



PRIMARY INDUSTRIES AND RESOURCES COMMITTEE

Members present:

Mr SA Bennett MP—Chair
Mr NJ Dalton MP
Mr RI Katter MP
Mr GR Kelly MP
Mr JR Martin MP
Mr TJ Smith MP

Staff present:

Dr A Ward—Committee Secretary
Mr R Pelenyi—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO SUGARCANE BIOENERGY OPPORTUNITIES IN QUEENSLAND

TRANSCRIPT OF PROCEEDINGS

Wednesday, 11 February 2026

Brisbane

WEDNESDAY, 11 FEBRUARY 2026

The committee met at 9.28 am.

CHAIR: Good morning. I declare open this public hearing for the committee's inquiry into sugarcane bioenergy opportunities in Queensland. I am Steve Bennett, the member for Burnett and chair of the committee. With me today are: Mr James Martin, the deputy chair and member for Stretton; Mr Nigel Dalton, the member for Mackay; Mr Tom Smith, the member for Bundaberg; Mr Glen Kelly, the member for Mirani; and Mr Robbie Katter, the member for Traeger.

This hearing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's rules and the chair's direction at all times. You may be filmed or photographed during the proceedings. Images may also appear on the parliament's website or social media pages. Please remember to press your microphone on before you start to speak and off when you finish. Please put phones on silent, ladies and gentlemen.

MORTON, Mr Carl, Chief Executive Officer, Mackay Sugar Ltd

RUTHERFORD, Mr Shayne, Chief Executive Officer, Wilmar Sugar and Renewables

SALARDINI, Mr Ash, Chief Executive, Australian Sugar Manufacturers

CHAIR: It is a great pleasure to have representatives from Australian Sugar Manufacturers, Wilmar Sugar and Renewables, and Mackay Sugar Ltd with us here today. At the outset, I thank you all for your cooperation during the committee's inquiries over the past 12 months. We look forward to hearing from you today. Would you like to make an opening statement? Then we will move to some questions.

Mr Rutherford: Thank you, Chair and members of the committee, for the opportunity to appear today. Firstly, I acknowledge the very good work of the committee and the chair in undertaking and progressing this inquiry. I also acknowledge the importance of examining how the Queensland sugar industry can contribute to regional development, the energy transition and also Australia's fuel security. I appear today in a dual capacity: firstly, as chair of Australian Sugar Manufacturers, which represents the broader sugar manufacturing sector; also, as head of Wilmar Sugar and Renewables, which is Australia's largest raw sugar manufacturer and a significant producer of renewable energy and also biofuels, so ethanol.

As many of us already know, the Australian sugar industry is currently operating in what we would call a very challenging economic environment. Global raw sugar prices are sitting in a range of approximately 14 to 15 cents a pound. I think the prompt price, when I checked this morning, is under 14 cents a pound. These are the lowest levels seen in around five years and below the cost of production for much of the industry. The Australian sugar manufacturing sector on average requires a sugar price of around 18 cents per pound for profit before tax break-even and 20 cents per pound for cash break-even after the significant capital reinvestment that is required to keep the businesses operating. At current price levels, the sugar manufacturing sector is clearly under significant pressure, particularly when combined with rising operating and maintenance costs and increasing stay-in-business capital requirements.

I think we are all aware that approximately 85 per cent of Australia's sugar production is exported into global markets. In those markets we compete against producers such as Brazil, India and Thailand. In those countries, production costs are materially lower and government sponsored industry support mechanisms are well established and support those industries competitively. While the sugar market is cyclical and it is inherently volatile—it is one of the most volatile commodity

markets in the world—fundamentals suggest that it will take some time for the current low prices to return to more sustainable levels. That is likely to only happen after global production is taken out of business, and we plan that it is not going to be us in Queensland. The short- to medium-term outlook is for the current low prices to remain, and we are certainly looking at a period of several years.

These conditions place sustained pressure on industry viability and also investor confidence. This has direct implications for sugar manufacturers, canegrowers and also regional communities. A viable and sustainable sugar factory is fundamental to grower confidence, long-term cane supply and employment in the regions in which we operate. Without diversification and government support, there is a real risk that the loss of sugar factory capacity in Australia will accelerate. You are probably aware that we have lost manufacturing capacity over the years, but our fear is that that will accelerate, leaving affected growers without a buyer for their sugar cane. Against this backdrop diversification is essential, and bioenergy offers an opportunity to extend the viability of Australia's sugar industry for generations to come.

Importantly, bioenergy is not new to our industry. Sugar manufacturers already generate significant amounts of renewable electricity. Every single sugar factory generates and exports renewable electricity. We also produce renewable ethanol in the Queensland sugar industry. The opportunity before us is actually to extract more value from our existing cane supply, which will improve industry resilience while also delivering broader economic and environmental benefits. For my employer, Wilmar, this means focusing on commercially credible pathways. They include expanded cogeneration capacity, black pellets manufactured from bagasse for use as a coal substitute, and also ethanol production for motor vehicles but also as a pathway for sustainable aviation fuel production. To unlock these opportunities, practical policy enablers are required.

Our submission to this inquiry outlines targeted enabling actions including, for example, co-funding feasibility and final investment decisions to de-risk projects, establishing a buyer-of-last-resort mechanism for emerging biofuels such as black pellets, restructuring the Queensland ethanol mandate to further stimulate market demand, supporting cogeneration power purchase agreements with appropriate pricing and also providing targeted capital support for first-of-a-kind industrial upgrades and energy transition projects.

