



An organisational way to implement offsets: the cutting edge

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Energex Overview

- Government Owned Corporation
- Capital expenditure of \$1.15 billion per year
 - 0000's of projects per year
 - Majority of projects are upgrading or uprating of existing infrastructure
 - Less than 10% of projects require vegetation removal
 - Less than 5% of projects are major projects through the use of CID under SPA

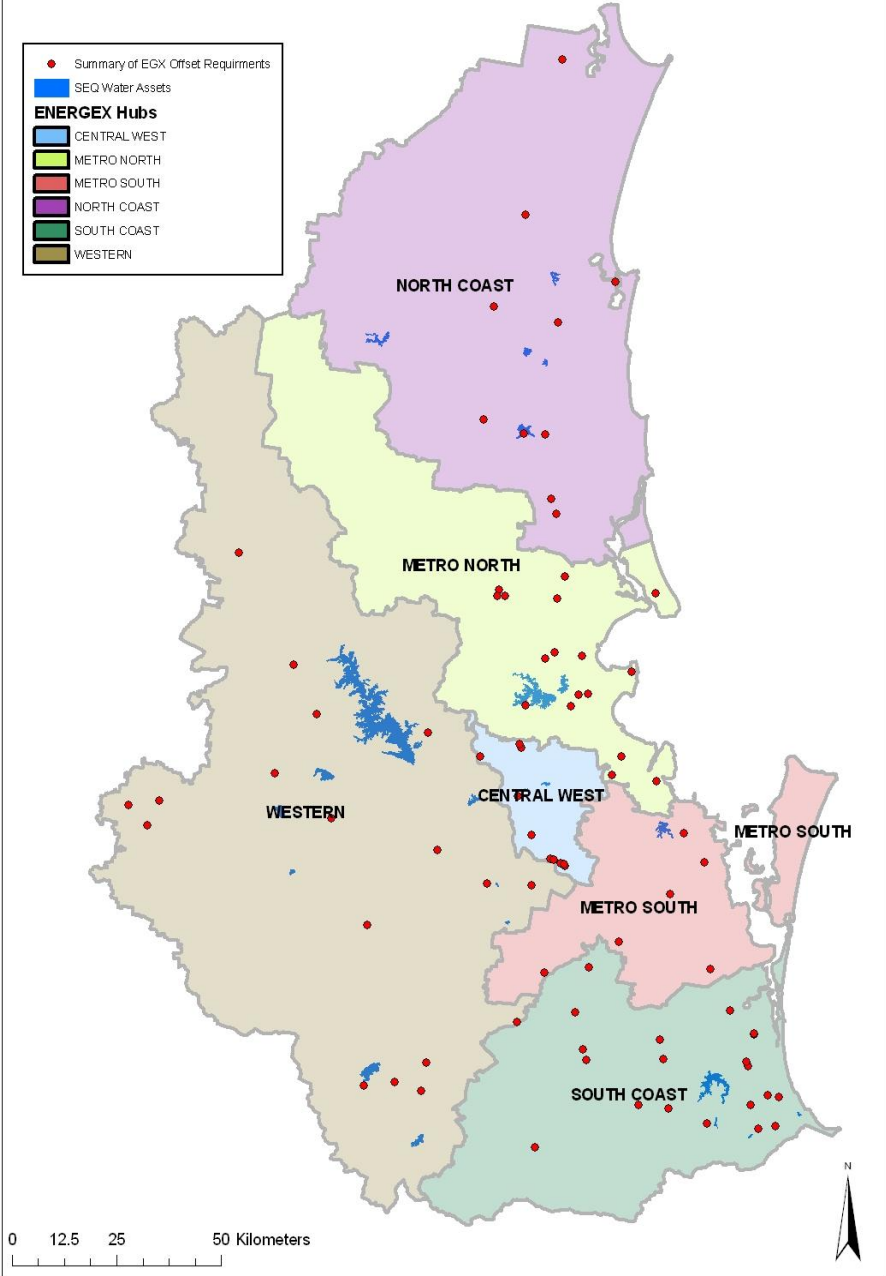


- Environmental offset triggers
 - Class Approval conditions for the clearing of native plants
 - Permit conditions for clearing ‘Endangered’ or ‘Of Concern’ plants
 - Development Approvals and Community Infrastructure Designations - Regional Ecosystems, state significant biodiversity values, koala habitat, coastal management areas
 - Clearing of vegetation in State Forests and protected areas



