



Energy White Paper 2014

Green Paper submission form (including confidential)

This form can be sent by email to ewp@industry.gov.au or by mail to:

The Energy White Paper Taskforce
Department of Industry
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Details of person making the submission

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Position in Organisation (if relevant)	Project Manager - Environment & Technical
Type of Organisation. Please choose from the dropdown list right	Business / Industry Association
Sector. Please choose from the dropdown list right	Manufacturing
Email. Please provide an email address if you would like to receive updates from the Energy White Paper Taskforce	mark@winesa.asn.au

Confidentiality

<input type="checkbox"/>	Submissions may be published on the Department of Industry website. If you do not wish to have your submission made public, please tick the box.
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The Australian Government seeks comments on ways the Goals set out at the beginning of each chapter of the Energy Green Paper, could be achieved. A field for general comments is provided at the end of the template.

1. Attracting energy resources investment

Below is a brief summary of the actions the Australian Government is either currently pursuing, or which are proposed, to achieve the Goals in this chapter.

Streamline regulatory processes

The Australian Government is committed to ensuring environmental decisions are made as efficiently as possible.

The Australian Government has accredited the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) as the regulator for offshore petroleum activities under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). It is now working to extend this accreditation to coastal waters in states and territories that confer their regulatory powers to NOPSEMA. These activities will reduce duplication, complexity, cost and the time taken for environmental and other approvals.

The Australian Government supports new major projects through its Major Projects Facilitation Programme. It has also established a Major Projects Office in Tasmania to assist with Australian Government approvals. A national office to monitor and benchmark various approvals processes is also a possibility.

Improving labour productivity and skills

The Australian Government will improve labour productivity through the introduction of greenfields provisions in the *Fair Work Act 2009*. It will also undertake a more general Productivity Commission review of the Act, and re-establish the powers of the Australian Building and Construction Commissioner (ABCC).

The Australian Government is working with industry and the states and territories to reform the Vocational Education and Training (VET) system.

Foreign workers complement locally available skills. The Australian Government will improve Migration Agreement processing and review the integrity of the subclass 457 visas.

Create supply chain opportunities and Indigenous employment

The Australian Government has introduced the Entrepreneurs' Infrastructure Programme and Industry Skills Fund. The programmes will encourage investment and local business development.

The Australian Government will support local supply chains through the Entrepreneurs' Infrastructure Programme. It will also encourage Indigenous business engagement and employment, considering the findings of the Forrest Review.

Better geoscience to encourage investment and assess impacts

The Australian Government has a pre-competitive geoscience programme. It is also improving access to land and marine environmental information to speed up, and reduce the cost of, environmental impact assessments.

Identifying and addressing infrastructure constraints

The Australian Government is committing \$50 billion to transport infrastructure. It is encouraging states and territories to privatise their assets through the Asset Recycling Initiative, and recycle funds into new infrastructure projects. The Australian Government is also carrying out periodic reviews to identify infrastructure bottlenecks.

Promoting exports

The Australian Government is promoting energy exports and attracting investment in new technologies by appointing a Senior Investment Specialist in Austrade.

The Government seeks comments on ways the following Goals for this chapter could be achieved.

Goals

- Streamline environmental and other approvals
 - Outcome: More certain, timely and accessible approvals. Better regulation will lower costs to business, boost productivity and enhance Australia's international competitiveness.
- Better skills and workforce productivity, including access to skilled migration
 - Outcome: Industry has access to the skills it needs for timely and cost-effective projects, which will encourage future investment.
- Create supply chain opportunities and Indigenous employment
 - Outcome: Local small-to-medium enterprises (SMEs) more involved in supply chains, lowering project costs and growing local economies. More Indigenous Australians employed in the energy resources sector.
- Enhance pre-competitive geoscience and improve access to environmental data
 - Outcome: Lower costs and exploration risk. Reduced duplication and regulatory burden. Improved community engagement. Better-informed decision-making and environmental management.
- Help to identify and address infrastructure bottlenecks
 - Outcome: Industry has access certainty, reducing infrastructure duplication and cost.
- Promote Australia's energy products, technology and services exports
 - Outcome: Increase the export earnings of Australia's energy resources, products and skills.

Please provide any comments on Attracting energy resources investment below:

Approvals:

The wine industry relies on the availability of clean and unpolluted water resources as an essential input, and there have been growing concerns of the potential impact of gas mining activities on water resources. It is therefore critical to ensure that appropriate and adequate regulatory controls and administrative mechanisms are established and enforced. Better regulation is a commendable goal, but it must always ensure that energy resource extraction does not risk contamination of any natural resources, especially water, which are essential inputs in the agricultural sector. The extent of risk to the wine industry will vary from region to region depending on the range of water resources available, and becomes particularly important in regions that have limited sources of water. Given the existence of bilateral agreements with the States for environmental approvals of mining activities that can affect water resources, we believe that there remains a need for a mandatory second check mechanism at the Federal level, and the role of the Independent Expert Scientific Committee should be strengthened from simply being advisory.

