Australian Sustainable Business Group

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Dear Manager

The Australian Sustainable Business Group (ASBG) welcomes the opportunity to provide comment on the draft *Clean Air Strategy* (CAS).

ASBG is a leading environment and energy business representative body that specialises in providing the latest information, including changes to environmental legislation, regulations and policy that may impact industry, business and other organisations. We operate in NSW and Queensland and have over 100 members comprising of Australia's largest manufacturing companies and other related businesses.

ASBG welcomes the opportunity to comment and thanks the Department of Planning, Industry and Environment (DPIE) and the NSW Environment Protection Authority (EPA) for discussing the CAS at our Policy Reference Group meeting on 21 April 2021.

Overall ASBG supports the general thrust of the CAS and the ongoing process of improving ambient and local air quality for the people of NSW. While this is supported it must be balanced with NSW being able to provide well-paying jobs, which industry in particularly provides. There is no doubt there will be winners and losers in the types of industry NSW wishes to attract, but this requires careful balance, such as between health issues from unemployment and improved health from cleaner air.

ASBG members have raised a number of issues in relation to the CAS, which includes the following areas:

- Application of new air standards on existing industrial sites
- Air emissions by industry in perspective
- Application of new air standards and policy on new industrial sites
- Concern on the cost impacts of the revised Load Based Licensing scheme (LBL)
- Funding arrangements under the Net Zero Plan and other assistance

1 Application of Air Standards to Existing Sites

ASBG members report they have been required to undertake air assessments based on the ability by the EPA to review emissions from the site using the Approved Methods on Air Modelling (Approved Methods). The modelling has used the latest AAQ NEPM ambient standards and applied these at the nearest sensitive receptor to an industrial site as impact standards. This is not the intent of the AAQ NEPM.

The AAQ NEPM has been, again, recently tightened on ozone, nitrogen dioxide and sulfur dioxide, which is in addition to recent tightening on $PM_{2.5}$ and PM_{10} standards. The AAQ standards are considered the tightest globally. Ambient standards refer to the average general air quality to an exposed population of 10,000 persons, not to single points where these limits may be exceeded on occasion, called impact limits. The AAQ NEPM clearly requires

that ambient standards not be applied as site impact standards. ASBG members are concerned that existing sites will be required to meet these ambient standards at or near their site boundaries.

ASBG has identified these concerns in previous submissions on:

- ASBG Approved Methods Letter 2018
- Draft varied National Environment Protection (Ambient Air Quality) Measures for O_3, NO_2 and SO_2

NSW EPA responded to the 2018 letter, however many issues remain vague.

Clarifying this position by the NSW Government, ASBG received reassurance from the Minister for the Environment in 2017 in response to ASBG's request for clarification on the application of the Approved Methods 2016 version. Here the Ministry clearly stated:

> The EPA will not retrospectively reference the Approved Methods 2016 to existing facilities. They will be referenced when evaluating air quality impact assessments submitted as part of any planning application on or after the gazettal date of 20 January 2017. For air quality impact assessments submitted before 20 January 2017, the EPA will reference the Approved Methods dated 20 August 2005.

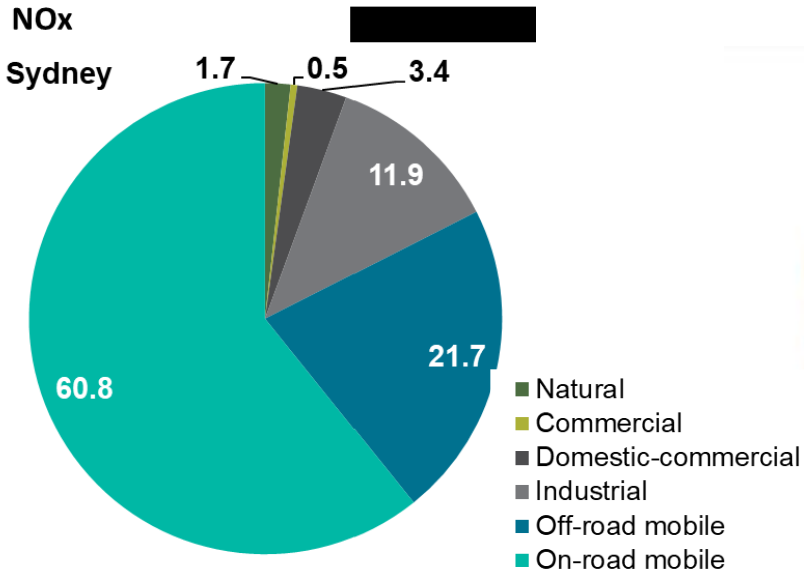
R1 ASBG recommends that DPIE and the EPA include the Ministry's position in its air policy.