- Energex Area of Operations
 - South East Queensland only
 - High population levels cf remainder of State
 - High biodiversity
 - Competing land use pressures
 - Limited opportunities for like-for-like offsetting
 - Expensive - land access or offset payments

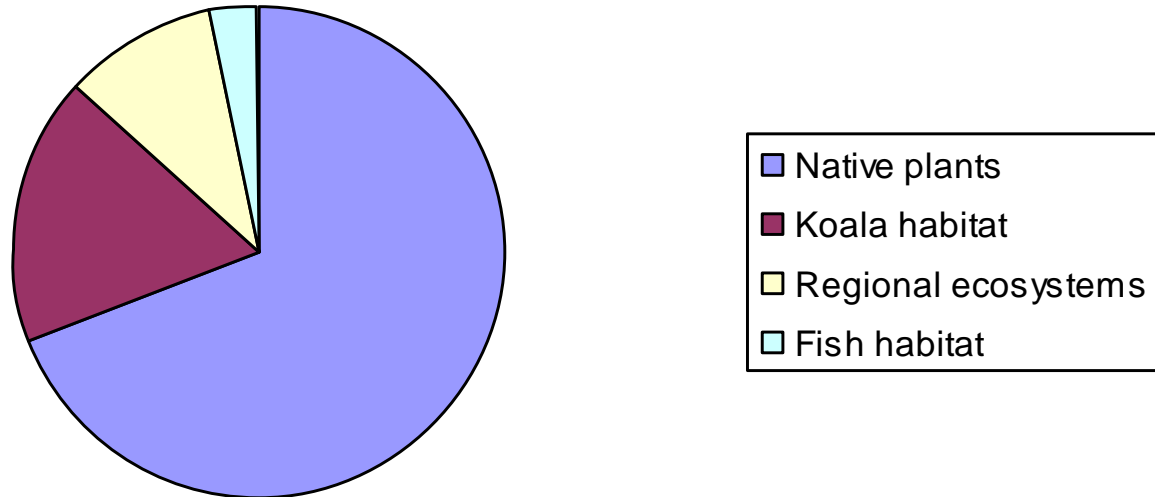
Current ENERGEX Offsets Liability



Note: does not include CID and SS projects



Current Offset Liability



Number of projects triggering offset requirements. N = 96



Case Study – Cornubia Substation

- Voluntary koala habitat offsets: 2.7 hectares
- Broker engaged 2009
- Offset Agreement signed 2012
- Conservation covenant finally signed by DERM still not officially registered on Title
- On-ground works only just commencing



Case Study – Cornubia Substation

Costs: 2.7 hectare offset (voluntary):

- Broker 24%
- On-ground works 15%
- Internal Energen costs 61%

Time: 3.5 years

Only \$1.50 in every \$10 hit the ground



Case Study - Offsets through CID

- The use of a broker to secure potential sites
 - Not always easy to identify and locate appropriate sites
 - Internal difficulties/hurdles
 - Difficult to finalise impacts and offset liability when final design and construction methodology have not been finalised.