2. Electricity prices

Below is a brief summary of the actions the Australian Government is either currently pursuing, or which are proposed, to achieve the Goals in this chapter.

Increase the range of tariff choices

The Australian Government is working with states and territories on electricity pricing so users pay the real cost of electricity based on the time at which they use it, as well as their fair share of the costs of the poles and wires. Consumers (or their chosen third party representatives) need easy access to their energy use data through improved metering capability (smart meters) to enable time-of-use pricing. The Australian Government is waiting for the Australian Energy Market Commission's (AEMC) rule change on the distribution of costs of electricity networks.

Reliability standards should reflect consumer expectations

The Australian Government is working with states and territories to establish a framework for setting reliability standards that take into account the value consumers place on reliable electricity supply. However, individual energy consumers have limited opportunity to engage in electricity market policy and planning. Therefore, the Council of Australian Governments (COAG) Energy Council is setting up Energy Consumers Australia to provide for effective consumer advocacy.

Improve the efficiency of electricity use

See Chapter 4

Rationalise emissions reductions schemes

Government interventions in energy markets have proven to be an expensive means of achieving environmental outcomes. The Australian Government could seek COAG agreement to a set of principles for interventions to ensure they are cost-effective.

Remove unnecessary regulation and encourage privatisation

The Australian Government has established the Asset Recycling Initiative, which will introduce new incentive payments for states and territories that make progress on privatisation by selling their assets and redirecting the funds into productive infrastructure. The Australian Government is also undertaking a comprehensive review of competition laws and policy.

The Australian Government could investigate whether there are any unnecessary regulatory barriers preventing exit of surplus generation capacity.

The Government seeks comments on ways the following Goals for this chapter could be achieved.

Goals

- Pursue tariff reform and improved consumer access (including controlled third party) to energy use data, including electricity network tariff reform to limit cross-subsidies
 - Outcome: Consumers are better informed, have tariff choice and know how to manage energy use and cost. Energy users pay their fair share of the costs of the poles and wires that supply electricity.
- Ensure reliability standards do not encourage unnecessary investment in electricity networks
 - Outcome: Consumers do not receive higher reliability standards than they would be willing to pay for if they understood the impact on electricity prices.
- Improve the efficiency of electricity use
 - Outcome: Electricity cost savings for consumers.
- Rationalise emissions reductions actions to reduce unnecessary costs
 - Outcome: Consumers do not pay more due to market distortion.
- Remove unnecessary regulatory barriers and market interventions, and encourage further privatisation
 - Outcome: Better prices and services for consumers through more competition, efficiency and innovation

Please provide any comments on Electricity prices below:

Tariffs and tariff reform:

The outcome of energy users paying their fair share of network costs is sound in principle, but does not appear to be practically achievable in the current model of supply networks consisting of either a private, or public, monopoly. To achieve this in practice may require intervention by government, such as through an increased amount of regulation in the national interest.

Whilst we cannot comment on the situation in other States, the current tariff structures being adopted in South Australia are extremely complicated and difficult to understand. Many of our members are finding this to present an excessive administrative burden when trying to negotiate supply or better manage their demand. It would appear that more transparency in tariffs is required to assist businesses to understand the impacts. Furthermore, the regulator in South Australia does not appear to be able to prevent or clarify the complexity and stronger government intervention may be required at the Federal level if this is common to all States.

Access to energy use data in itself will not immediately lead to users being able to better manage their use. Many users will be quickly overwhelmed by the volume of data and not have the skills to be able to turn that information into knowledge. As a result, many are unable to effectively manage their demand to make the best use of the electricity resources at an affordable price. Users in the wine industry, especially the SMEs, need to have access to appropriate tools and skills to enable them to convert data into knowledge to help them better manage their energy use. There is a clear need to increase the capacity of businesses to better control their electricity use through provision of affordable training and user-friendly tools to help them understand their use and improve their management of energy use.

Energy efficiency:

Energy efficiency is recognised as a very cost-effective abatement option and should be vigorously pursued. There remains a need to continue previous government programmes to ensure that businesses are aware of and can easily access sector-specific information about improving energy efficiency. The Federal Government should consider revitalisation or enhancement of pre-existing programmes that promoted and encouraged energy efficiency, such as the Energy Efficiency Information Grants programme, and the Energy Efficiency Exchange web site.

Reliability standards:

There is a lack of clarity on the reliability standards in the first instance, and it is therefore difficult for users to make any connection between the costs and the standards.

Emissions reductions:

SAWIA understands that a market-based mechanism is the most effective means of encouraging the lowest cost emission abatement.



3. Building gas supply and improving market operation

Below is a brief summary of the actions the Australian Government is either currently pursuing, or which are proposed, to achieve the Goals in this chapter.

Addressing near-term east coast gas supply

More gas supply needs to be supplied quickly to avoid potential near-term east coast shortages. Social licence and landholder concerns have led state governments to introduce regulatory barriers.

Sustaining national gas supply

Environmental and social concerns about new onshore gas projects have led to restrictive regulation and community disruption of projects. The Australian Government can apply the capabilities of national science institutions to improve the independent evidence base for assessing the impact of proposed projects. It will also work with states and territories to remove unnecessary barriers to new projects.

