



4 August 2014

Submission No. 11

11.1.18

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The Research Director
State Development, Infrastructure and Industry Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Sir

**RE: Liquid Fuel (Ethanol) Amendment Bill 2014
Submission by Mackay Sugar Limited**

Mackay Sugar Limited welcomes the opportunity to comment on the Liquid Fuel (Ethanol) Amendment Bill 2014, introduced to the Queensland Parliament on 3 April 2014. Mackay Sugar is one of Queensland's largest private companies, owned by over 1,000 canegrower shareholders, and producing around 20% of Australia's raw sugar from approximately 6.5 million tonne cane annually. Mackay Sugar has interests in Sugar Australia Ltd, Australia's largest sugar refiner, and employees over 900 people directly at four north Queensland mills.

Mackay Sugar has a strong diversification strategy to ensure we remain internationally competitive and has recently commissioned a 38MW renewable cogeneration plant. This plant supplies about 30% of Mackay's electricity, and revenue from this plant and other future sugarcane diversification projects will be critical to our long-term viability.

Sugar cane is ideally suited to the tropical regions of Queensland, and is a unique high-yielding biomass crop that provides food (human and livestock), renewable energy (electricity and biofuels), and is an excellent carbohydrate source for the production of high value food additives and industrial chemicals. Mackay Sugar has invested considerable funds and resources investigating the viability of producing both first and second generation ethanol, and we host the Mackay Renewable Biocommodities Pilot Plant (operated by the Queensland University of Technology) at our Racecourse Mill site.

Recent in-house studies have shown that local ethanol production from 'C' molasses can be competitive with unleaded petrol, and the bulk of the excise rebate could be passed through to motorists. The use of 'C' molasses as the feedstock ensures there is no impact on food (sugar) production, and life-cycle analyses indicate greenhouse gas abatement of over 80% when compared to unleaded petrol.

Mackay Sugar's feasibility studies highlight the challenges in getting ethanol blended fuels to a wide-spread market, gaining public acceptance of an alternative fuel, and enticing petroleum suppliers and distributors to market a blended product. These problems do not exist in Brazil, our major international sugar competitor, due to strong government support of an ethanol industry.

In fact, massive growth in the Brazilian sugar industry over recent years can be largely attributed to ethanol production, offering sugar manufacturers a diversified income, and reducing the country's dependence on imported petroleum. With Australia's petroleum imports now exceeding 80%, and the potential of the Queensland sugar industry to

contribute large quantities of renewable fuel, Mackay Sugar supports the introduction of an ethanol blend mandate to provide market certainty for new producers.

Mackay Sugar was on the steering committee for the \$2.3m Government funded “North and Northwest Queensland Sustainable Resource Feasibility Studies” which was completed by GHD (Engineers) in March 2014. Managed by Townsville Enterprise Limited, this study investigated the feasibility of a new agricultural and power station precinct to the west of Charters Towers, including a new dam and water supply from the upper Burdekin River. A new 4 mt or 10mt cane growing industry was the selected agricultural business.

The study clearly identified that a new cane growing industry in north Queensland provided best returns when the project was based on the successful Brazilian model of an integrated sugar / ethanol / cogeneration processing plant. However, results also showed that the multi-billion dollar investment is very sensitive to a strong ethanol market, with 130 ML being produced each year. This would effectively double Queensland’s current ethanol production.

Most importantly, major competitors to the Australian sugar industry include Brazil, Thailand and India, who typically have access to renewable energy markets to supplement their income and drive their industry expansion. Without access to similar markets, Australian sugar producers are significantly disadvantaged and will find it difficult to justify industry expansion to reduce production costs and remain competitive.

Mackay Sugar supports the introduction of a mandate for ethanol fuel blends in Queensland.

Yours faithfully



Quinton Hildebrand
Chief Executive Officer