

26 November 2013

Mr Tony Shepherd AO
Chair
National Commission of Audit*(via e-mail to: submissions@ncoa.gov.au)*

Dear Mr Shepherd

RE: NATIONAL COMMISSION OF AUDIT: COMMENTS FROM THE AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION ASSOCIATION

The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide comments on relevant areas of the National Commission of Audit's (NCOA) Terms of Reference.

Since 1959, APPEA has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has more than 85 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 270 associate member companies provide a wide range of goods and services to the industry. Further information about APPEA can be found on our website, at www.appea.com.au.

General comments: The economic significance of the Australian oil and gas industry

It is important to place our views on the issues raised by the NCOA Terms of Reference in the context of the current and potential future contribution of the upstream oil and gas industry to the Australian economy and to the welfare of all Australians.

Reliable, secure and competitively priced energy is crucial to our everyday lives in Australia. Within this framework, oil and gas plays a key role in meeting many of our energy needs.

Australia has vast resources of natural gas. Geoscience Australia¹ has estimated that Australia has over 819 trillion cubic feet (tcf) (900,540 petajoules) of natural gas resources. By way of comparison, Australia's production of natural gas in 2011-12 was around 2 tcf (2,200 petajoules), meaning Australia has more than enough gas to service both domestic and export markets for many decades.

Our abundant natural gas resources, in particular, place Australia in an enviable position to maintain long-term, cleaner energy security domestically and internationally. Natural gas makes it possible for

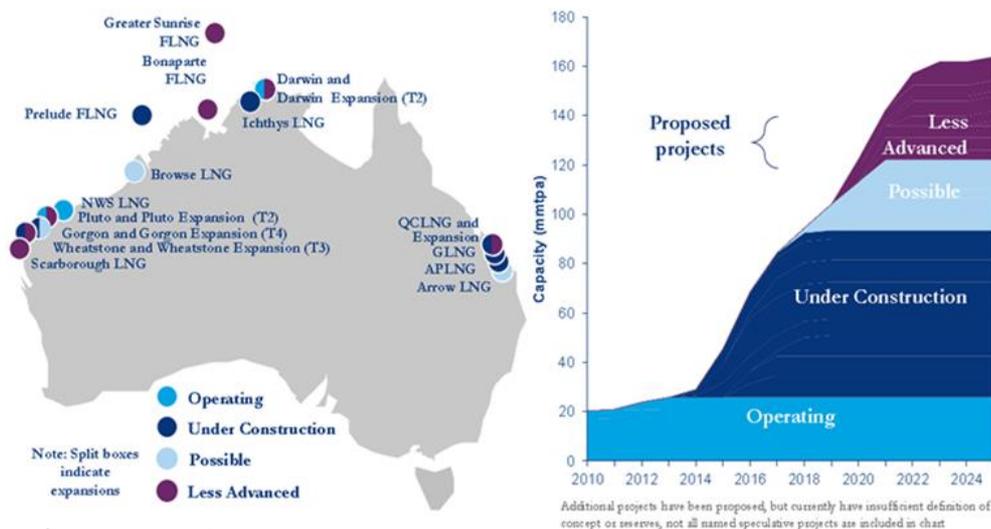
¹ Geoscience Australia (2012), *Australian Gas Resource Assessment 2012*, 14 May (available at www.ga.gov.au/products/servlet/controller?event=GEOCAT_DETAILS&catno=74032).

Australia to meet the world’s growing energy needs over the coming decades while incorporating a strategy to curb greenhouse gas emissions.

Just as importantly, the industry creates significant wealth for the country, including through the employment of many Australians, underpinning the revenue collections of governments and generating valuable export revenue for the Australian economy.

Almost \$200 billion is currently being invested in oil and gas projects, including seven major liquefied natural gas (LNG) export projects². According to economic modelling commissioned by APPEA and conducted by Deloitte Access Economics³, this will increase Australian GDP by up to 2.2 per cent a year and over the investment phase and will create about 103,000 (full-time equivalent) jobs across the Australian economy. Companies all over Australia are supplying goods and services to the oil and gas industry, and sourcing our workforce from many different regions is spreading the benefits of the industry across Australia. Figure 1 provides an overview of Australia’s LNG projects.

Figure 1: Australian LNG projects: by liquefaction status



Source: Wood Mackenzie LNG Tool, August 2012.

By 2020, the sector’s economic contribution to the national economy will more than double to \$65 billion and taxation paid will rise from \$8.8 billion (an estimated \$4.9 billion in corporate taxes and \$3.8 billion in production taxes) to reach almost \$13 billion.