Case Study - Offsets the Energen Way

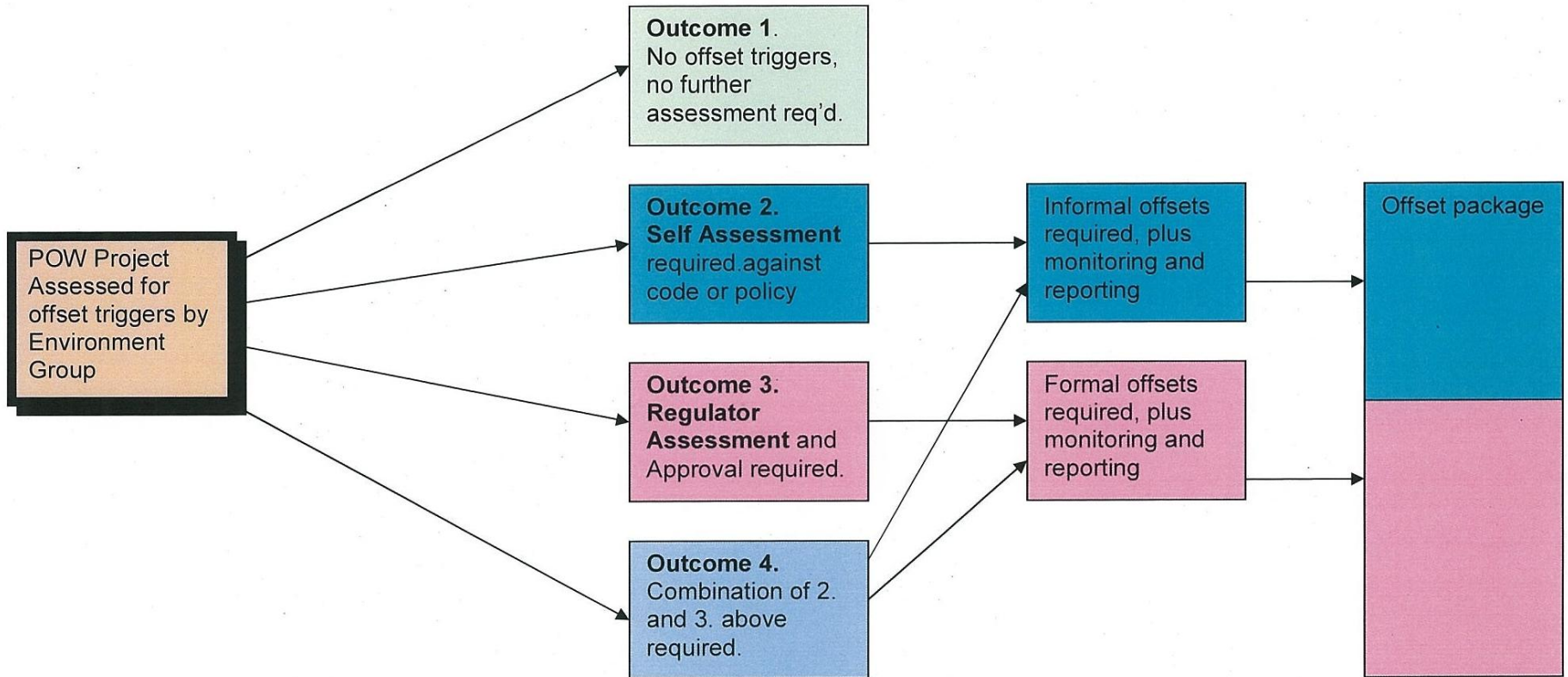
- Small/moderate scale offsets
 - Lake Baroon (1 ha)
 - North Pine Dam (14 ha)
- Located in proximity to project related impacts and near to SEQ Water land
- Opportunity for collaboration between utility providers and catchment managers
- Security of land and multiple environmental benefits