We believe that, with the appropriate government action and the right policy settings, the Queensland sugar industry can deliver regional investment and jobs, renewable energy and also sovereign fuel capacity while also strengthening long-term outcomes for canegrowers by supporting more resilient regional supply chains that underpin the long-term viability of sugar factories and also provide potential revenue diversification opportunities for growers. Both Australian sugar manufacturers and Wilmar are committed to advancing and investing in bioenergy opportunities, including cogeneration, black pellets, ethanol and sustainable aviation fuel, where they are commercially feasible. Appropriate government action is required to create the market conditions needed to encourage and support this investment. We really appreciate the committee's consideration of these matters and we look forward to continuing to support your work. Thank you very much.

CHAIR: Thank you, Shayne. Does anyone else want to make an opening statement?

Mr Morton: Thank you, Chair. As my colleague did, I acknowledge the great work that has been done by the committee in undertaking this inquiry and taking the time to see us again here today. It is great to see so many people from the sugar seats as well in this review.

As you know, the majority of Australia's raw sugar volumes are exported. Sugar pricing in Australia is, therefore, subject to the New York ICE 11 pricing. This means that we compete with larger sugar-producing countries in an open market, despite those countries having substantial subsidies with their respective governments. Like most agricultural commodities, raw sugar pricing is cyclical. We are currently in a significant downturn, with the pricing over the last few months hitting as low as A\$420 a tonne. This is well below most of the world's production costs, not just for manufacturers but also for growers. In a normal market environment the market would regulate itself, with the highest cost producers going out of business, stock volumes declining and then prices rising and recovering. However, with high-cost producers in subsidised countries, Australian factories that would otherwise have been viable are now no longer safe. I predict that, without your help, in the next couple of years we could easily see one or two of those factories going under.

The other part in our submission is about some support around rail infrastructure and disaster recovery. Just this year alone, Mackay Sugar has suffered \$1.8 million worth of track damage. The options to put that into road transport are not viable so we are committed to making sure we spend that money, but it is an extremely hard time of the year to throw another \$1.8 million into a business.

However, it is not all bad news. We believe that, with the stable economic climate in Australia and our strategic action plan at Mackay Sugar, we can reduce our costs of production so it is in the bottom 40 per cent of the world in the next five years. We are situated in the best area in the world for raw sugar manufacturing because we are by the growth market, which is Asia. We see there is a long-term future in our region. Nevertheless, we do need your help to get through this period.

The Australian sugar industry was historically the hub of innovation in this market. Many manufacturers invested heavily into diversification to allow for varied income streams through these types of market volatilities. Cogeneration, the burning of fibre from cane bagasse and the production of renewable green energy has been one of our industry's investments. Mackay Sugar spent \$130 million on its 36-megawatt cogeneration facility 14 years ago. Since Nordzucker has purchased its 71 per cent share of Mackay Sugar, approximately \$550 million has been spent in capital and maintenance in its factories, the cogeneration facility and our cane supply. This spend has been focused on putting best-of-class technology in our base business, increasing efficiencies and bringing up bagasse, which is then able to be burnt in our cogeneration facilities. This has been demonstrated by the reduction of coal use in our facilities, going from over 40,000 tonnes of coal to just over 5,000 tonnes of coal in the last year.

Unfortunately, power generators' incomes have greatly reduced in this period, with large periods of negative pricing for producers in the middle of the day with an oversupply of solar and wind in our current network. Unlike other forms of power generation, our cogeneration cannot simply be turned off during these negative pricing periods. We must supply steam and power not only to our own production in season but also to our two customers that are located on our site at Racecourse and so burning bagasse, which incurs transport costs, must be consumed. Large synchronised electrical turbines provide base-load electricity which stabilises the network. This provides power for the full 24 hours of the day.

The Mackay Sugar cogeneration facility was built on the premise of a stable power market with substantial incentives with LGCs, large-scale generator credits, being part of that pricing. In 2022 and 2023, the average pricing was \$145 a megawatt hour and LGCs were at \$58 a megawatt hour and we earned about \$203 a megawatt hour. Currently, if you look at the last couple of months, we are sitting at around \$64 a megawatt hour and \$6 for LGCs, meaning we get about \$70 per megawatt hour, which is a 64 per cent reduction. This means we are effectively running that facility at a loss.

We need the Queensland government to recognise the unique benefits of green synchronous power generation. In our submission, we suggest that this be in the form of floors and cap-pricing arrangements. We could then also provide an incentive to our growers to use power through irrigation in daylight hours, further reducing the load on the network in times of oversupply. This could increase cane production and, as we know, volume helps spread fixed costs and that would improve profitability throughout the entire value chain, not just for us but also for our growers. Ergon, owned by the Queensland government, is the major retailer. You have the power to make this decision without any additional infrastructure. It will also provide a stable platform for biodiverse products to be produced in Queensland using green power and potentially our freed-up biomass to make these next-generation products.

In conclusion, I reiterate: Mackay Sugar's strategic plan is to reduce our cost of production so that it sits in the bottom 40 per cent of the world's pricing in the next five years in the area where the greatest market growth is. Investing in this area is not a handout; it is government providing a hand up, allowing us to stabilise and then launch into these biodiverse products of the future.

CHAIR: We will go to questions.

Mr MARTIN: You recommended establishing a buyer-of-last-resort scheme for biofuels like black pellets and also advocated for a sovereign fuel supply for the Australian Defence Force. Could you explain to the committee how those measures would work in practice, and is it something that Wilmar would look to being a pilot for?

Mr Rutherford: To address the buyer-of-last-resort scheme, in developing biofuels such as black pellets we do not have an established market in Queensland or Australia yet there is ample opportunity. For example, Rio Tinto's smelter in Gladstone burned something like 1.8 million tonnes of coal, and black pellets are a coal replacement but we are unsure about the market price. To some extent it is dependent on what the carbon price is going to be imputed into the price for the product. The challenge when you are trying to establish what is, in effect, a new market and at the same time make a considerable capital investment is that you do not have security for your revenue. While it might be possible to secure long-term offtake agreements that underpin the investment, it is more likely that that will not be the case. You might be able to secure some contracts but not sufficient.