While the Australian economy has benefited and will continue to benefit significantly from LNG investments committed in the past, there are even more projects under consideration, representing a potential additional investment exceeding \$180 billion. Realising these would benefit the entire nation. Analysis by McKinsey & Co⁴ shows GDP would increase by 1.5 per cent, about 150,000 jobs

² See Bureau of Resources and Energy Economics (2013), *Resources and Energy Major Projects*, for a listing of upstream oil and gas projects at the Publicly Announced Stage, Feasibility Stage, Committed Stage and Completed Stage (available at www.bree.gov.au/publications/rempp.html).

³ See Deloitte Access Economics (2012), *Advancing Australia: Harnessing our comparative energy advantage*, 25 June (available at www.appea.com.au/wp-content/uploads/2013/04/120625_DAEreportAPPEAfinal.pdf).

⁴ McKinsey & Co (2013), *Extending the LNG boom: Improving Australian LNG productivity and competitiveness*, 28 May (available at www.mckinsey.com/locations/australia/knowledge/pdf/extending_lng_boom.pdf).

would be created across the Australian economy, and tax revenues created equivalent to nearly half the total federal debt. The benefits of improving productivity would also flow to other sectors.

This means that the stakes are high in realising the industry's potential benefits.

It is vital that the National Commission of Audit in framing its recommendations recognises the enormous economic benefit that can flow from a prosperous and vibrant upstream oil and gas industry.

The major challenge to the industry's continued growth is maintaining Australia's international competitiveness in the face of growing global competition. A high-cost local environment and the emergence of new LNG competitors in East Africa, North America and other locations has increased the level of competition Australia faces as it seeks to win market share and attract investment. The industry and governments must do everything possible to ensure the \$200 billion in projects under construction commence production in a timely manner and that Australia secures future oil and gas investment opportunities.

Some factors affecting current and future investment, such as the high Australian dollar, are beyond the ability of industry to influence. However, other key challenges must be addressed. In particular, the industry and its suppliers need to work harder at constraining cost growth and to meeting skilled labour requirements. Industry is investing in technology and undertaking various business initiatives to reduce costs.

There are also critical policy areas that require genuine reform. Five major policy priorities are clear:

- Developing viable labour markets that encourage mobility, flexibility and productivity.
- The need for fiscal stability.
- The need for market-based energy policy.
- Maintaining industry access to resources.
- Red tape and green tape reduction.

The areas and associated recommendations for action are contained in APPEA's *2013 Policy Priorities*⁵ document, a copy of which can be found at [Attachment 1](#).

Within these policy priority areas, APPEA would like to highlight three areas where we believe the NCOA can make a genuine difference to the legislative and regulatory arrangements facing the industry and play a role in ensuring Australia remains a competitive destination for oil and gas industry investment:

- Developing viable labour markets that encourage mobility, flexibility and productivity.
- Red tape and green tape reduction.
- A comprehensive streamlining of Australia's greenhouse policies and programs.

⁵ Also available at www.appea.com.au/wp-content/uploads/2013/08/2013-Policy-Priorities_low-res.pdf.

Developing viable labour markets that encourage mobility, flexibility and productivity

The Australian Jobs Act 2013

The *Australian Jobs Act 2013* (the Act) imposes unnecessary cost burdens on companies while distorting the efforts and outcomes of existing company systems and processes. These aim to provide full, fair and reasonable opportunity for local suppliers to participate in the delivery and operation of major projects.

The upstream oil and gas sector recognises that local suppliers can provide significant advantages to projects through faster turnaround of services, localised employment, improved timings and improved communication. A 2012 report by Australian Venture Consultants⁶ considered 59 Australian construction contracts and found that 48 had an average value of \$256 million for services ranging from engineering, fabrication, occupational health and safety, medical, aviation, marine and FIFO accommodation services. The industry also continues to invest heavily both in financial terms and in the development of collaborative relationships to address capability, capacity, skills and training gaps.

When coupled with the potential for injunctions and other penalties, the Act introduces a system of onerous and complex administrative requirements to deliver the same results that companies have been achieving for some time. For example, the introduction of a 'trigger date' for the provision of an Australian Industry Participation (AIP) Plan without any clear need or definition has created significant ambiguity. As a result, the Act increases uncertainty and escalates compliance costs (particularly for smaller projects and/or those with limited exposure to the existing Enhanced Project By-Law Scheme (EPBS) structure) without a demonstrated commensurate additional benefit to Australian suppliers.

The Act also requires companies to focus on the activities of the Australian Industry Opportunity (AIO) Officer rather than enhancing AIP outcomes across an organisation as a whole. Achieving real improvements is a matter of enhancing supplier capability and is a complex issue which requires people working in concert across an organisation and not just an assigned AIO Officer. A more productive approach would focus on an AIP Plan's objective and provide flexibility for companies to deliver those objectives.