Energex experiences

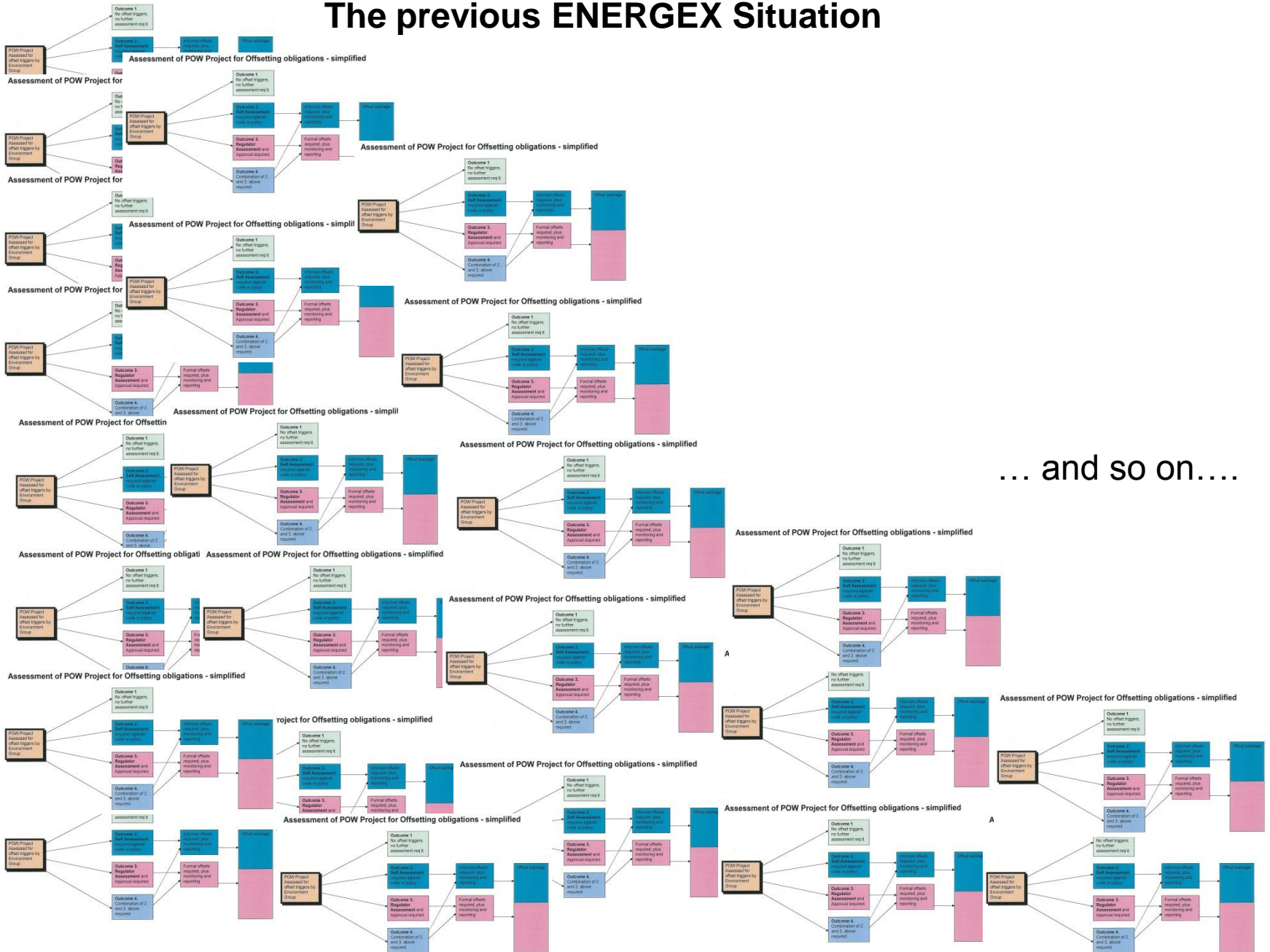


Assessment of POW Project for Offsetting obligations - simplified



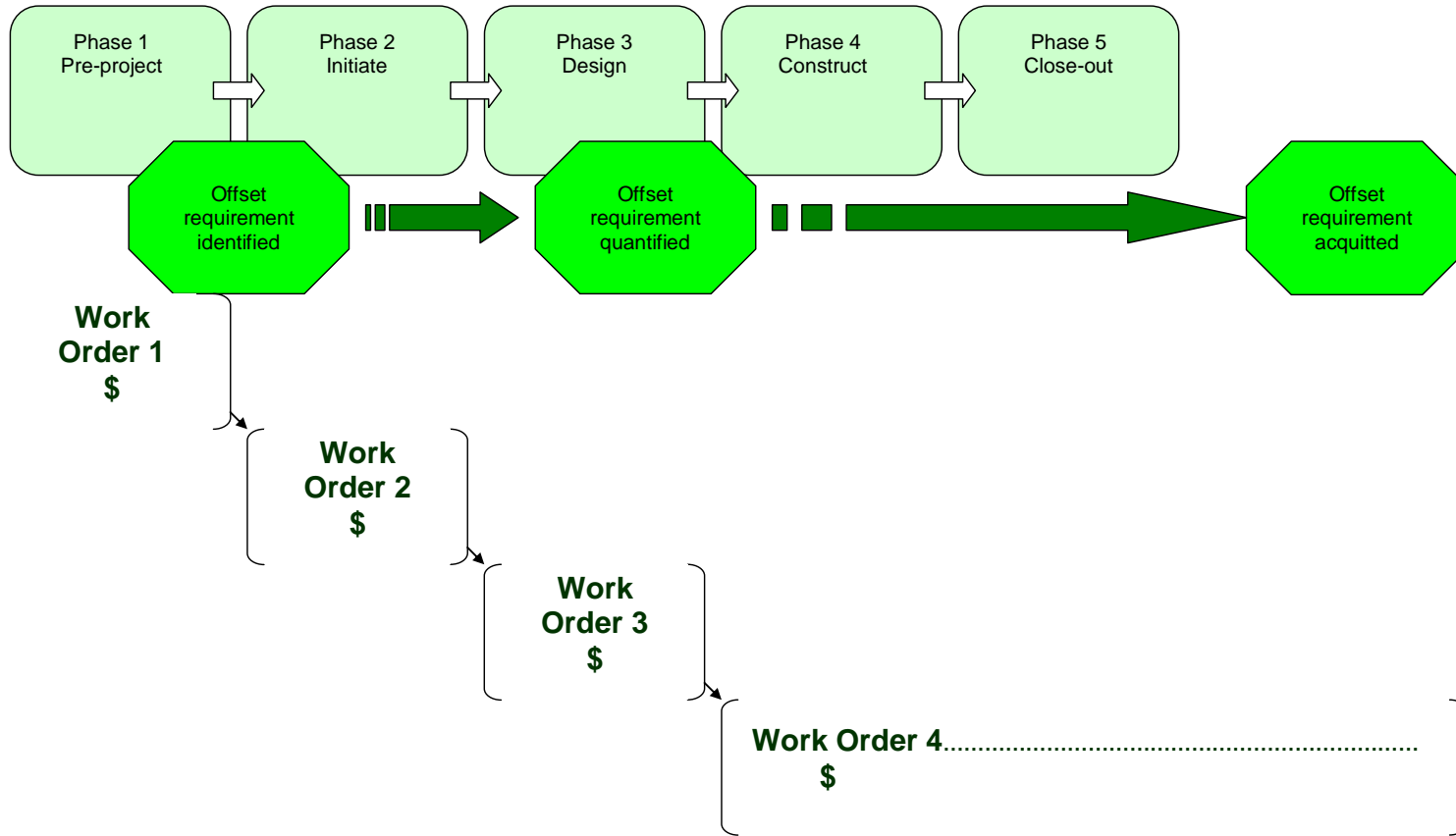
The previous ENERGETX Situation

Assessment of POW Project for Offsetting obligations - simplified

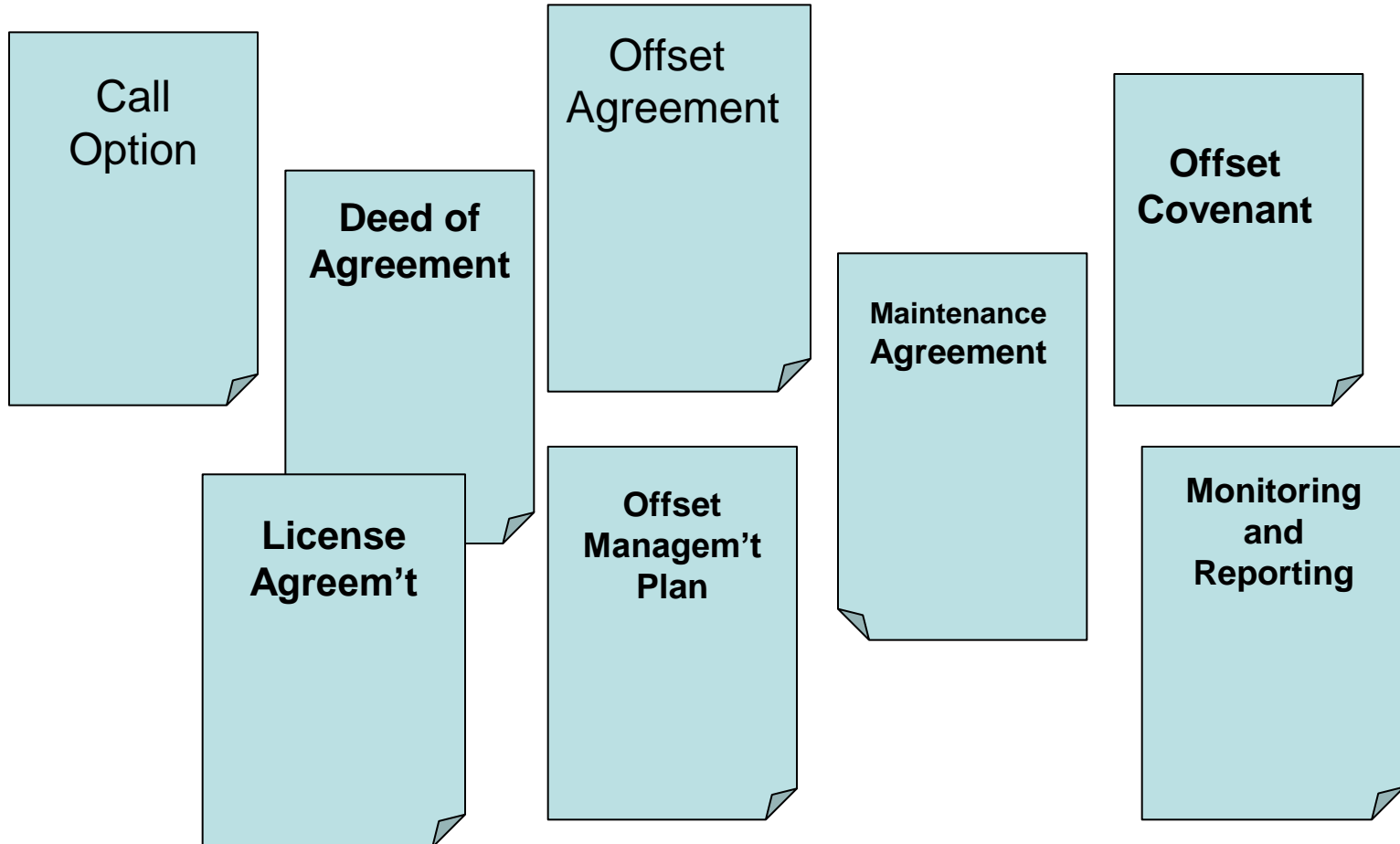


... and so on....

Capital Works time frame issues – environment support and offsetting



Paper burden and legal processes:



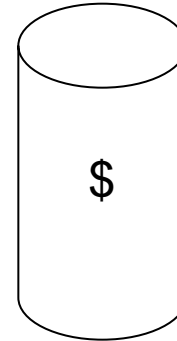