The buyer of last resort basically just provides, if you like, an option for producers to sell their product for a floor price to the government. That product could then be distributed to government owned coal generators, for example. It is a mechanism that de-risks the commercial side and helps investors make the substantial up-front investment while they are establishing the market. The intention is not that it provides an extremely remunerative return, just a floor price. If the market is established as we think it should be then we should never need to use the buyer of last resort. It just does provide some investor confidence to underpin the investment.

Mr MARTIN: Just practically, then, where do the pellets end up? Do they just go to the power stations?

Mr Rutherford: Black pellets currently are a direct coal substitute. They are roughly 70 per cent of the calorific value. They are hydrophobic. They can be handled in the same way as coal, so they could be blended in with existing coal supplied directly into a boiler. That is the primary market that we see—hard-to-abate coal electricity generation sector or coal for heat. That is the primary market, so the market is private and government owned power stations and potentially also offshore.

Mr DALTON: Thank you, gentlemen, for coming today. Ash, what is the sugar manufacturing sector's realistic near- to medium-term capacity to scale up bioenergy and biofuels production using domestic sugarcane feedstocks and what specific constraints—capital or technology—are currently preventing that expansion in Queensland?

Mr Salardini: We have ample opportunity to scale up into biofuels and bioenergy. On average, we produce 30 to 32 million tonnes of cane. Out of that, obviously we make sugar but we have by-products like bagasse—nine to 10 million tonnes of bagasse—and molasses. We have about one or two million tonnes of molasses. All these can be used for biofuels and bioenergy. Shayne has mentioned how we can use the bagasse and turn it into black pellets for coal generation. Theoretically, we could provide one-third of the domestic aviation fuel needs through biofuels, if we geared the whole industry towards biofuels as an example.

Currently we have a nameplate capacity of around 400 megawatts for electricity generation—renewable electricity. Theoretically we could do 800 megawatts, which is the size of Callide B Power Station, which is one of the major power stations in Queensland. That scale is quite big, but we are not a static industry. So if the demand is there, we can actually grow. It is a weird thing to say at a down point of the cycle, but seven or eight years ago we were doing 36 million tonnes of cane. We were doing 20 per cent more seven or eight years ago, so there is an opportunity there.

The final opportunity is around R and D. I do not think I am speaking out of turn to say that our R and D agenda is not shooting the lights out. If we had an effective R and D agenda, out of the land we have, out of the growers we have and out of the manufacturing facilities we have we could get a lot more production—equivalent to 40 million tonnes of cane. The growth opportunity is there. The value-add opportunity is there. It is just a matter of demand and the incentives to get us there.

Mr SMITH: Mackay Sugar's submission talks about \$6 million sought from Queensland government to co-invest with industry and the federal government. I am wondering if that is a total of \$18 million all up in developing R and D capabilities and then adopting internationally proven technologies not used in Australia. Who would actually lead that? You are asking for money from the federal government, so are they going to want to take the lead? Then when we are talking about R and D capabilities, does that mean engaging with universities? Industry-led? European? What are we actually talking about here?

Mr Salardini: I think it is a really good question. First of all, we are a bit ambitious. We are asking the federal government to match both Queensland and industry money. Currently we have an organisation called Sugar Research Ltd, which is an industry-good organisation. That sits at around \$6 million or \$7 million that is there for the industry good. They also have a partnership with QUT. Their role is around technology adoption within our industry. However, as you can appreciate, \$6 million is not a huge amount. That is not annual money; in total, that is what they have to work with. We would try to leverage and restructure that organisation to lead the R and D agenda around technology adoption. It is around looking at adjacent industries. It is around looking at overseas examples and finding the cutting-edge technologies that are currently commercially available and then adopting and innovating for Australian practices and circumstances. That organisation, alongside QUT, would probably be the driver of that agenda. Currently they work in a relationship together. There are researchers, consultants and industry experts that sit around that Sugar Research Ltd organisation to do some of that work already. As you can appreciate, \$6 million does not really provide much in terms of a program around technology adoption and innovation.

Mr Morton: What I wanted to highlight, and why we put it into our submission specifically, was that we are already taking a significant risk in the capital spend that we put forward now. When we talked about that \$550 million in capital and in maintenance spend, as in our submission, there was a whole heap of technology that had not been really proven in Australia. When you go and put that type of technology into your factory, there is no turning back. It is a no-regrets decision: once it is in, you cannot go backwards. By taking that risk, you are exposing your business to potential financial loss.

We see that there is plenty of technology out there at the moment that has not been adopted by Australia. It is not just about the latest R and D fad that potentially a university may want to go after; it is also about what is practical and what has been used overseas that can come in and make our facilities more efficient. We have honeycomb calandrias, which came out of the refined sugar business in Nordzucker in Europe. It had not really been used in raw sugar before. We have used them and they have been really successful. We tried dimple tubes in the calandrias. That had been used in South Africa but never used in Australia. Again, there was a 30 per cent increase in efficiency in those pans. With mud belt filters, Wilmar had tried one. We have tried one. We got really good extraction—better than we expected. A falling film evaporator we put in—a \$14.6 million project—was a really big gamble, taking five old evaporators out and putting in one big new one. Again, that has been really successful in helping us with our efficiency. Those are just examples of where industry should have an R and D section which is actually helping to provide some of those leaders and helping to share some of that risk. Right now we do not have that.

