Major Energy Users Inc.

6 June 2014

Committee Secretary
Senate Economics Legislation Committee
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Parliament House
CANBERRA ACT 2600

By email to: economics.sen@aph.gov.au

Dear Committee

Energy Efficiency Opportunities (Repeal) Bill 2014

The Major Energy Users, Inc (MEU) represents the interests of over 20 large energy consuming firms located across Australia. Most of the member companies are subject to the requirement to register and report on their energy efficiency activities.

In its assessment, the committee should understand that since the Energy Efficiency Opportunities Act (EEO) was introduced, the energy market has undergone a considerable change which has impacted on the intent of the Act.

Electricity costs
The MEU notes that the cost of delivered electricity has dramatically increased as a result of the massive increases in electricity network charges and the imposts of the price on carbon compounded with the cost of the renewable energy target scheme and the many state based incentives for providing renewable energy. From being a low electricity cost country when the EEO was introduced, Australia now has one of the highest electricity costs in the developed world.

Gas costs
MEU members are already seeing the impact of the decision to allow the export of large amounts of gas via LNG facilities which are drawing considerable amounts of gas from resources on the east coast of Australia. This unconstrained export has resulted in gas producers retaining gas reserves traditionally used for domestic consumption, creating a degree of scarcity and causing prices to rise - it is forecast that, at times, domestic gas supplies will cost more than export parity.

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A direct outcome of the ever increasing costs of delivered electricity seen over the past 6-8 years and the incipient shortage and/or increasing price for delivered gas is that energy intensive firms have had to implement initiatives to make their operations more efficient users of energy as a direct result of these higher energy costs. Effectively, the need for the EEO has been overtaken by the commercial imperative to reduce the cost of energy needed for the operations of energy intensive firms.

Member firms have reported there is a significant compliance cost associated with the EEO reporting required, especially in the development of the input data and costings. Few projects are implemented specifically for improving energy efficiency although many can result in achieving this outcome. Further, many of the projects that are implemented are small in size and often integrated with other activities or driven by reasons other than for energy efficiency, even though they do deliver greater efficiency. This makes accessing data and costs specifically for energy efficiency outcomes often quite complex and time consuming.

Member firms also noted that the EEO did not address the barriers to investment in energy efficiency. They note that with general economic conditions being adverse for the manufacturing sector[1] causing lower profitability, funds for investment in the firms' activities have been constrained imposing high hurdle rates for discretionary projects such as investment in energy efficiency. In this regard, the proposed Emissions Reduction Fund process could well achieve a better outcome for energy efficiency projects and therefore obviate the need for the EEO.

In summary, the MEU considers that the EEO is no longer required because of:

- The high compliance and administrative costs
- The increasing cost of energy is driving a need for reducing energy consumption
- The ERF could overcome the barriers to discretionary investment in energy efficiency

If further advice or clarification of the MEU views is required, please contact David Headberry

Yours faithfully

David Headberry
Public Officer

[1] Such as high $A, rising energy costs, greater international competition, loss of skilled labour to mining and gas investment projects, etc