



20 June 2014

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

To the Committee Secretariat,

Senate inquiry into the repeal of the EEO Act

Thank you for the opportunity to make a submission to the Senate Inquiry considering the value of the Energy Efficiency Opportunities program and its future. Energetics has been consulting to Australia's largest energy users for 30 years; since the inception of the EEO program we have worked with the majority of program participants.

We therefore welcome this opportunity to share our insights.

Several independent reports have documented the substantial commercial benefits created for the Australian economy as a result of the EEO program. In this submission, Energetics does not intend to re-state these benefits other than to say that we have consistently observed, over the life of the EEO program, that by introducing or formalising energy management, participants achieved significant energy cost savings over-and-above business as usual. In addition to cost savings, an additional benefit of the program has been the development of verified inputs into business tools such as CDP reports, sustainability and annual reports, DJSI reporting, and internal and external energy and emissions improvement targets.

The EEO program enabled these gains by overcoming information, skills and organisational barriers to understanding and implementing energy efficiency.

Today there are a number of compelling reasons that strengthen the case for continuous improvement in energy efficiency and the development of energy management programs or frameworks. Australian businesses face rapidly escalating energy costs as electricity prices have doubled over the past six years, and natural gas prices on the eastern seaboard expected to double within the next two years. Energy efficiency, or the more general approach of energy productivity (leveraging the greatest value out of energy budgets), provides a mitigating measure against rising energy costs and should be a component of any large business' risk management strategy. Whether required by legislation or delivered by sound business management, Energetics is of the view that unlocking significant value via improved practices in energy use is imperative to the health of our economy and our environment. Progressively removing barriers to the realisation of these improved practices is of interest to all of us.

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SUBMISSION TO SENATE INQUIRY INTO REPEAL OF EEO ACT

Observing the gains made by EEO participants to date, Energetics strongly supports measures that require major energy users to maintain business systems to control energy usage. This would ensure that the gains made under the EEO program are not lost, but selectively built upon to enhance value, improve business productivity and demonstrate operational excellence.

However, Energetics also considers that it is time to give companies more flexibility in their approach to managing energy, rather than to continue EEO unchanged.

We believe that government should allow businesses to transition to an alternative system which better integrates with their other business processes.

We support a path for companies to opt out of EEO during this 2nd cycle of the program in a way that is equitable to all. Energetics believes this could be achieved in the following way:

- Program participants should complete assessments plans as committed under EEO in Round 2. Once finalised, participants should be given the option to exit the EEO program provided they can demonstrate that they have:
 - Implemented a suitable alternative formal and documented system for energy management such as ISO 50001. This approach allows companies to establish systems which are compatible with their own corporate systems rather than using EEO as the energy management framework.
 - Completed the transition to an alternative approved system by the end of their five year EEO cycle. Once all companies will have exited EEO, only then should the program close.
 - Conducted a regular external verification of their energy management program.
- Develop a new national campaign that supports the evolution of energy efficiency programs undertaken by companies, into broader energy productivity programs. Energy productivity looks at ways a business can improve their economic output for every dollar they invest in energy. It contributes to a business' overall productivity and in turn, its competitiveness.

Energetics supports the ability of businesses to develop their own approach to improving energy productivity. Large energy users should be challenged and encouraged to develop a comprehensive agenda for improving energy productivity that includes ways to reduce energy purchase costs, supports continuous improvement in energy efficiency, improves throughput, collects data and measures variables more effectively for improved decision-making.

The outcome of these two recommendations would be compatible with many European countries, which for some years have required their largest energy users to participate in formal, externally verified energy management systems. A good example can be found in [the Danish Standard for energy management](#).

Energetics believes, however, that Australia should not require the use of any particular, prescribed energy management system.

In summary, Energetics strongly supports the continuation of a requirement for large energy users to implement formal energy management systems, but to provide a much greater degree of flexibility for



SUBMISSION TO SENATE INQUIRY INTO REPEAL OF EEO ACT

companies to select systems which better suit their businesses. This approach would be very compatible with the focus on energy efficiency proposed for the upcoming G20 summit.

Yours sincerely,

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