Mr G KELLY: Has Mackay Sugar been approached by or proactively engaged with renewable energy developers, infrastructure funds or battery storage components to co-invest in bioenergy and energy storage opportunities at your mill sites, and what barriers—commercial, regulatory or grid related—are currently limiting those partnerships?

Mr Morton: We have absolutely looked at other options for storage of that electricity. Nordzucker has a GoGreen project. You can imagine that in Europe a lot of the energy is produced by coal and by natural gas and they are trying to reduce their carbon footprint. They have a whole team effectively looking at how they can store energy and use it more efficiently. We have looked at battery storage. They are quite expensive at the moment. Even large-scale batteries—using things like molten salts and that type of thing—we have looked at as well. I would like to think there will be an answer there at some stage. At the moment it just commercially does not stack up.

As far as trying to get more efficient, we do not have to look too far afield. We can literally just look across at Europe, where they have multiple-effect evaporators at six and seven stages where we go to four. If they had a steam-on-cane number like ours would be—theirs would be in the low 30 per cents whereas ours are sitting over 50. There is a lot of energy available to be used, potentially in energy and another products, that we could just do by implementing some of the known technology.

Mr KATTER: I have always been a bit of a one-trick pony on the sugar thing with ethanol. It is just where my interest lies. I am a bit ignorant on the energy thing, so it has been really instructive. On E10, you have a committee here before you and we have sort of been stuck in neutral on that issue for the 14 years I have been in parliament. What do you need from government to activate that? What is the grunt that is needed to kick that market off? There is a second part to that question. I am very grateful for the things you mentioned. Shayne, it was very clear when you said, 'Here are some things we would like to see.' Can they coexist—the pelletising, the E10 plant? I imagine they can, but can you confirm that for the committee? What would you like to see from the government to drive the E10 mandate, and can those efforts all coexist?

Mr Rutherford: On ethanol, yes, we do have a mandate. Big picture, with a four per cent mandate there is roughly two to 2½ per cent uptake of the mandate for various reasons. More fundamentally, we have a supply and demand situation in Australia. There are only two ethanol producers. We had three. One shut. There is more ethanol production in Australia than there is demand, so the mandates in New South Wales and Queensland—they are the only states that have mandates—are not effective in creating sufficient demand at a price which is going to encourage expansion.

There are some things we could do to improve the mandate immediately, even sticking with the current four per cent mandate. It only applies to ethanol in unleaded petrol, yet a third of petrol consumption is premium unleaded. The mandate does not apply to premium unleaded and the vehicle fleet is actually switching from unleaded petrol to premium. That is one small change that would automatically mean that all of the petrol was eligible for E10. There is no obligation on retailers to actually put 10 per cent ethanol in, either. New South Wales have introduced an amendment to ensure E10 has somewhere between nine and 10 per cent ethanol.

We would like to see the obligation for retailers to meet the mandate expanded. Retailers that have multiple sites should be aggregating their liability instead of saying, 'This site can't do it and this site can't do it,' because there are a lot of exemptions. There are some things we can do just around the edges that would make a material difference. Fundamentally, ethanol is sold as a discounted substitute for unleaded petrol, and that is not something that actually encourages demand at a price that is required by producers.

In recent times we have been making a loss on fuel ethanol. We have to put something in place that is going to expand the volume by doing some of the things I have mentioned—expand the mandate from four per cent to 10 per cent and put it on all petrols, and make sure all of the pumps must be labelled to say that they may contain ethanol.

Countries around the world—the US, India—have 20 per cent mandates. Brazil has a 20 per cent mandate. Ten per cent is not particularly aggressive, so we have to drive the volume and we also have to do some things which will help the profitability. There is still a 16-cent excise on ethanol. That is a federal matter, but I would like to see that abolished as well in recognition of some of the environmental benefits of ethanol. I guess that is a key plank of what the sugar-manufacturing sector is trying to say. There are broader benefits for all of these things. If you look at ethanol, there are very definitely air quality particulate emission benefits and health benefits. There are carbon abatement benefits. In fact, we would like to see those things valued. At the moment they are not valued. Ethanol sells at a discount to fossil fuels and that is just not sustainable.

We would like to see the expansion of ethanol. We are aware that ultimately perhaps the vehicle fleet may be electrified, but that is going to take many years. The hard-to-abate sector is sustainable aviation fuel and the pathway to that is ethanol. We would like to see expansion of the fuel ethanol program. Make that profitable and then we will develop a sugar industry that has greater ethanol capacity. That will provide a pathway, then, for sustainable aviation fuel in the future.

Mr KATTER: And that can coexist with any other effort?

Mr Rutherford: Absolutely. Fundamentally, sugar cane is water, fibre and sucrose—so carbohydrate. Carbohydrate can be used for sugar. It can be used to make ethanol, which can be used to make all sorts of other fuels. Fibre can be used to make syngas, electricity and black pellets, for example. It can also be used to make ethanol.

We have looked at a whole range of hydrothermal liquefaction and syngas and we have looked at batteries. We have looked at the full gamut of opportunities over a long period. The most prospective opportunities that we see are expanding cogeneration, because every sugar factory in Queensland can do it. Some of my colleagues have talked about the synchronous nature and the reliable nature of it. It is renewable but it is not intermittent and it is synchronous, so it is just network stability. That is not being valued. We can do that as well. All those things can coexist: black pellets, cogeneration and ethanol for vehicles and then ultimately for sustainable aviation fuel.

CHAIR: Our time is nearly up. In closing, Ash, would you talk to the committee? One of the things we talked about at the start was expanding the sugar industry, and that is going to need cooperation from growers and millers. I commend the work that has happened over the last 12 months. For the committee's benefit, can you state how we see that cooperation and collaboration with both entities, because we need to consider both the grower's wellbeing and the miller's wellbeing in a successful outcome. We are over time already so could you wrap that up for me?

