

Executive summary

Commercial in Confidence

- We recognise a move to a lease by lease management framework with a set of environmental performance measures with both indicator and limit levels to be applied is being considered moving forward.
- We are committed to working through the relative merits and transition if appropriate to a single YC strategy.
- We will be working within the constraints provided under the most recent determination.
- We will be increasing focus on long term proactive, innovative and sustainable commercial solutions to maximise “eco-smart” production capability in the region as part of our strategy.

Response to the determination provided by the EPA on May 5 2017.

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.

Our response

- 16 Year Class (YC) Harvest timing will be expedited for stocks in the harbour in order to manage biomass position in response to the new determination.
- Standing biomass will be managed to achieve 44.92% of the 12,000T through to May 2018. This equates to 5390T of standing biomass
- A maximum of 13T/ha will be achieved within the determination period.

To achieve

- Embark on advanced grading and harvest programme around determination
- Realign smolt schedule for new stock to free up operational constraints
- Delay harvest timing within our Northern site to accommodate change in plan.
- [REDACTED] of our 2016 YC will be fully harvested by Nov'17, relative to [REDACTED] the year prior.

Impacts

- Increased operational resource to grade and harvest a greater proportion of stock.
- Increased inefficiency through the plant managing a less desirable harvest profile.

- Eliminates opportunity to fully realise biomass benefits provided exceptional growing conditions over preceding 6 months.
- Increased cost of production at our other sites due to delay in harvest timing from plan to accommodate fish from Macquarie harbour.
- ■■■ reduction in standing biomass relative to position prior to determination
- Total financial impact across whole of business - ■■■ million

Our position

- We recognise and respect the position taken from the EPA and feel it provides a good balance between environmental focus, innovative R&D, whilst being cognisant of commercial and social responsibility.
 - We remain open and interested in concepts around sustainable waste management and capture, as is being done around the world, and would welcome R&D on the provision technology, probable and potential environmental impact, and fish welfare are well understood. A strict monitoring programme needs to be developed, communicated and accountability carried before embarking on such programme. The draft guidelines provided by the EPA on May 18 2017 provide confidence that the process will be will managed.
 - At this stage, we do not see a requirement to commission R&D on our leases around waste capture over coming months.
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.

Our response

- 17 YC stocking plans have been reviewed and input strategy reconfigured to achieve a maximum standing biomass not exceeding 51.61% of 12,000T of standing biomass for the period up to December 2018.
- For our business, this results in a standing biomass of 6193T for FY19 covering all stock and year classes.

To achieve

- Stocking the 17YC AS will commence from July 2017 and be completed in October 2017.
- The combine standing biomass of 16YC, 17YC and 18YC have been reviewed and aligned to manage within the constraints provided by the determination.
- Specific input plan data has been provided to the EPA for review.

Impacts

- Impacts for the business relating to the determination around the 17YC have been recognised and plans adjusted accordingly

Our position

- Prior to the most recent determination, our position favouring a lease by lease management approach still remains strong as a driver for the evolution of future regulatory framework.
 - We remain committed to pushing more accountability to operators with regulation both incentivising and/or dis-incentivising best environmental practice as a means for establish capacity constraints. We welcome that lease by lease management will be considered moving forward and recognise that proactive adaptive strategy will take some time to develop in favour of a reactive strategy around setting determination limits.
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.

Our response

- Our current position is that we will not be requesting a supplementary biomass allocation for the 16YC
- We recognise and have reviewed the *Macquarie Harbour WCS guidelines* provided by the EPA on May 18 2017 for operator review in the first instance.
- We have provided feedback to the proposed guidelines on May 22 2017.
- If for any reason, our immediate position changes and a supplementary biomass allocation is required, communication to EPA and other operators will be evoked. Our position at present is that this will be highly unlikely.
- Our position on any solid waste capture system is that we support innovation however never at the expense of the environment, fish welfare, social responsibility or heightened commercial risk for any operator.

4. Companies to move to a single year class of fish per lease by 31 January 2018.

Our response

- Whilst recognising the conceptual arguments for single YC leases, the dynamics and nature of the harbour are likely to significantly reduce the efficacy of this strategy.
- We are however, committed to work through the relative merits and transition if appropriate to a single YC strategy taking into consideration;
 - Risk assessment of current leases
 - Transparency and collaboration around operators stocking plans/lease utilisation
 - Redesign and/or configuration of existing leases which help accommodate a single YC approach.
- Recognising that operationally, strategically and capacity wise, a move to a single YC strategy contains many moving elements that will need to be understood, we will commit to working through various issues with EPA.

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