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5 May 2017

Mr David Wood
Petuna Group
134 Tarleton Street East
DEVONPORT TAS 7310

Mr Peter Bender
Huon Aquaculture Group
PO Box 42
DOVER TAS 7117

Mr Mark Ryan
Tassal Group Ltd
GPO Box 1645
HOBART TAS 7001

Dear Mr Wood, Mr Bender and Mr Ryan

I have spent the past few months working through the range of material available to me in order for me to make my biomass determinations for Macquarie Harbour for the period from 1 June 2017 to 31 May 2018. The attached draft statement of reasons lists the material I have reviewed in this process, and provide justification for my draft determinations.

The biomass limit set for the period 14 February 2017 to 30 April 2017 has now expired. There will be no statutory biomass limit in place until I make a new determination, as the biomass determination made by the Secretary on 28 April 2016 was revoked by my 16 January 2017 determination. There will not be an immediate impact on the environment from not having a biomass limit in place during May 2017. The new biomass limit will determine the amount of 2016 year class fish that can be grown through the peak biomass period and will also determine the number of smolt that can be placed in Macquarie Harbour in 2017.

I am of the view that the management of the Harbour needs to move to a lease by lease management framework with a set of environmental performance measures with both indicator and limit levels to be applied. The management system should be based on the concept of single year class per lease, with a defined following period for the entire lease between year classes, as occurs in other places in the World. This approach may need to be modified for the growing of trout, and will be subject to further discussions with Petuna and Huon.

It will take time to design and implement this new approach as part of the proposed legislative changes to introduce an environmental licence for salmon. I expect the new system to be partially operational during the summer of 2017/18, following consultation with the companies. It would then be fully operational for the 2018 smolt intake. As this work will not be done before determining stocking allocations for the 2017 year class smolt, the allocation of the smolt for this year will be based on lease area currently held or operated, and available for use.

The benthic monitoring undertaken by the companies indicates variable results. The January monitoring shows an increase in the level of non-compliance, and an increase in the extent of the *Beggiatoa* mats. In contrast, the additional monitoring undertaken in late February and early March by Petuna and Tassal shows there has been a contraction in the *Beggiatoa* since January, which may be confirmed by the benthic compliance surveys due in May.

Preliminary advice from IMAS staff, through the draft FRDC 2016/067 update, is that it is likely that the low levels of in-fauna abundance have stabilised at a number of locations surveyed across the Harbour, and show some early signs of improvement, while some areas show a decline in abundance. This work is currently being analysed and it will be some weeks before I am provided with definitive findings and a finalised report. However, the preliminary results are still concerning to me as they continue to show that the Harbour is under a level of stress. It is important to set the biomass at a level that will result in recovery in the short to medium term and set a foundation for the long term management of the harbour.

As a consequence, the biomass limit needs to be lower than the 14,000 tonnes stated in my draft determination from 29 November 2016, and would be more appropriately set at 12,000 tonnes. This will ensure the environment has the capacity to recover to a condition which can sustainably manage the inputs from marine farming, particularly benthic impacts.

I intend making the following decisions to reduce the total peak biomass in the Harbour to 12,000 tonnes. The justification for these intended decisions is provided in detail in the draft statement of reasons attached to this letter.

1. The peak biomass for the 1 June 2017 to 31 May 2018 period will be 12,000 tonnes. This will be comprised of two year classes, with the 2016 year class being the significant proportion. Peak biomass will be allocated on percentage of lease held or operated basis (respectively: Petuna 44.92%; Tassal 30.24%; Huon 24.84%) and equates to a total for both year classes of 13 tonnes per hectare.
2. The allocation of the 2017 year class will be based on an available lease area to grow salmonids of 805.89 hectares, with the Franklin lease area not included in the calculation of the 2017 intake. This will mean that effective share of the smolt intake will be allocated as: 51.61% to Petuna; 28.53% to Huon; and 19.85% to Tassal. Based on the assumption that a total biomass of 12,000 tonnes in December 2018 is made up of 90% 2017 year class fish and 10% 2018 year class fish, the companies will need to factor this into their stocking plans. The specific number of smolt authorised to go into the Harbour will be determined with each company when the proposed stocking plans are submitted.
3. Upon request, companies will be provided with a **supplementary** biomass allocation for the 2016 year class fish to allow 2016 year class fish in excess of the allocation determined as above in point 1, to be grown through to harvest size. This will only occur where an **in-water solid waste collection system suspended under the fish cage**, is approved and implemented by 1 September 2017. Waste collection systems will be required to be installed to collect waste from 1.5 tonnes of fish for every tonne of fish to be grown through that is in excess of the peak biomass allocation determined as above. For example, should Tassal wish to grow all the current 2016 year class fish through to harvest size they will need to capture waste from all pens holding 2016 year class fish. The intent of the waste collection system is to capture the waste before it settles on the harbour floor, and not to extract it from the harbour floor.
4. Companies to move to a single year class of fish per lease by 31 January 2018.