Mr Salardini: I will be very quick. Canegrowers will be on next and I think we are on a unity ticket in terms of what we need to do, and that is collaboration on value-add and on diversification because that is where our future lies. Without growers and without growers being profitable we will not have sugar manufacturing, and without sugar manufacturers we will not have growers. It is instructive to know how much it cost both the federal and state governments when Mossman finally failed. Carl mentioned it earlier. In the next two or three years, if business as usual happens and the prices in the global markets go where they are, there will likely be one or two and potentially three mills and factories that might not be viable in the long term. Each of them is two or three times larger than Mossman, so you will potentially have nine Mossmans on your hands at the end of 2027. That is not where we want to go as an industry. We have set up an industry leaders group with Canegrowers to talk about what we can do together to go forward. This committee has been fantastic in sharpening some of those thoughts as well. We are all on a unity ticket in terms of a viable sugar industry.

CHAIR: Thank you. That is our time.

GALLIGAN, Mr Dan, Chief Executive Officer, Queensland Cane Growers Organisation (Canegrowers)

MENKENS, Mr Owen, Chairman, Queensland Cane Growers Organisation (Canegrowers)

CHAIR: I thank you for the cooperation during the last 12 months from you and your members. I will hand over to you for an opening statement.

Mr Menkens: I will hand over to Dan. I appreciate being able to appear before you. We had the regional meetings which I have appeared at. I will hand over to Dan to sum up for our meeting here.

Mr Galligan: Good morning. Thanks for the opportunity to appear in front of an additional hearing. It is greatly welcomed. As you probably know, Canegrowers is a representative organisation. I am sure you are here to sing us *Happy Birthday*: it is 100 years old this year. We are celebrating our centenary. There are all sorts of celebrations going on across the state. Those of you who are in a cane-growing region will probably find yourselves invited to either a small barbecue or a large gala, depending on what you are doing. There will be a major celebration of Canegrowers on 29 October here in King George Square. You will definitely be invited to that.

As a longstanding industry organisation whose sole purpose is to represent the interests of growers, the future of the organisation has been entirely intertwined with the future of the industry. On that matter, today I think it is probably best if we cut to the chase given you have done 12 months of investigation.

Last year we welcomed the inquiry. We welcomed particularly the honourable Stephen Bennett's leadership in developing the inquiry's terms of reference. Despite a lot of advocacy by politicians, particularly in districts, by industry organisations—not just us but other grower organisations—and by industry advocates across the board, despite the sometimes contentious issues the sugar industry gets itself involved in, the opportunities around bioenergy, particularly low-carb and liquid fuels and cogeneration of electricity, are a unifying point. Absolutely everybody in the industry is unified behind the fact that we need to find a way to diversify the revenue and returns to growers and millers in this industry.

Last year we were in a phase of investigation. I think our public commentary in relation to this inquiry remains wholly supportive, but we warned the government that if it is just about doing more investigations and taking no action we will be really disappointed. While I have sympathy for your job—it is very difficult to craft recommendations that really get things done—the urgency has increased. As you may well have heard from our colleagues in the milling sector this morning, we are at six-year lows in terms of the global sugar price. The Australian sugar industry is exposed to the global market more than any other of our competitors, who are all supported by government in some form or another, either through subsidies or production support or in relation to this issue of support of bioenergy and diversification projects. We have none of that support in Australia. I will do the flick pass back to Owen, who can give the real-life example of surviving as a sugarcane grower in Queensland. At the moment, if we do not do something about this issue in the industry, in a year or two, if not sooner, we will be starting to look for support packages in some of the regions.

Since we last met about this, we have seen the death of the sugar industry in Mossman. It has taken a long time and a lot of struggle and certainly significant efforts on behalf of both the state and federal governments. However, the future of Mossman was reliant on diversification and it has not been successful. We have to do something. Has the industry been doing things? Yes, I would argue, particularly in a very strong collaborative effort led by canegrower Sugar Research Australia, the sugar manufacturers, and at that stage AgForce as well in developing the Sugar Plus road map, which is a strategic road map to look for diversification opportunities. It is now just over four years old. It said that the best opportunities for us as a sector were in sustainable aviation fuel, low-carb and liquid fuels, bioplastics and bioenergy.

Four years ago this month—literally; I looked it up this morning—I was invited to sit on an expert panel by the then deputy premier, Steven Miles, to talk to the major airlines in Australia looking at feedstock for the development of the SAF industry. While we can look at projects and we can look at initiatives, frankly all we have done since then is study things. The only ones who are really making significant profits out of bioenergy at the moment are consultancy companies, which are generating

often very similar reports to what they have been generating for years. It is good stuff, but Owen is not making any money out of it.

My real message this morning is very difficult, because I really have extreme sympathy for the role of politicians. However, we need to find some way to take action in this. While we have been in a board meeting this morning—and we have done the dangerous thing of a CEO and the chairman leaving their board to their own devices—I am pretty sure we would have agreed with our colleagues from the milling sector this morning that there are huge opportunities in cogeneration.

Anyone who has worked in the industry, like I have for many years, would agree how frustrating it is to have such a passion for green electricity but still fly over the top of an annual crop that is generating so much energy yet we are not taking advantage of it in Queensland. I am very keen for the Queensland government to make recommendations that will see actual actions around what they can do on cogeneration and actual actions about increasing the viability of feedstock production which, frankly, is to lower the cost of electricity for irrigating, make sure we secure our regional planning models to know what is at risk with some of our coexistence challenges in Queensland for agricultural crops and actually encourage farming. In the end, while we are looking for leadership on the national feedstock strategy, which is still in development, we will need national policy to increase demand and supply-side incentives. It is not much good if we do all that and by the time we get around to it the feedstock is not there.