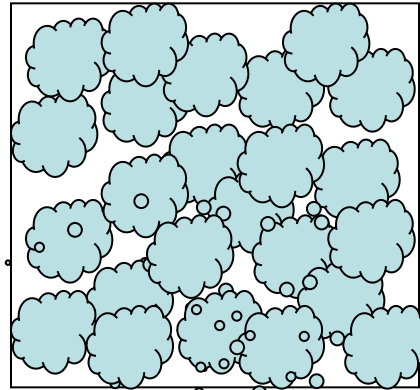
Disproportionate offset situations

CAPEX
Project Type

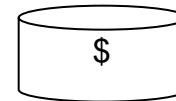
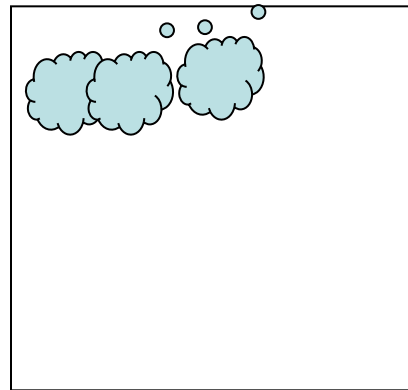
Offset
Requirement

Cost

1.



2.



Accounting problems

1. Is offsetting a legal requirement? Provision?
2. Asset? No certificate > no asset
3. When is a Provision triggered?
 - **when the trees are cut**, not before
4. CAPEX vs OPEX
 - Offsets with long maintenance periods attract OPEX tag > drives overheads up
 - Exerts pressure on Operational budgets



Impact on Energex

- Revenue generated from customer base
- Revenue regulated by Federal Government over 5 year periods
- Not State funded
- Federal regulators do not recognise costs of compliance with 'Government policy of the day'
- > electricity pricing



Market limitations

- No recognition of offsets as properly tradable (no certificate)
- Demand vs Supply
- Lack of incentives for suppliers to participate (what's in it for me?)
- Onerous and complex documentation





