

23 June 2023

Mr Leigh Spencer  
Project Manager  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Q 4001

Submission online via [Submissions \(qca.org.au\)](https://submissions.qca.org.au)

Dear Mr Spencer,

**Re: Draft position paper: Approach to climate change related expenditure April 2023**

Pacific National (PN) welcomes the further opportunity to engage on the QCA's *Approach to Climate Change Related Expenditure*.

PN appreciates the work QCA has undertaken to consider climate change related expenditure and is supportive of the approach taken in the Draft Position Paper. PN believes that the existing QCA frameworks and processes to assess whether expenditure is prudent and efficient can adequately accommodate climate change related expenditure on Queensland rail-freight networks.

PN welcomes the QCA focus on opportunities for collaborative processes and consideration of externalities. It is important that policy and regulatory settings incentivise and foster resilience by providing collaborative, pragmatic solutions and prudent investment. For these reasons PN supports QCA's preliminary view that:

- The existing regulatory frameworks are appropriate for considering climate change related proposals for both adaptation and mitigation expenditure.
- The current scope, standard and cost approach to assessing prudence and efficiency of expenditure can be applied to climate change related proposals with assessment of efficient cost on a whole-of-life basis, encompassing both private and social costs (including externalities).
  - PN notes that for intermodal freight where transport modes are contestable, assessing expenditure and efficient cost on a whole-of-life basis that includes externalities is particularly important.
  - In addition to considering positive externalities associated with any shift from road to rail (due to improved rail infrastructure resilience), QCA should also consider negative externalities and assess whether greater adaptation or mitigation expenditure could potentially result in higher access charges. Increasing rail freight costs could have the perverse outcome of shifting contestable freight from rail to road, when rail is among the most efficient and lowest emitting modes of transport.<sup>1</sup>
- Regulated businesses should be encouraged to consult and reach agreement with their users/customers on climate change related expenditure proposals, wherever possible.

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<sup>1</sup> Rail freight transport is three to four times more carbon efficient than road freight transport  
<https://www.artc.com.au/move-your-freight-on-rail/>

- Regulated businesses should put forward coherent and credible business cases to support climate change related expenditure proposals.
- Business cases supporting proposed adaptation expenditure should address the demonstrated need for the expenditure; consultation with customers; consideration of adaptation options; and efficient cost analysis.
- Business cases supporting proposed mitigation expenditure should address similar matters as for adaptation expenditure - but may be more directly linked to issues such as legislative or government requirements; broader community concerns; externalities; and the appropriateness of offsets.
- There may be merit in the QCA producing a guideline outlining how it would approach future decisions on climate change related expenditure proposals and providing additional guidance on how climate change related proposals would be assessed in accordance with the existing QCA frameworks.

The QCA notes in the Draft Position Paper that no business they regulate is subject to mandatory greenhouse gas abatement requirements as specified by the Australian Government's Safeguard Mechanism. While we acknowledge this and understand that the QCA has a focus on Queensland regulation of monopoly infrastructure, we ask that consideration is given to how the users of network infrastructure are regulated, including regulation by other jurisdictions and the interplay of Queensland and other state and national regulations.

For example, Pacific National is a major user of Queensland Rail and Aurizon Network rail infrastructure and is influenced by state and national regulations, and also operates under the safeguard mechanism under the Clean Energy Regulator. Achieving the Clean Energy Regulator Safeguard Mechanism targets will require significant expenditure by Pacific National that needs to be supported by our investors and by our customers. If the cumulative result of multi-jurisdictional regulation is higher rail operator costs, it may increase the risk of carbon emission leakage to road transport, that produces more carbon emissions per net tonne kilometre than rail. Increased road-freight volumes have negative consequences for road infrastructure, congestion (further worsening carbon emissions) and to safety.

We trust you find this submission useful in informing your review. If you would like to discuss anything in this submission, please contact PN's Regulation Access and Policy Manager, Susan Furze, on 0474 368 293 or at [Susan\\_Furze@pacificnational.com.au](mailto:Susan_Furze@pacificnational.com.au).

Yours sincerely,



Jade Hooper  
Head of Strategic Access – Pacific National