The development of bioenergy does need government intervention. That is the same situation that has been faced everywhere else in the world. Australia has to get over the fact that we think it is just going to happen around us, because it is actually happening offshore now. My message is a sense of urgency. We would be really pleased to answer questions in the time we have available.

Mr MARTIN: Thanks for being so honest and up-front. Following on from what you said in terms of action, one of the things the committee has heard is about microgrids or off-power agreements so that growers can get power for irrigation. Obviously there are some regulatory hurdles to that. The energy market is highly regulated and it is difficult to navigate. Can you advise the committee what advice your organisation has had from the energy regulator as to why that has not been able to happen already? We have heard examples that there are microgrids in Queensland; there are a few—not many. What is it that this committee could do by way of a recommendation to get that moving?

Mr Galligan: It is a really privileged position for a CEO to flick back to his chairman. Owen, who is sitting next to me, is an irrigator, so he might talk about microgrids. I would make the observation that we have been talking about it—and we work really closely with Queensland Farmers' Federation as a member of those and on the case studies for microgrids. In advocacy on electricity generally, the argument that the wealth of regulation and policy around it that makes it difficult frustrates me because if governments have their hands on the levers they can also change those regulations and policies. We have seen policy change from government on electricity. Once the argument was that it was impossible; I do not see why it cannot be made possible now. That is more of a straightforward advocacy point. I will hand over to Owen to give some real-life examples of what it looks like.

Mr Menkens: Electricity, as I spoke about in Townsville, is a passion of mine as an irrigator. I have been involved in the board of Canegrowers for over 10 years. We have had a lot of discussion with different regulators about ways we can improve electricity. One of the busiest boards I have ever seen is the one that determines how your electricity price is arrived at. There are all these different arrows pointing here, there and everywhere. It is frustrating but there are ways through it. Government just has to be strong to fight a way through it and we have had situations where that has happened. We have taken Ergon to the Australian Energy Regulator—and Ergon fought that and lost—and we ended up with a price reduction for irrigators about five or six years ago. That was a win that we got basically because we managed to get through one hurdle, which was the Energy Regulator saying they were overpricing what they were charging for their poles and wires.

There are ways we can get through this. It is frustrating as an irrigator. In the Burdekin district we are one of the highest users of electricity in the state. One of the peak areas in the Queensland energy network is the southern part of Home Hill. There is a high area there and that creates difficulties on the grid which obviously increases the price for everyone. We have four sugar mills in the Burdekin. They all can cogenerate to put into the grid while they are crushing and some can then run all year round. It is frustrating we have that situation.

Many years ago, like I said in Townsville, in my district the farmers never owned the sugar mill but owned the power station because that was far more important. We used to buy the coal from Collinsville, put it in the power station and that used to grow the cane. If you did not have electricity

you could not grow the cane, so that was fundamental. Now we have a situation where the milling companies will say they are not getting enough income out of the cogeneration they produce and we are saying we are paying too much for our power. There are different things we work on with regard to tariffs and different methodologies, but essentially we are going around in circles that the government is making a profit out of generating and retailing. What we are trying to suggest—and microgrids can be a complicated term, but essentially it is a matter of getting through that noise and making it a lot easier for a local district, which is a large user and a large producer of electricity, to work together to get better results.

We also have a lot of solar in my district now. There are so many solar systems on underground pumps now it is phenomenal. I have five myself and all my neighbours have them. They are very common. That solar is basically wasted as well, and it is the same with the milling sector's cogeneration; it just goes off into the abyss in many ways and it gets cut down. We cannot properly utilise that solar in the way we could if we had a proper grid system.

There are lots of ways we can do something about this and I think we can work together to make it better. It is a definite option going forward. With the sugar prices where they are, we are going to be struggling. Energy is going to be a massive issue for my district and certainly for the Bundaberg district; energy costs are huge. We have had some wetter-than-average years during the last few years, so it has actually hidden the real cost. We have had a dry period up until December. My monthly electricity bill was \$35,000 for December, which was pretty scary. Those sorts of numbers put it in perspective. With the energy prices there seems to be no common ground where we can see it flattening out, either. It just seems to be going up and up. It is a big concern.

Mr MARTIN: Just to clarify, there is no technological barrier to getting a microgrid going? It is not an infrastructure barrier; it is essentially regulation?

Mr Menkens: Yes, the government can regulate and make things happen when they want to. They own the three: they own the generation, the poles and wires, and the retailer. It is all possible. I do not know the minutiae of the wording that needs to be changed to make it happen, but it can happen if you want it to happen. That has been our position at Canegrowers for eight or nine years: microgrids seem to make perfect sense. We had the situation where we had the poles and wires, which were overpriced and had a rate of return on them which was just unreasonable. There are a lot of different things you can play with, and I will not go into the detail of it all. There is opportunity there. When you are a generator and a user it makes perfect sense, and we were like that originally. We actually joined the network. The network cost was the cost of our little power station in Home Hill joining the big Queensland network. That was the network charge. Now that network charge is 60 per cent of my electricity bill, which seems ridiculous because we were doing it for free 50 years ago. That is the frustrating thing.

Mr DALTON: Which regions across Queensland currently have the greatest capacity to scale up cane production or biomass feedstock for bioenergy and biofuels?

Mr Galligan: The reality is that there is not a single region in Queensland that could not scale up. My industry response to that is: the first thing we can do as an industry is not grow the crop out but grow the crop up. We have huge opportunities to increase productivity in every single district. The only district that is at all close to being contained in terms of growth is Tully, and that is because they have a land challenge and a mill challenge in terms of having a full mill, but everywhere else we have scope to grow easily. There is productivity in terms of land and productivity in terms of farm management practices that would increase the production of the industry. We would not even increase the footprint by doing those things.