Environmental limitations

- Limited use of strategic planning frameworks to guide investments
- High potential for isolated, suboptimal environmental outcomes
- Focus on components of systems of holistic systems

Energex's Environmental Offset Strategy 2010 - 15

- Strategic offset estimate produced for 5 yr period
- Blanket offsetting approach based on 5:1 for every native tree
- 100's of projects bundled for offset delivery
- Invest in strategic environmental projects
 - Multiple outcomes
 - Involving the SEQ community
 - Contributes to Regional NRM Plan targets
- Early investment **prior** to impact



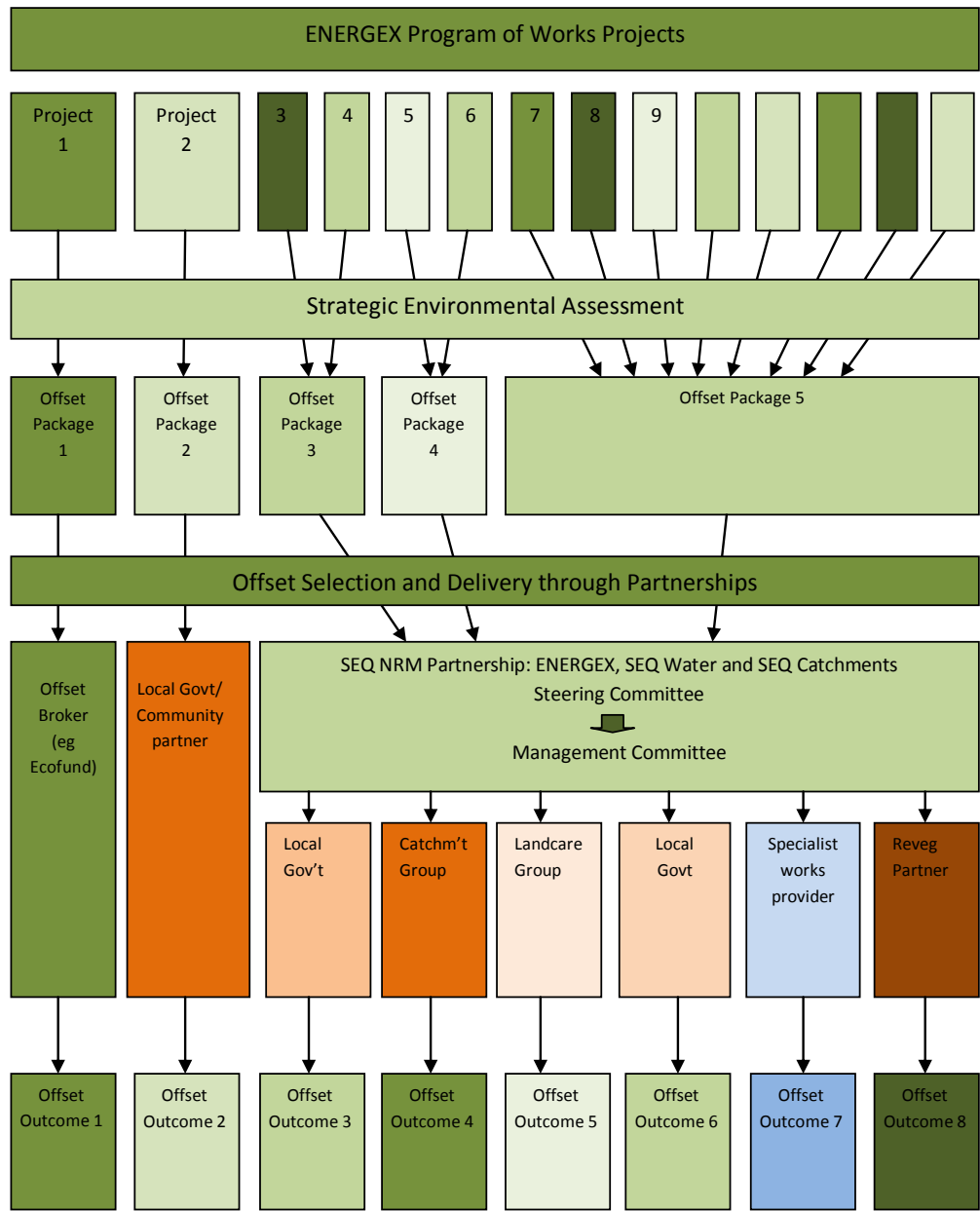


Figure 2. Overview of Delivery Options of the ENERGEX Environmental Offset Strategy

