



Energy White Paper 2014 – Issues Paper submission template

Details of person making the submission

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Confidentiality

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Issues for comment are listed against each of the Chapter Headings. In making your submission, you are welcome to make comment against some or all of issues in the fields provided. A field for general comments is provided at the end of the template.

1. The Security of Energy Supplies

The Government seeks comment on:

- ways community expectations can be better understood and reflected in reliability standards;
- the value of developing fuel reserves to meet Australia's international oil security obligations, and augment domestic security;
- ways to increase new gas sources to meet demand and measures to enhance transparency in market conditions; and
- issues relating to the regulation of energy infrastructure.

Please provide any comments on The Security of Energy Supplies below:

'Ways to increase new gas sources to meet demand and measures to enhance transparency in market conditions.'

Unlike the national electricity market, there is no national mechanism in place on the East Coast that allows market participants to track the ebb and flow of gas market prices. A gas price index may help to increase market transparency.

The AAC's response to these questions is dependent on further details of any proposals. If a decision on reporting was taken, there is an argument that mandatory reporting might be required to ensure a full range of data is provided from all sources to ensure sufficient data is provided to meet policy objectives. However, more detail would be required to determine whether any mandatory reporting proposal would warrant the additional administrative burden on companies.

Careful consideration will need to be given to the collection of commercial and confidential information, and how widely (or narrowly) that information may be distributed. In principle, the collection of data should mirror information already collected and not introduce onerous new reporting requirements.

'Issues relating to the regulation of energy infrastructure.'

Domestic consumers and new gas suppliers require pipeline capacity to meet incremental demand growth. This can be met by negotiated and regulated access to existing pipelines, or with the incremental expansion of existing capacity. Unfortunately, the new pipelines to LNG plants in Gladstone have spare capacity, for which the Federal Government has approved National Competition Council "no coverage" declarations for 15 years. Thus, the pipeline owners may sell capacity to third parties, but there is no obligation to do so. As a result, there is a higher commercial risk to any substantive expansion of the existing regulated pipeline, and one or two LNG exporters are uniquely placed to purchase new gas supply from third parties. A way to address this issue could include maintaining third-party access rights for new gas pipelines.

2. Regulatory Reform and Role of Government

The Government seeks comment on:

- priority issues, barriers or gaps within the COAG energy market reform agenda;
- possible approaches and impacts of review of tariff structures including fixed network costs, further time-of-use based electricity tariffs and the use of smart meters;
- possible measures to promote greater price transparency in gas markets; and
- areas where further privatisation of government-owned assets would contribute to more effective regulatory frameworks and better outcomes for consumers.

Please provide any comments on Regulatory Reform and Role of Government below:

'Possible measures to promote greater price transparency in gas markets.'

Greater price transparency could be promoted through the creation of a gas price index. The elements a gas price index could follow the Henry Hub gas price index monthly average prices. The index is transparent and provides market participants in the US with some market based pricing points.

As noted previously, careful consideration will need to be given to the collection of commercial and confidential information, and how widely (or narrowly) that information may be distributed. In principle, the collection of data should mirror information already collected and not introduce onerous new reporting requirements.

3. Growth and Investment

The Government seeks comment on:

- commercial or market initiatives that could enhance growth and investment in the energy and resources sectors;
- areas where approvals processes could be further streamlined while maintaining proper environmental and social safeguards;
- further ways that regulatory burdens could be reduced while maintaining appropriate levels of disclosure and transparency in energy markets; and
- the impacts of variable land access policy and ways the community could be better informed and engaged on development in the energy sector.

Please provide any comments on Growth and Investment below:

4. Trade and International Relations

The Government seeks comment on:

- how to grow the export of value-added energy products and services;
- ways to remove unnecessary barriers to continued foreign investment in Australia's energy sector;
- ways to strengthen support for access to export markets; and
- ways to support business to maximise export opportunities for Australia's energy commodities, products, technologies and services, including the value of Australia's participation in the variety of international forums.

Please provide any comments on Trade and International Relations below:

'How to grow the export of value-added energy products and services.'

Value-adding industries should be fostered and not impeded by government legislation. The development of energy policy should not lead to problems in accessing the energy sources needed in production, such as in the processing of bauxite into alumina. The AAC's members use over 150 PJ of gas per annum primarily in the conversion of bauxite to alumina. Access to competitively priced gas is critical to the long-term viability of alumina processing.

5. Workforce Productivity

The Government seeks comment on:

- the nature of any current skills shortages being experienced and how these could be addressed by and with industry;
- the capacity of industry and education sector-led programs to meet long-term training and skills development needs of the energy and resources sectors; and
- specific long-term training and skills development needs for alternative transport fuel, renewable energy, energy management and other clean energy industries.

Please provide any comments on Workforce Productivity below:

6. Driving Energy Productivity

The Government seeks comment on:

- the current suite of energy efficiency measures, ways these could be enhanced to provide greater energy efficiency or possible new measures that would enhance energy productivity;
- the use of demand-side participation measures to encourage energy productivity and reduce peak energy use; and
- measures to increase energy use efficiency in the transport sector.

Please provide any comments on Driving Energy Productivity below:

'The current suite of energy efficiency measures, ways these could be enhanced to provide greater energy efficiency or possible new measures that would enhance energy productivity.'

AAC members take energy efficiency into consideration as a part of normal business operations. With 20-30 percent of costs being energy driven this industry is at the cutting edge of what it can afford to implement. Energy efficiency is one of many issues AAC member businesses must consider as part of their overall business environment.

'The use of demand-side participation measures to encourage energy productivity and reduce peak energy use.'

Arrangements to implement demand-side participation will be influenced by contractual arrangements for electricity supply that vary across industry and are subject to confidentiality between electricity suppliers and AAC members. If mutually beneficial terms can be reached, demand-side responses could be a flexible way to manage peak demand, but should not be legislated or forced onto any energy market stakeholder.

7. Alternative and Emerging Energy Sources and Technology

The Government seeks comment on:

- ways to encourage a lower emissions energy supply that avoids market distortion or causes increased energy prices;
- the need to review existing network tariff structures in the face of rapidly growing deployment of grid-backed-up distributed energy systems, to ensure proper distribution of costs;
- additional cost-effective means, beyond current mandatory targets and grants, to encourage further development of renewable and other alternative energy sources and their effective integration within the wider energy market;
- how the uptake of high efficiency low emissions intensity electricity generation can be progressed;
- any barriers to increased uptake of LPG in private and commercial vehicles and CNG and LNG in the heavy vehicle fleet; and
- any barriers to the increased uptake of electric vehicles and advanced biofuels.

Please provide any comments on Alternative and Emerging Energy Sources and Technology below:

General Comments

Any further comments?

This document is one element of the AAC's response to the Issues Paper process. The AAC has also drafted a cover letter and set of issues not addressed by the Issues paper that are critical to the alumina and aluminium industry.