2 Industrial Air Emissions in Perspective

Industry is a minor source of anthropogenic air pollutants in the Sydney area. While industry is a major source in the Wollongong and Newcastle areas, both these cities have enviable air quality compared to Sydney and especially internationally. Overall, NSW air pollution is low, with dust storms, bushfires and prescribed burns being the major source of exceedances, largely PM_{10} & $PM_{2.5}$ over AAQ NEPM standards. However, industry is the most regulated in both emissions standards and inspection rates. Motor vehicles are by far the largest source of anthropogenic air pollution, especially in urban areas. Second are wood fuelled processes, largely domestic wood heaters and BBQs.

ASBG has for many years been tracking the emissions of industrial NO_x in the Sydney Basin air shed, which is the most stressed air shed in NSW. NO_x is a precursor to the generation of photochemical smog, which increases ground level ozone (O_3). In the Sydney air shed industry NO_x emissions shrunk from 12.1% in 2008 to 7.9% in 2014 of the total sources of NO_x[1] clearly following the reduction in industry employment and scale in the Sydney area.

[1] See EPA Air Emission Inventory and Air Quality Study for the NSW GMR 2020.



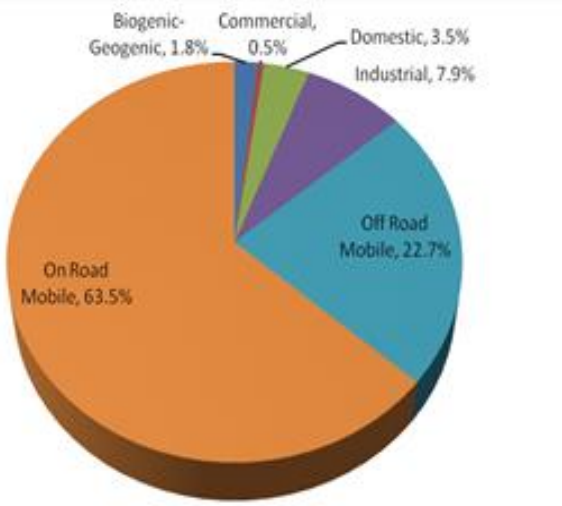


Chart 1 - NOx Emissions In the Sydney Basin air-shed 2018 – Source 1 Air Quality Study for the NSW GMR 2020

Chart 2 – NO_x Emissions In the Sydney Basin air-shed 2014 Source: EPA Air Emissions Inventory

ASBG finds it curious how industry's NO_x emissions then increased from 7.9% to 11.9% in only 4 years. In contrast, manufacturing in Sydney has been rapidly shrinking from 10,641 in 2011 to 7,466 in 2016 a reduction of about 30%. It is also noted that Caltex closed its refinery at Kurnell in 2014-15, where its NO_x emissions dropped from 1,115 tonnes in 2014 to zero from 2015 onwards[2].

R2 ASBG recommends clarification as to why the 2018 Sydney NO_x emissions percentage contribution increased by 50% from 2014 to 2018, when industrial employment and apparent emissions decreased during this period.

ASBG considers there may be a new source, now classified or re-classified, as *industry* contributing to this significant increase, or there was a new industrial player adding to the NO_x emissions after 2014, but this would be surprising.

As air quality is generally good in NSW, there is a question of the air improvement benefits by further reducing a minor contributor to air pollution to the jobs and other benefits it provides to NSW, as it is the CAR's implied position.

3 Application to New Sites

Business and industry wish to work with the NSW Government to be sustainable, further reduce environmental emissions, but wishes to maintain and further provide good employment opportunities. To achieve both, industry and Government need to work together by setting achievable environmental goals. The main tool of site specific control in NSW is the Environment Protection Licence (EPL) in which a negotiated outcome is enshrined in NSW environment law. However, there are a number of air pollution laws, which are not subject to such negotiation, e.g. LBL. If these laws and policies, with significant tightening, are implemented without a negotiated process ASBG fears sites will be force to unnecessarily close or relocate to other states and good jobs will be lost.