It is my intent to make the following determination pursuant to Management Control 3.0.1 and 3.3.5 of the *Macquarie Harbour Marine Farming Development Plan October 2005*, (the Plan) for the allocation of biomass between the leaseholders licenced for finfish marine farming operations within all the areas covered by this plan.

Proposed determinations under Management Control 3.3.5 and 3.0.1

- I. *The maximum permissible biomass for salmonids held in cages **without approved waste collection systems** for the total area of the leases operated by the companies is 13.0 tonnes per hectare for the period 1 June 2017 to 31 May 2018.*
- II. *The maximum permissible **additional** biomass for 2016 year class salmonids held in cages **with approved waste collection systems** installed is an additional 15.0 tonnes per hectare.*

- III. *The maximum permissible number of 2017 year class smolt is not to exceed the quantity of fish (allowing for normal mortality) that would achieve a biomass for the year class of 13.4 tonnes per hectare in the period 1 December 2018 to 31 January 2019. (Based on the assumption that a total biomass of 12,000 tonnes in December 2018 is made up of 90% 2017 year class fish and 10% 2018 year class fish, and with 805.89 hectares available the total biomass will be in the order of 14.9 tonnes per hectare.)*
- IV. *The calculation of the smolt intake for each company is to be based on the lease area available for stocking and authorised to grow fish at the time the smolt are introduced.*

Note that for points I. and II. Tassal's combined lease areas for the calculation of 2016 year class biomass includes leases 214, lease 219 and lease 266.

Note that for point III. and IV. Tassal will be limited to using the combined lease areas for lease 214 and lease 219 in the calculation of smolt to be introduced to the Harbour. The area of lease 266 will be excluded from the smolt calculation, unless it is approved for restocking prior to 1 August 2017. Should lease 266 be approved for restocking prior to 1 August 2017, the smolt allocations under point III. will be revised and will revert to the lease percentages of 44.92%, 30.24%, 24.84%.

Given the complexity of the changes, and the intention to develop lease by lease arrangements, I will not be progressing a total permissible dissolved nitrogen output at this time.

Tassal and Petuna have already advised me that they are exploring fish waste collection systems to allow them to retain a larger portion of their 2016 year class fish in the harbour, and grow them to harvest size in between January and April 2018. EPA Tasmania will be working with them to develop and assess these systems. Huon Aquaculture may also seek approval to use similar systems and be provided with an additional biomass allocation.

The development and use of waste collection systems will require significant capital and will require ongoing monitoring, both on the sea bed of the lease, and of the equipment itself. This activity, should it be approved, will be managed under an Environment Protection Notice (EPN) under the *Environmental Management and Pollution Control Act 1994*, not the marine farming management controls under the Marine Farming Development Plan. The proposal will be assessed by EPA Tasmania, and I will then release any EPN and the Environmental Effects Report once a decision has been made.

While waste collection is technically feasible, it will be a challenging endeavour in Macquarie Harbour and will need to be carefully planned, executed, monitored and subject to ongoing review. There will need to be pre-agreed performance standards that if not met will result in fish being removed from the Harbour before their planned commercial harvest. The EPA Tasmania assessment and monitoring work will be fully cost recovered from the respective companies under the charging system for EPNs.

Given the high level of public interest, the novel approach and the potential for environmental impacts, the final submission provided by companies (excluding any trade secret material) will be subject to public disclosure.

I will be updating the compliance information on the EPA Tasmania website shortly. Later today I will place this letter, the draft Statement of Reasons and all of the supporting submissions, appropriately redacted at the request of each company, on the EPA Tasmania website. I will also release a public statement, the draft of which is attached.

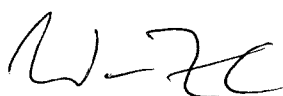
In order to prepare the necessary legal instruments to allow the above draft decisions to be made as determinations I require each company to provide me with the following by 25 May 2017.

1. A revised stocking, feeding and harvesting plan for the 2016 year class fish that are to be part of the allocated peak biomass of 12,000 tonnes.
2. A proposed lease stocking plan, including the number of smolt, for 2017 year class smolt that will fit within the 12,000 tonnes peak biomass.

Should you wish to make submissions on other matters in this letter you may do so before 25 May 2017.

Depending on further work required following any submissions, I expect to be able to finalise my determinations by 31 May 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wes Ford', written in a cursive style.

Wes Ford
DIRECTOR, ENVIRONMENT PROTECTION AUTHORITY

Enc. Draft Statement of Reasons
Draft Public statement