transmission assets, utilising existing infrastructure and business/customer appliances, without the need for upgrading investment. Many SMEs cannot afford to upgrade their equipment and therefore this provides an affordable solution.

The significant scalability of Australia's biomethane potential can increase domestic gas supply and enhance domestic gas production and security. Australia has the significant sustainable resources to meet the growing demand for renewable feedstocks to be used to create this energy, while minimising or avoiding land use change.

The inclusion of renewable gas would also require capital investment confidence and continuity in infrastructure, skills and jobs sustainment, operational investment and sustainable scale of industry. Business NSW recommends that the NSW government draft an overarching Gas Strategy as a roadmap to ensure all these factors are planned and achieved, and so gas and renewable gas are included in the energy mix for NSW. This inclusion is needed for both, through the energy transition to renewables and after.

3. Leverage infrastructure opportunities to build infrastructure networks for renewable fuels

Recommendations:

- Investigate opportunities for feedstock and production near NSW ports.
- Investigate opportunities for feedstock and production near Renewable Energy Zones's (REZs) for shared infrastructure.
- Incentivise feedstock production to support production and regional businesses.
- Investigate challenges and possible solutions around regional SME freight and logistics to support distribution.

Business NSW supports how the development of renewable fuel industry in NSW would drive economic growth and opportunities for businesses in regional areas. Businesses involved in the agriculture, manufacturing and infrastructure industries have a potential to contribute and expand if they move into renewable fuel supply chains.

As facilities for biofuel production are most economical when located near feedstocks, they will need to be located in regional areas and be serviced by distribution infrastructure, the NSW needs to look at areas with opportunities next to ports such as Newcastle.

Opportunities for feedstocks should be looked at in regional areas being developed for renewable energy such as the NSW governments new Renewable Energy Zones's (REZs). REZs are areas that combine new renewable energy infrastructure, including generators (such as solar and wind farms), storage (such as batteries and pumped hydro) and high-voltage transmission infrastructure. There may be opportunities to leverage planned or existing infrastructure used for these areas.

Similarly, feedstock areas to be investigated should include areas already growing feedstock for biofuels already being exported such as Canola. Government should look at how they can incentivise feedstock production to support local renewable fuel production.

The NSW government should also investigate challenges and possible solutions around regional SME freight and logistics and how this has the potential to support a renewable fuel industry in NSW.

4. Plan and build a clean energy workforce

Recommendations:

- Develop nationwide workforce strategy to ensure the skills and labour are available to support the renewable fuel industry.

If the NSW government are to develop and grow a new industry in renewable fuels, they need a nationwide workforce plan around a more defined long-term strategy to ensure the skills and labour are available.

Workforce shortages exist in many occupations, across most industry sectors and in every region of NSW. The Business NSW 2022 Workforce Skills Survey found that 77% of businesses were experiencing difficulty in recruiting the workers they needed. It also found that these shortages extended across both skilled and unskilled positions.

In our report, Down to the Wire, Business NSW explored the infrastructure pipeline in the Riverina Murray region of southern NSW as a case study for the rest of NSW. In that report, Business NSW identified an energy and transport infrastructure pipeline of more than \$20 billion allocated to projects that are funded or underway, with more planned. Six of those projects (Snowy 2.0, Inland Rail, Project Energy Connect, Snowy 2.0 Connect, VNI West and Hume Link) are estimated to be collectively worth over \$14 billion and are likely to face further cost increases over the coming years as inflationary pressures pile up. The Industry Capability Network estimates these six projects alone will require more than 5000 workers during their construction phases. During consultation the Down to the Wire report we heard from many businesses in the region already struggling to fill vacancies and find suitably qualified workers, with many concerned that these shortages would be exacerbated as competition for available skills increases as major infrastructure projects progress.

If you have any questions about our submission or would like to discuss in more detail, please feel free to contact Leah Tucker, Senior Policy Manager, Energy and Infrastructure at Leah.Tucker@businessnsw.com.

Yours Sincerely,

David Harding

Executive Director, Business NSW