

Australian Energy Regulator – Draft Decision Jemena Gas Networks (NSW) access arrangements 2025-2030 attachment 5 Capital Expenditure - submission.

Opal Submission – 14 February 2025

SUMMARY OF RECOMMENDATIONS:

The Australian manufacturing industry is under intense cost pressure and increasing scrutiny to decarbonise its operations and supply chains.

Opal is an industry leader in the production of sustainable cardboard packaging and the circular economy of Australia. Opal is also a substantial consumer of natural gas in Australia with increasing gas pricing having a significant impact.

As an important player and contributor to the policy discussions relating to decarbonising the thermal energy sector in Australia, Opal welcomes the opportunity to contribute to Australian Energy Regulator's (AER) draft decision in relation to Jemena's capital expenditure request for renewable gas connections.

Opal believes that Government can play a broader strategic role in helping to establish a best in class renewable gas industry that provides superior commercial, environmental and social outcomes. This can be achieved via a comprehensive suite of policy and investment support, similar to what has been achieved in Denmark.

For this particular AER review we make these recommendations:

1. Early investment in connecting biomethane generators to the gas network is crucial to achieving a new and crucial renewable energy solution for large scale thermal energy users. Often there are no viable alternatives for this part of the Australian economy;
2. Such early investment demonstrates to the Australian market what is possible;
3. Such early investment should lead to local learnings and expected future cost downs as additional participants (generators) join the network; and
4. Such investment costs should be funded by the existing user base in lieu of Government direct funding.

Establishing a base for renewable natural gas could potentially deliver a superior economic outcome together with a GHG footprint reduction as compared with simply forcing large scale thermal energy users to cease their operations.

Opal supports Jemena Gas Network's capital expenditure request for renewable gas connections.

INTRODUCTION

Opal is one of Australia and New Zealand's largest packaging, paper and recycling businesses. We are industry leaders when it comes to sustainability and specialise in manufacturing innovative fibre-based packaging and paper solutions that replace non-recyclable and single-use plastic packaging, for our customers across a range of sectors including quick-service restaurants, fresh produce, protein, industrial, food and beverage, FMCG and grocery.

In 2023 Opal's Botany Mill (NSW) remanufactured 493,315 tonnes of Old Corrugated Containers (OCC) into 436,863 tonnes of 100 per cent recycled packaging paper and board. Our Maryvale Mill (Victoria) remanufactured a further 85,096 tonnes of OCC into a wide range of recycled content packaging papers and together with certified wood resources produced a total output of 348,598 tonnes of packaging paper to be used in the downstream production of cardboard boxes and paper bags and sacks.

Opal is governed by strong sustainability targets. As a member of the NIPPON PAPER GROUP, we are committed to reducing our GHG Scope one and two emissions by 45 per cent by 2030 and achieving net zero emissions by 2050 (from a baseline of 2020/21). Our company vision is: *Opal shapes the future through sustainable packaging.*

Opal's Net Zero (2030 Interim Target) Roadmap is focussed on reducing Scope 1 Greenhouse Gas (GHG) Emissions from the combustion of natural gas in its operations. Opal will achieve this by improving energy efficiency and looking for renewable biomass sources to produce biogas/biomethane and generate thermal energy in the form of steam.

Opal already produces substantial thermal energy from its Biomass Boilers at Maryvale Mill and Biogas from its anaerobic digester at the Botany Mill.

Our customers look to us for guidance on sustainability action plans and outcomes. Opal plays a vital role in supporting the sustainability strategies of our customers. Each has its own sustainability targets relating specifically to packaging, and our products, which include corrugated cardboard boxes, cartons, paper bags and paper, can help them towards their targets.

