Minerals Council of Australia

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Capital Hill ACT 2600

To the Secretary,

The Minerals Council of Australia (MCA) is pleased to support the Energy Efficiency Opportunities (Repeal) Bill 2014.

The Energy Efficiency Opportunities (EEO) program is a business reporting scheme with the stated goal of increasing business capacity to identify energy efficiency projects within a firm.

Mining companies have scored highly in successive reviews of the EEO program both for identifying opportunities and for converting them into energy savings. In the Australian Government's review of the first five years of the scheme (2006-2011), the mining sector realised 53 per cent of identified savings[1]. In the last three years of this first cycle:

- The metal ore mining sub-sector identified and adopted energy savings increased by 247 per cent and 185 per cent respectively, while the energy use assessed increased by only 20 per cent
- the coal mining sub-sector identified and adopted energy savings increased by 157 per cent and 262 per cent respectively, whilst the energy use assessed increased by only 24 per cent.

This should not be surprising. Energy is a significant cost input to mining operations. The mining sector uses 13.5 per cent (536 petajoules) of all energy in Australia in 2011-12. Mining consumes 77 per cent (12,202 gigawatt hours) of all off-grid electricity produced, according to the Bureau of Resource and Energy Economics[2]. Remote locations mean that reliance on expensive diesel or, where infrastructure can be built, gas to fuel operations puts the need for energy efficiency central to planning and operations.

Rising fuel prices over the past decade have added to that urgency. According to the Australian Energy Markets Commission, Australian businesses, which account for 70 per

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[1] Commonwealth of Australia, *Energy Efficiency Opportunities Program - First five years: 2006 -2011*, *Overview*, p vi.
[2] BREE, *2013 Australia Energy Update*, p5; *Resources and Energy Quarterly*, p 111.

cent of total electricity use, have seen prices rise by almost 80 per cent over the past five years.[3]

As well as complying with the obligations of the Act, the minerals industry has contributed to the development of the EEO program. In 2010, the MCA assisted the then Department of Resource Energy and Tourism to develop a guide for employees that describes actions that could help gain management support and access the resources to implement energy efficiency projects.

However, the MCA has for some time been concerned that the reporting and internal organisational diktats of the EEO program were unnecessary and duplicative. To the extent that the prescriptions laid out in the Act have had a benefit, the intervention has run its course.

As the energy price trends outline above suggest, the cost of energy has overtaken EEO as the driver of improved energy efficiency.

We note that in the Government's own survey of the scheme, conducted by ACIL Tasman in 2013, businesses listed energy costs (72 per cent) and cost reduction strategies (80 per cent), rather than the EEO program (32 per cent) as the main driver of energy efficiency initiatives in their operations. The main barrier to converting opportunities into projects was the availability of capital (70 per cent) rather than any perceived lack of importance of energy efficiency to the firm (10 per cent).

While 33 per cent of firms surveyed acknowledged that the EEO scheme had given them formal processes for uncovering energy efficiency opportunities over the past five years and had increased the inclusion of energy efficiency in business strategies (from 32 per cent in 2005 to 67 per cent in 2012), 61 per cent of firms said it should be terminated immediately and a further 24 per cent thought it should end within the next two to five years.

Energy efficiency will continue to be a priority for the minerals industry and the sector looks forward to contributing to this policy development through the Energy White Paper process which is presently underway.

Yours sincerely,

Sid Marris
Director – Industry Policy

20 June, 2014

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[3] AEMC, *Electricity price trends: final report*, March 2013.