Experience has indicated that key issues preventing the majority of local suppliers from successfully winning work include:

- Having appropriate management systems to address legislative requirements for health, safety and environment.
- Developing the management systems and processes required to prequalify.
- Knowing how to tender and submit compliant tenders.
- Remaining internationally competitive with a high Australian dollar.
- Complying with globally accepted technical standards for asset integrity and safety.

⁶ Australian Venture Consultants (2012), *The Wider Contribution of the Oil and Gas Industry to the Australian Economy: A selection of case studies*, (available at www.appea.com.au/images/stories/Reports/the%20wider%20contribution%20to%20australia%20of%20the%20oil%20and%20gas%20industry%20-%20a%20selection%20of%20case%20studies.pdf).

APPEA believes that the key focus of any reforms should be on increasing supplier competitiveness and capacity. This is the key pre-requisite step in order to address the productivity constraints that are limiting the ability of local suppliers to participate on a global basis. Priority should be placed on creating a dialogue between industry, government and suppliers to address these issues.

Examples of local content efforts

As noted above, in 2012, the 2012 report by Australian Venture Consultants examined a sample of 59 specific separate construction phase contracts that have been awarded to Australian businesses. As well as the examples cited on page 4 of this submission, the report analysed examples of contracts awarded to an offshore business, which had in turn sub-contracted components of the work back to Australian businesses. Further specific case studies for practices undertaken by Woodside Energy, Apache Energy, Chevron Australia, Inpex Australia and Shell are included in the full report.

QGC

QGC's project and operations currently has over \$16 billion in open contacts with over 750 Australian businesses, 17 per cent of which are within QGC's project footprint local government areas. QGC cascades local content conditions to contractors. The top 22 last reported over \$1.1 billion in open subcontracts with Australian businesses. Approximately 9,000 people are currently employed within QGCs asset and project supply chain.

Australia Pacific LNG (APLNG)

The \$20 billion APLNG project is an incorporated joint venture between Origin, ConocoPhillips and Sinopec to develop a major coal seam gas to liquefied natural gas project in central Queensland. To improve suppliers' abilities to be a part of the project, three organisations – ICN, the Australia Pacific LNG Project and DSDIP – developed the Tier Barometer Tool (TBT). This tool allows local suppliers to identify the critical systems and requirements of major projects, and self-assess their business against this. The outcome of the assessment is that it provides the business with an indication of what tier level they fit in the supply chain and some of the capability gaps that would need to be addressed before prequalifying. Additionally, businesses can use this tool to identify what they need to implement to step up to the next tier level.

APPEA recommends that the NCOA critically reviews the need for the reforms contained in the *Australian Jobs Act 2013*. In particular, the additional regulatory uncertainty and costs created through the changes in the legislation are not matched with the potential benefits, as many of the measures merely duplicate related processes that are already in place.

Labour Market Testing in the standard Temporary Work (Skilled) (subclass 457) visa program

Streamlined and efficient access to skilled overseas workers is essential if the oil and gas industry is to optimise its value to the economy and create ongoing, permanent jobs during the operational phase of resource projects. In the oil and gas sector there are two key drivers for using 457 visas:

- To access workers when the necessary skills and or experience, usually in highly specialised areas, are not available domestically.
- To develop the skills, experience and careers of employees within a company who are located internationally (intra-company transfers).

Most operational jobs in the industry are recruited, trained and developed locally. A small number of these local employees will, at some stage in their careers, be able to participate in project placements or secondments in other parts of the world as part of a company's global talent development strategy. These 'professional development' opportunities ensure that employees are at the cutting edge of a high technology and innovative industry, and that companies are retaining talent and optimising their global workforces.

In both cases, bringing in workers from overseas on 457 visas is a high-cost option. The new legislation, however, appears to be grounded on the assumption that it is cheaper for companies to hire overseas workers than local ones, and that this drives employers to overlook local labour. This is simply not true for our industry.

Research suggests that up-front relocation costs to employ a migrant worker can be around \$65,000.⁷ In addition, oil and gas industry experience is to allow a multiplier of between 2.0-2.5 times base salary to employ overseas workers. For example, if a salary was say the equivalent of \$100,000 for an Australian worker, the cost to employ an overseas worker would be up to \$250,000 per annum over the life of the assignment. These business costs generally include visa processing costs, flights, car, accommodation, medical checks, shipping costs for transporting personal effects, insurances, expatriate allowances and so on, and these can be significantly higher if, as in many cases, spouse and children are also involved.

The introduction of compulsory labour market testing for 457 visas imposes one more requirement that makes it more difficult to do business in Australia.

The legislation should be repealed or significantly amended. However, if this does not occur, the legislative provisions must be aligned as much as possible with current recruitment practices, and be able to be supported by the labour market research commissioned by government and companies themselves.