Mr DALTON: So there is nothing holding you back at all?

Mr Galligan: Value. That is what is holding us back: return on investment.

CHAIR: Regional planning schemes maybe?

Mr Galligan: They do not help.

Mr SMITH: A lot you mentioned at the beginning was about bioenergy. I also note that the Canegrowers Burdekin talk about not squandering the chance for bioenergy opportunity. How do Canegrowers and the industry see confidence moving forward when they are not included in the Energy Roadmap and Treasury have not mapped, modelled or planned for cane through a bioeconomy?

Mr Galligan: I have said this to ministers. I think there is a real challenge. The government has to clarify the leadership on bioenergy, frankly. The role of agriculture more broadly in the energy sector is undersold, and I think it is confusing to see where the leadership from government on this comes from. I think there is leadership. I think there is intent, there is goodwill and there is a desire, but there are some structural problems in the mechanics of how government is operating in terms of giving agriculture confidence about how we fit into the bioenergy sector and broadly fit into the energy sector.

Energy is such a huge cost to us. Also, there are the opportunities around bioenergy that the government's intervention by re-establishing the Agriculture, Energy and Water Council is really positive. We have seen that work last year by being able to raise some of these issues. However, we have raised those issues weekly with the Treasurer to say, 'We need some focus and clarity around leadership on energy.'

Mr G KELLY: Dan, what role can Canegrowers play in partnership with government and millers to improve communication, trust and alignment across grower communities so that regional Queensland is ready to respond quickly with large-scale bioenergy and biofuel investments when they become available?

Mr Galligan: We need an industry and government agreed strategic plan, frankly. We are seeing it happen in other sectors. It gets a few rocks thrown at it, but I reference Sugar Plus from an industry perspective because that did involve government. There are nay-sayers—I guess that is what I mean when I say rock throwers—but in reality it demonstrated that, despite what people might see from a distance, the industry can pull together and it does. There are so many unifying factors across grower organisations and the milling sector. The frustrations you see in the industry are often because we are actually joined at the hip and you cannot get away from each other; you sort of rely on each other.

Aside from obviously some policy, regulatory and funding things that government can do, the government can show leadership by actually establishing a real, clear strategic plan around the intersection between bioenergy and the sugarcane sector. Personally—and I have said this before—I probably spend a day a week on this issue between SAF and bioenergy. Besides a few bits and bobs in investments that are a legacy issue from members of the past, Canegrowers is entirely funded by levies which are voluntary. None of that money that is coming into our organisation is going back out as a result of bioenergy. They are all paying that levy to essentially support the development of the sugar sector, and it is a successful sector. Every single crystal of sugar that is generated in Queensland is successfully sold. We are successful on that, but to then argue to growers who are paying their money to us as an organisation—and the same goes in the R and D section for Sugar Research Australia—'Some of this money that you have put in towards the sugar sector has to be spent on a future industry, a future potential great revenue,' is a really hard sell. They justifiably say, 'I think you're wasting your time. We've seen it all before. We've been talking about it for ages.' Government needs to step up and say, 'Look, this is a down payment'—I am trying to get the benefits of a future industry that does not exist just yet—and bring us to the table. I am sure for the millers, the grower organisations and certainly for us eventually you start to say it is just not core business because it is not paying the bills. There is no revenue coming in on the basis of a future industry.

Mr KATTER: The member for Mackay and the chair alluded to the Gordonvale area, and I tabled a question in relation to it last time. This industry requires growth. You have contraction happening. Has any work been done around planning instruments? I do not think you heard the Wilmar representative, but with ethanol do you see any immediate action that the government could take to assist in pulling that industry forward?

Mr Galligan: As you well know, there are so many lessons out of ethanol that we should be learning when we start to look at further low-carbon liquid fuels. That is essentially around not just mandates but enforceable mandates, obviously. It is around providing certainty for the market that the market will be there. It is clear that the world will need more low-carbon liquid fuels; it is just an argument about the most efficient place to get it.

To your point about contraction of the industry, the reality is that the industry is in a contraction phase again. This price downturn will turn around and the global price will go up, but the capacity for the industry to scale up again will be exceedingly difficult if we lose other sugar mills. The government's ambition to review all regional plans—having worked a fair bit on regional plans over the years—I think is laudable, but I wonder about the capacity to do that in a rigorous way when actually I think what we want—and I am on the same page as Jo Sheppard here and Queensland Farmers' Federation—is to switch the narrative around regional planning so we have some foresight capacity to understand what the future of our regional landscapes is. Instead of treating agricultural

land as effectively the last bit the highlighter hits in a regional plan, once you have pulled apart infrastructure and urbanisation, effectively—the bit that everybody chisels out—the leftover bit is agriculture. We just cannot do that anymore. We need to be identifying our agricultural assets, including land and water, first.

That is not to necessarily say, and we cannot as an organisation say, you deny property rights for people to do what they are going to do. It is such a critical issue for the industry because there is a tipping point for every sugar-milling sector. We are at the point where we cannot inform our colleagues in the milling sector at what point we see a downturn in cane area that might mean the viability of the mill is at risk. We need to be able to do that. We cannot join the connections between the risk to the supply chain and the regional plan. They are so disconnected it is unbelievable.