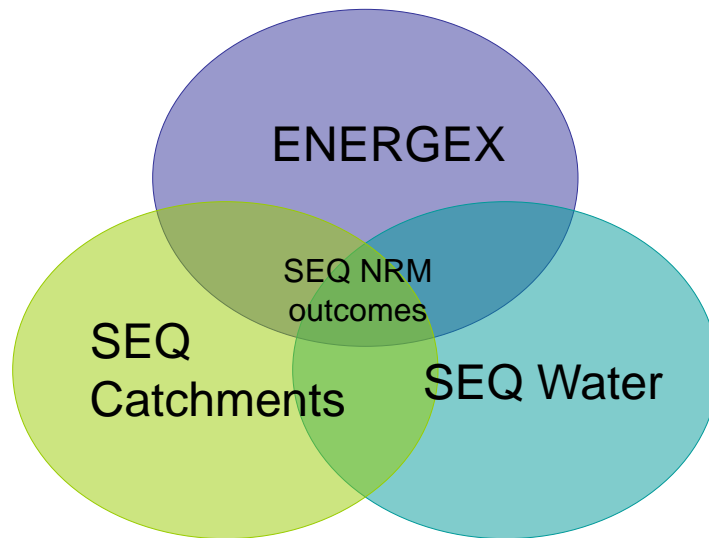


Strategic Partnerships

- Regional Councils
- Landcare and Catchments Groups
- Seqwater
- SEQ Catchments and Burnett Mary Regional Group
- Community
- >>> CO-INVESTMENT



The SEQ Strategic Partnership



Multiple outcomes

- NRM targets – native vegetation, connectivity, habitat for priority species, waterway restoration, waterway health, Traditional Owner involvement
- Ecosystem services – provisioning, regulating, supporting, preserving and cultural services
- Things that matter to the SEQ community



Progress to date:

- 30 ha established
- 74 ha underway through local partnerships
- 96 ha underway through Regional partnership - Seqwater and SEQ Catchments
- Mary River bio-passage in planning with Seqwater



Benefits of the Offset Strategy



- Reduced transaction costs
- Exploits present dollar value
- Forecasts offset requirements and delivers early against impacts
- Value for money
- Strategic environmental outcomes
- Contributes to Government targets
- Engages with the SEQ community



South East Queensland

Natural Resource Management Plan

2009–2031

Regional targets to support the sustainability framework of the South East Queensland Regional Plan 2009–2031

Added Value of Offsets

- Use of local knowledge in offset planning and development
- Development of social capital and capacity building
- Reputation enhancement through delivering on promises



Concerns for offset regulation/policy

- More rigour around terminology eg. “no net loss” and “net gain”
- Time lag issues between impact and offset
- Ecosystem function and services of planted vegetation against unmodified vegetation. Do offsets actually work?
- Irreplaceability?
- Issues with compliance and monitoring (USA and Queensland?)
- Isolation of impacts and offsets. Magnified in SEQ – impacts on coastal strips and offsets on the other side of the hinterland. Cost related.
- If proponents can provide mitigation through offsets, does this affect attitude towards broader environmental performance.









Whiteside SS & Feeders

Environmental Offsets

North Pine Dam May 2012











LEGEND	
	PEDESTRIAN ACCESS
	CAR PARK
	BRIDGE
	PASSIVE RECREATION / PICNIC SPACE - M GRASS WITH NATIVE SHADE TREES AT 7-1 SPACING
	EXISTING TREES
	OPEN FOREST PLANTING WITH EUCALYPT CORYMBIA SPP., ANGOPHORA SPP. @ 5-7 SPACING
	CLOSED FOREST PLANTING WITH RIPARIA RAINFOREST SPECIES @ 1.5 - 3 M SPACIN
	LOW RIPARIAN PLANTING (MELALEUCA VIM ETC. @ 2-3 M SPACING
	HIGH VOLTAGE OVERHEAD ELECTRICITY L