Overall there is a thrust to tighten air standards across Australia and further still in NSW. These changes acutely affect new sites and developments making the cost of establishing many new industries in NSW unviable. ASBG is

[2] See EPL 837 Ampol LBL data

concerned that many competitive businesses that require process heating will find NSW simply too expensive. The Clean Air Strategy will send a clear message that such developments are simply not welcome in NSW, limiting the state's ability to provide job growth in this sector.

R3 ASBG recommends the NSW Government undertake and publish cost-benefit research on the proposed impacts of tighter air emissions and increased costs on new industrial developments.

ASBG recognises that a Regulatory Impact Statement process is required for any new regulatory change, however, many are not well done. The above research should give investors clear indication on the types of industrial development are and are not welcome in NSW due to air emission controls, costs and other environmental constraints. This would provide certainty to investors permitting them to focus on specific developments which are NSW friendly.

4 Load Based Licensing Review

The *2016 Review of the EPA's Load-Based Licensing Scheme* (LBL) is a concerning document to ASBG members. There are many issues with the proposed changes to LBL, which are detailed in ASBG's LBL submission.

ASBG looks forward to a much modified approach under any reconsideration of the LBL scheme, as the 2016 version recommends, for example; a doubling of fees, increasing fee unit costs to reflect abatement costs, which can range from 30% to 50,000% increases in $/kg emission fees. In addition, the proposal adds both load fees and administrative fees, where currently only the higher fee applies, resulting in substantial and further cost increases for many members.

If these substantial fee increases, as proposed, are enforced, many affected sites in competitive markets would likely close as this would be more cost effective than paying the increased fees. Sites that have little competition, such as sewage treatment plants, power stations etc. would need to pass on the costs to customers, tax payers and rate payers. As proposed, NSW's 2016 LBL would be the costliest globally, compared to similar schemes. While there are other schemes with high even higher emission fees, they are generally balanced with full hypothecation of fees to assist those industries to install better pollution control equipment. NSW has no effective grant or funding program to assist industry to reduce its fees and lower its emissions levels and meet CAS goals.

Considering LBL 2016's proposed likely fee impacts, especially its potential to close sites or raise the costs of services from utilities that are forced to pay, a more balanced approach is required. ASBG considers that LBL fees and emission levels on affected sites should be:

- A negotiated process with the right to appeal to the Land and Environment Court, similar to the negotiation right of Environment Protection License conditions.
- Subject to a set of grant programs to assist to improve abatement of LBL pollutants and reduce fees.

R4 ASBG recommends that increases of LBL fees and cost be subject to site-by-site negotiation, subject to appeal, to permit site continuation, maintain employment and minimise environmental emissions.

5 Funding of Clean Air

ASBG welcomes the grant and assistance packages under the *Net Zero Plan* (NZP) and especially its *Emissions Intensity Reduction Program.* ASBG notes there are many other packages such as the Clean Technology Innovation hub and others. It is noted the NZP funding is limited to reducing greenhouse gas emissions, with a focus on carbon emissions. From a clean air perspective such funding can also result in reductions of greenhouse emissions (GHG), which would include: carbon dioxide (CO_2), Methane (CH_4), Nitrous Oxides (NO_x). Reducing GHG can also indirectly reduce other air pollutants, though this is not always the case.

There are notable conflicts between reducing local air pollution and GHG emissions. For example, reducing NO_x, by the use of low NO_x burners will require reduced combustion temperatures, in many cases reducing the processes' thermal efficiency resulting in increased fuel use and therefore increased GHG emissions. ASBG has long called for a NSW Government policy position clarifying which is the more important outcome. Though generally local pollution (i.e. NO_x) in urban areas, are considered more important. In addition, ASBG finds the use of GHG emission reduction grants a curious inclusion to the CAS as the main GHGs: carbon dioxide and methane, are not considered air pollutants, nor do they appear under any NSW air pollution control legislation.

While the NZP is a welcome set of grants, ASBG is concerned there is no other NSW Government funding to assist industry to reduce other CAS air contaminants, especially the significant costs a future LBL will bring.

R5 ASBG recommends the NSW Government develop specific funding and grant programs to assist business and industry to comply with the Clean Air Strategy's proposed increasingly tighter and more costly air pollutants.

Should you require further information, clarification or details on the submission please contact me on 02 9453 3348.

Yours Sincerely

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