Gas prices are not transparent

There is limited reporting of gas production potential, and limited trading information on the extent of competition in gas markets. There are also some exemptions from competition laws to allow joint marketing. Many of the underlying sources of competition are therefore difficult to assess. The Australian Government is considering either an Australian Consumer and Competition Commission (ACCC) Price Inquiry or Productivity Commission Review into these competition issues to help identify any barriers to competition as the market responds to current high gas price signals.

Improving gas market function

The nature of gas market bilateral trading means there is limited supply and price information available for consumers to understand market conditions. The Australian Government will implement further reporting through the Bureau of Resources and Energy Economics (BREE) and Australian Energy Market Operator (AEMO) to provide greater transparency.

Domestic gas market function would be enhanced by a comprehensive development strategy for the unconventional gas industry. Improved trading mechanisms could include further trading hubs and pipeline capacity trading.

The Government seeks comments on ways the following Goals for this chapter could be achieved.

Goals

- Bring on new gas supply as quickly as possible
 - Outcome: Avoid potential supply shortages so that domestic gas users do not pay higher prices than necessary.
- Improve availability and quality of market information to improve market transparency and competition
 - Outcome: Gas sellers and buyers have more certainty about the availability of supply and pricing, and the market is more transparent and competitive.
- Implement other gas market development priorities to expedite gas market reform
 - Outcome: A development strategy for the unconventional gas industry. More flexible and transparent market arrangements.

Please provide any comments on Building gas supply and improving market operation below:

Bring on gas supply quickly:

Whilst this goal may be appropriate, it must not occur at the expense of the quality of natural resources upon which the agricultural sector relies, for example water. Please refer to our comments in relation to "Approvals" in 1. above



4. Security, innovation and energy productivity

Below is a brief summary of the actions the Australian Government is either currently pursuing, or which are proposed, to achieve the Goals in this chapter.

Secure and reliable energy supplies

The Australian Government will keep the standards and measurement capability needed for efficient markets. To continue reliable access to energy, the Australian Government monitors and identifies emerging issues through the periodic National Energy Security Assessment (NESA). Response mechanisms are available to industry and government to deal with unanticipated supply disruptions.

Improving energy productivity

The productive use of energy has environmental and economic benefits. A national approach to energy productivity, covering energy production and use for both stationary and transport energy, could deliver enhanced security of supply, respond to rising electricity and gas prices, and deliver emissions reductions.

Develop a better outlook capacity

The Australian Government currently assesses energy supply and use issues through the Australian Energy Resources Assessment (AERA), the Australian Energy Technology Assessments (AETA) and NESA. Better coordination of this reporting and consolidation of findings will give a more coordinated forward-looking view of threats and opportunities to security of supply.

Keep future energy technologies open

The Australian Government is actively identifying and removing unnecessary regulation. Regulation should be forward-looking so as not to slow the adoption of new technologies.

The Australian Government is supporting the demonstration and deployment of low emissions technologies. This includes investing over \$1 billion in renewable energy and over \$300 million in low emissions fossil fuel technology.

The Australian Government is investing \$476 million in the Industry Skills Fund to help Australian industry access and develop innovative training solutions so Australia will have the highly skilled workforce it needs.

Technology collaboration

The Australian Government has a focus on encouraging new technologies or adapting technologies to Australian conditions, improving collaboration between businesses and researchers, and promoting workforce innovation. The Australian Government supports energy-related research and development. It proposes to better target this work through setting national research priorities and reviewing the level of international technology collaboration engagement.

The Government seeks comments on ways the following goals for this chapter could be achieved.

Goals

- Maintain secure, competitively-priced and reliable energy supplies
 - Outcome: Consumers have access to adequate and reliable energy.
- Improve energy productivity
 - Outcome: Cost savings to Australian households and businesses, improved domestic security and reduced greenhouse gas emissions intensity.
- Develop a better 'outlook' capacity
 - Outcome: Government better prepared to respond to supply issues, to global market opportunities, and to invest strategically in research. Industry will have access to better information, giving more certainty and encouraging investment.
- Keep the range of energy options technology neutral by tackling regulatory barriers and making best use of research investments
 - Outcome: Australia is able to choose from the broadest possible range of energy options. This will strengthen Australia's energy security.
- Look for relevant international technology engagement
 - Outcome: Australian industries benefit from international experience.

Please provide any comments on Security, innovation and energy productivity below:

Energy productivity:

The cost of electricity can be a significant proportion of the cost of wine production, sometimes up to 15% of total operational costs. Energy efficiency is a proven means of reducing wineries' costs, which in turn can help boost productivity, however, the uptake of energy efficiency is still in the early stages and more needs to be done to encourage widespread adoption. As previously mentioned, sector-specific programmes that aim to increase awareness and uptake of energy efficiency are needed and SAWIA's previous activity under a grant from the now-closed Energy Efficiency Information Grants programme is one such example of a successful preliminary engagement project.