

Chapter 5

Natural gas and concluding comments

5.1 As noted in chapter two, amendments relating to the treatment of natural gas aim to ensure that the liability for carbon emissions is realised as high as possible in the natural gas supply chain, and that the principle of universal coverage for liable entities applies.

5.2 The committee heard concerns from a number of submitters regarding the amendments. DCCEE, meanwhile, assured the committee that the provisions would not come into effect unless and until the necessary regulations are made, and that the Government would conduct consultations on the development of these regulations before they are implemented.

Concerns expressed by industry groups

5.3 Several submissions from business and industry groups suggested the amendments and yet-to-be-determined regulations relating to the treatment of natural gas created a number of concerns, including the possibility of commercial distortions and administrative complexities. These submissions recommended the removal of the amendments relating to natural gas, pending further consultation with stakeholders.¹

5.4 In part, industry concerns related to the apparent uncertainty the amendments create. As APPEA explained to the committee:

We are in a situation where we do not necessarily disagree with the proposals that have been made, but we are not sure. Why [are we] rushing this through? Why has this emerged so quickly? There is an unrelated legislative change going through the parliament in the form of the linking provisions we have been talking about, raising a range of uncertainties that we now have to deal with and try to fix to regulation. While we acknowledge the consultation process has been set forward, our deep concern is that, if we reach a point of time through that consultation when we find the legislation which has been developed very rapidly does not quite address the problems that the department thinks it has identified, how do we fix it? Amending next year or amending late this year amendments that we have just put through parliament is not a situation that I think anyone wants to see happen. It limits our ability through the regulations to fix those issues if those issues are identified.²

5.5 As APPEA's comments indicate, some submissions suggested that the Government's consultation process regarding the amendments was inadequate. This

1 These points were made, in varying degrees, in the following submissions: Business Council of Australia, *Submission 2*; AIGN, *Submission 16*; APPEA, *Submission 7*; and AGL Energy, *Submission 12*.

2 Mr Damian Dwyer, *Proof Committee Hansard*, p. 14.

argument was made, in varying degrees, by the Business Council of Australia, AGL Energy and AIGN.³

5.6 In its submission, AGL Energy argued that the coverage of natural gas supply under the current legislation is very near complete, suggesting the amendments are not required at this time. AGL Energy recommended that, at a minimum, the first compliance year should be completed and a review of any coverage issues be undertaken, before any amendments are made to the legislation on this front.⁴

5.7 In addressing these concerns for the benefit of the committee, DCCEE emphasised that the bill would create the capacity for the government to make regulations consistent with the general principle that liability should be at the highest point in the natural supply chain and that there should be universal coverage for all liable entities.⁵

5.8 DCCEE further indicated that the amendments do not make any current changes to coverage arrangements or compliance requirements. Such changes would only be given effect through regulations, which are yet to be drafted.⁶

5.9 The committee also heard from DCCEE that it has put in place a process for consultation on the development of any regulations resulting from the amendments, and the Minister has outlined this process to relevant industry groups and market participants. This process will inform 'the development of those regulations so that the detail can be worked through with them and those quite specific concerns that they have raised' can be considered and addressed.⁷

5.10 AIGN noted that since the amendments came forward, DCCEE had been in consultation with AIGN, and 'we welcome that.'⁸

5.11 APPEA also noted that it has now received correspondence from the Minister for Climate Change and Energy Efficiency, 'setting out a more detailed consultation process to produce the regulations that will underpin the natural gas liability aspects of the bill. We felt it important in participating today to acknowledge that development.' Still, APPEA maintains its recommendation that the consultation process should precede the introduction of the amendments.⁹

3 See Business Council of Australia, *Submission 2*; AIGN, *Submission 16*; and AGL Energy, *Submission 12*. Also see APPEA, *Submission 7*.

4 AGL Energy, *Submission 12*.

5 Mr Simon Writer, DCCEE, *Proof Committee Hansard*, p. 45.

6 Mr Simon Writer, *Proof Committee Hansard*, p. 45.

7 Mr Simon Writer, *Proof Committee Hansard*, p. 45.

8 Mr Alex Gosman, *Proof Committee Hansard*, p. 7.

9 Mr Damian Dwyer, *Proof Committee Hansard*, p. 8.

Committee view

5.12 The committee recognises that the provisions in the bill relating to the treatment of natural gas supply and use are necessary to ensure the policy intent of the original legislation is properly realised.

5.13 The committee welcomes the Government's commitment to undertake detailed consultations with interested stakeholders in developing any regulations consequent to the legislation relating to the treatment of natural gas under the CPM.

Recommendation 1

5.14 The committee recommends that the Government continue to consult with interested stakeholders in the development of regulations resulting from the bills, including regulations that impact on the treatment of natural gas under the carbon pricing mechanism. This recommendation should be brought to the attention of the Department of Resources, Energy and Tourism.

Concluding comments

5.15 The committee notes the long-standing commitment by successive Australian governments to link an Australian carbon pricing mechanism to credible international emissions trading schemes.

5.16 Linking to the European Union Emissions Trading System is the first step toward ensuring that the Australian carbon pricing mechanism has a strong foundation that will provide necessary incentives to drive the transition to a clean energy future in Australia.

Recommendation 2

5.17 The committee recommends that the Senate pass the bills.

Senator Mark Bishop
Chair