Certainly Gordonvale, as you see the expansion of Cairns, is really difficult, but we are in a triage crisis moment on those sorts of issues. We should not be. We have plans. We should be able to sit down as an industry and say what needs to happen here. Certainly, as we have seen in Mossman, farmers want to keep farming and they do not see the urbanisation opportunity. They cannot sell their land or whatever else might be happening. The same discussion they are having at Rocky Point is everywhere. With Rocky we are talking to the government around learning these lessons and actually having a bit of foresight. Let us look at what the next 10 years looks like—'Where are all of these solar farms? If they are going to be there, what are they going to do? What does the urbanisation ambition look like?'—so that those farmers that are in the mix know where they are heading and those that are not know where they are heading and, equally, as an industry we can look at the impact as a supply chain and start to have sensible conversations about logistics and transport and other issues that can keep manufacturing facilities alive more than just an unknown tipping point that at one year or another it falls over.

Mr KATTER: Basically bring it to the front of the regional planning?

Mr Galligan: Absolutely, yes.

Mr Menkens: If you go to Mossman now, sugar cane is grown on land that is marginal. There are no other options. Rocky Point just south of Brisbane, between Brisbane and the Gold Coast, is a big floodplain. Nothing else would survive a major flood like sugar cane will. Mossman is a bit similar. They could grow a crop but then you will get 20 inches of rain overnight in August and it will wash away. They have cattle there and that same thing. Sugar cane is fundamental for this country. If you let it just drift—and you will see that when you drive around Mossman. It looks terrible. There are weeds and rubbish and these people—blockies—have bought bits and it looks atrocious. That will happen all through Queensland, especially in those Wet Tropics areas, unless we come up with a solution. As a farmer you get really upset when you see all these weeds just overtaking good quality ag ground that they cannot use. It is weather dependent. Sugar cane is the most resilient crop in the world. It is grown in the most difficult places to grow anything. It is good for the environment, to be honest, because it holds the ground together and we have the energy opportunities. We are not even beginning to touch on them. Anyway, I am just having a rant.

CHAIR: Nice rant. You are doing well. I will ask you, Dan, the same question I asked the millers. This 12 months has shown me that collaboration and cooperation between the growers and the millers has been quite strong and evident. I am interested in your comments about how your growers would benefit and how you see those transparency issues and negotiations about price points—what crystal is worth, what the ethanol is worth. It is about protecting the industry. I am interested in your thoughts as a growers' representative about how this committee's recommendations might support that.

Mr Galligan: There are going to be new business models that need to be generated—new commercial models. As others do, we play a role in representing growers' interests in collective bargaining and negotiating. That will be a future challenge, but what a great thing to have. If we had the need to sit down with groups of growers and negotiate a new commercial arrangement with a sugar mill around a new power or offtake agreement or new ethanol agreement, we would be in a happy place to have that challenge.

I think the role of government, before all of those issues happen, is quite substantial to make sure that market opportunity exists in the first place. It is so not surprising and unusual for there to be commercial and political tension between a processor and farmers. It is not new. I do not know why people think it is so fascinating in the sugar sector other than we are quite big, but it is difficult. What sugarcane growers need is a viable, profitable sugar-milling sector; otherwise, we just have big patches of grass, and growers know that. Equally, the mills know that they need cane supply. A

fundamental risk to them is a reduction or loss of cane supply. Somehow or another, we have to find an arrangement that supports both. If the milling sector has proposals and opportunities, it actually increases their viability and revenue and that is a good thing for farmers. That is why you are seeing an alignment in terms of overall strategy. Ash and I have some pretty robust debates about stuff and, quite frankly, arguments, and Shayne has felt the power of the growers' passion about certain issues from Wilmar. That happens with every milling company and that is not going to change at all. We would love to have that tension applied to what we are going to do with the opportunities around biofuels. Wouldn't it be great? We would love to argue about that. That would be an awesome thing.

CHAIR: Well said. Does anyone have a burning question they want to ask in the dying phases of this inquiry?

Mr SMITH: Dan, the member for Stretton spoke about microgrids. I think the reality is that microgrids are a cost and governments will be reluctant to pay the share of mills being able to produce to certain growers. When we talk about bringing down new tariffs, especially in the middle of the day, I guess it is about how much electricity is generated out of the mills that then feeds into the grid and then the special tariff for growers to be able to access it at a reduced price in the middle of the day. Then the question becomes which growers. Is it cane-exclusive or are other growers going to want it? How do you stop someone who just does a bit of cane from saying now they are a canegrower and are there for the tariffs? From a Canegrowers perspective, when you are taking on members is there a certain criteria or threshold at which you are a proper cane producer as opposed to doing a bit of cane on the side—a blockie? That is the problem in terms of the generation into the grid.

CHAIR: That is a separate question.

Mr SMITH: That is the broader question.

Mr Galligan: I think they are all legitimate questions in the weeds, to be frank. From a Canegrowers membership perspective, a cane grower is a cane grower. A canegrower is only a grower if they have a cane supply agreement and they have a mill that is going to process their cane. The industry is quite well set up to identify a commercial cane producer. That is not a membership issue; that is what a canegrower is. It is interesting that under the current tariff structure review the QCA has been given a delegation that encourages them to look at tariff structures associated with EVs. It is funny as an advocate, because for years and years I have had people in government say, 'We can't really dictate what happens in the energy market. We can't tell them what to do.' Well, you can. All we are saying is: let's try and do that for this issue as well. Let's actually be fair dinkum. If it does not work out, if all those issues are insurmountable—I think they are all just issues that are not insurmountable, but at the moment we cannot even get over the first hurdle before people are worried about the 11th and 12th.

CHAIR: We will conclude the hearing today. I thank everyone who participated today and over the last period. Thank you, Hansard. A transcript of these proceedings will be available on the committee's webpage in due course. Thank you, again, for the last 12 months, gentlemen. Just to reiterate, our committee has put a lot of work into this. We were very happy where we started and thank everyone involved. We will wait for the report to be tabled.

The committee adjourned at 10.40 am.