Having recently visited Denmark to learn more about their successful biogas network we would like to share some key takeaways for establishing a healthy and commercially viable biogas industry in New South Wales and Australia:

- Government can play a role to help establish larger scale facilities that drive economies of scale with lower CAPEX and OPEX and hopefully lower the renewable gas price \$/GJ to sustain the viability of industrial thermal energy users;
- Government should encourage smaller facilities with general policy but should take a much more active role in larger scale facilities to deliver a superior outcome for Australia;
- Large scale facilities can be strategically located and established to service multiple users and enable aggregation around key attributes such as:
 - Feedstock providers
 - The gas network
 - Transport links
 - Water supplies and waste water solutions
 - Offtakers of residuals
 - Future CO2 sequestration options e.g. CarbonNet.
- Government should support:
 - A nationally funded renewable gas scheme that includes both biomethane and renewable hydrogen.
 - Scope 1 emissions reductions from renewable gas to be accounted for in the National Greenhouse and Energy Reporting scheme (NGER) and within ERF methodologies to create Australian Carbon Credit Units (ACCUs).
- Government can play a leadership role in helping to establish best practice facilities that are reliable and deliver superior economic, environmental, and social outcomes by:
 - Collaborating with industry and investors;
 - Direct investment support for large scale opportunities;
 - Enabling legislation to remove barriers such as residuals treatments and re-use in the circular economy; and
 - Removing red tape and un-necessary delays in approvals.

ATTACHMENT 5 – Capital Expenditure (extract)

B Renewable gas connections

B.1 JGN’s proposal

JGN proposes to connect 8 biomethane production facilities to its NSW network (renewable gas connections capex). Its capex forecast to connect these projects is \$80.8 million. JGN considers this capex is prudent and efficient, and justifiable under clauses 79(2)(a) and 79(2)(c)(v) of the NGR. The cost of pipeline assets associated with connecting these facilities would go into the capital base of JGN and be borne by its customers. If all 8 of these facilities became operational, JGN estimates they would produce 6.7PJ’s of local renewable gas to its network, or around 8.3% of the energy transported on the JGN network.⁵⁵ Table 5.8 outlines the proposed expenditure for JGN’s 8 renewable gas connections projects in the 2025-30 access arrangement.

Table 5.8 Renewable gas connection project forecast expenditure (\$ millions, 2024-25) Renewable gas connection project

	Proposed expenditure 2025-30
Lilli Pilli	31.0
Blue Gum	26.8
Coolabah	5.1
Iron Bark	4.6
Red Gum	3.7
Huon Pine	3.3
Wollemi	3.2
Kauri	3.0
Total	80.8

B.2 Draft Decision

We have included a placeholder amount of \$0 in our alternative estimate. We are not satisfied that the renewable gas connections capex is justifiable under clause 79(2)(a) or clause 79(2)(c)(v) of the NGR, or that it is prudent and efficient. We have not previously considered the application of revisions to the NGR that refer to accounting for the economic value of changes to Australia’s greenhouse gas emissions when determining whether the overall economic value of the expenditure is positive and therefore justifiable under clause 79(2)(a) of the NGR. We consider JGN needs to be provide further information and analysis on the costs and likely alternative uses of the feedstock before we can form a decision on this capex.

Opal Submission

Large scale thermal energy users have extremely limited solutions to realise Scope 1 greenhouse Gas (GHG) reductions on a technological and financial basis.

Low energy thermal users often have technology options such as heat pumps that are not available for large scale and high energy industrial users.

The one viable technical solution that is proven at national scale is the generation and network utilisation of biomethane (upgraded from biogas). Opal does not support AER's view that these biomass feedstock source should be utilised to produce electricity. There are multiple pathways for renewable electricity as evidenced by the rapid reduction in state based emissions factors.

To achieve cost downs on the price of biomethane to avoid detrimental impact on Australian industry competitiveness requires scale. Scale of generation, scale of connectivity and scale of consumption.

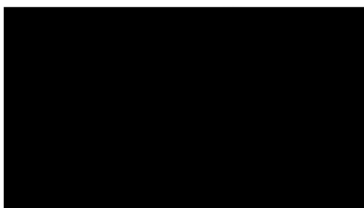
It is apparent that the adoption phase of a new national technology brings with it higher risk and higher costs and this is precisely the area where Government intervention is most important. Without addressing this entry and adoption burden, a new industry cannot commence.

Opal does not seek to assess the accuracy of JGN's estimate of CAPEX related to renewable gas connections, nor the selection of suitable sites and generators.

In principle Opal supports the introduction of biomethane and renewable gas connections and for the cost recovery of such connections to be shared across all networks users. This would allow new industrial energy sources to leverage existing network infrastructure.

By maintaining a base of industrial users on the network and at the same time transitioning from natural gas to renewable gas reduces the overall long term cost of all remaining network users.

Yours Sincerely,



General Manager Environment and Sustainability, Opal