We believe the following elements should be incorporated in order to provide our industry with the skilled, innovative and flexible workforce required to realise the next phase of development of Australia's oil and gas resources:

- That the application of labour market testing is approached in a commonsense fashion, requiring little or no more cost or effort than already undertaken by companies operating in the oil and gas industry. Ideally, testing will align with current methods used by companies to ensure the local market is tested for suitable candidates for employment before seeking 457 workers offshore to fill largely specialized and highly skilled positions.

⁷ S. Bahn, G. Yap, L. Barratt-Pugh (2012), *457 visa workers in the Western Australian resources industry: the benefits and costs for business, migrant families, and the community*, Edith Cowan University (available at www.ecu.edu.au/_data/assets/pdf_file/0003/406353/FINAL-34028-ECU_Research_Report-Web.pdf).

- That the substantial labour market analysis and workforce planning efforts undertaken by companies as part of the development of multi-billion dollar projects can be validated and used as evidence to replace the need for ongoing advertising of positions vacant.
- That skilled global intra-company transfers be exempted from labour market testing. While executive and senior management roles are currently exempted, the extension of the exemption to include identified technical and operational roles would facilitate more Australian involvement in offshore global operations.
- That engineering occupations and qualifications be removed from the ‘protected experience’ and ‘protected qualification’ category. Engineering is central to our industry and requiring all engineering roles to be market tested will be an unreasonable burden and add significantly to project timeframes, costs and administration.

It is important that the oil and gas industry can assure international investors that Australia can secure the skills and talent necessary to ensure our mega projects are on time, on budget, safe and productive. Ensuring that policy changes can accommodate the requests above will go some way toward achieving this.

Further information is contained in APPEA’s August 2013 submission to the (former) Department of Immigration & Citizenship, a copy of which can be found at [Attachment 2](#).

Agreement content provisions under the *Fair Work Act 2009*

The expansion of subject matter that can be bargained by relevant employee organisations for inclusion in Agreements under the *Fair Work Act 2009* has, in some instances, allowed relevant employee organisations to force employers to adopt restrictive provisions that run counter to the productivity objective referred to in the Object of the Act (at section 3(a)). A common example is where relevant employee organisations exercise restrictions over the use of contractors and influence the employment terms and conditions adopted by those contractors when operating on the client’s site.

APPEA recommends these restrictions be removed from the *Fair Work Act 2009*.

Red tape and green tape reduction: environmental approval processes

The Australian oil and gas industry supports a strong and robust environmental regulatory framework. It should be best-practice, and based on effective and efficient regulation with clear objectives and transparent oversight.

Across government, the Commonwealth, states and territories, and local councils have shared responsibility for the environment and, result, each level of government maintains a suite of environmental legislation and regulatory powers. This results in excessive and conflicting regulatory processes and double handling.

Australia has an impressive history of facilitating and delivering large capital-intensive major projects, such as new LNG plants or expansions. However, some of this confidence is being eroded by burdensome regulatory oversight and requirements. Addressing this issue should be a key priority for Australian governments as the nation enters a period of growth in new petroleum project development.

Evidence from the oil and gas industry proves that Australia's environmental regulatory framework contains numerous overlapping, excessive and inconsistent requirements that are causing unnecessary project delays and costs. The legislation does not always clearly define or achieve its objectives, or add any additional benefit to the Australian economy. It imposes additional costs on the industry and, in some cases, delivers conflicting outcomes that extend project timeframes and costs.

APPEA's report, *Cutting Green Tape: Streamlining Major Oil and Gas Project Environmental Approvals Processes in Australia*⁸, which can be found at [Attachment 3](#) shows, through a series of industry case studies, how green tape is currently hindering the oil and gas industry's ability to optimise its contribution to Australia's future economic development and identifies potential areas of reform.

The report also demonstrates how regulations that increase costs can undermine the overall profitability and economics of a project. The worst-case outcome is that a project fails to proceed, resulting in a major loss of revenue for government. Delays or increased project costs also directly (and negatively) impact on government revenue streams.

The most useful approach for measuring the impact of a change in a project's overall cost base is through movements in the internal rate of return (IRR). The IRR is a commonly used financial measure that estimates the rate of return that equates the net present value of a project's cash flows with zero. Generally speaking, a higher IRR means a project is more attractive to an investor. While delays to construction timelines and production schedules will affect a project's IRR, analysing the impact of higher costs (through increased construction or ongoing operational expenditures) best demonstrates the impact of modified or additional obligations. The report's analysis demonstrates that:

- Increases in capital expenditure or operating costs have a negative impact on project returns.
- Capital expenditure increases have a larger impact on project returns than operating expenditure increases.

For example, for an onshore LNG project using natural gas from coal seams as the fuel source, a 10 per cent increase in capital expenditure results in a fall in IRR of 1.16 per cent, while a 10 per cent increase in operating expenditure results in a fall of 0.21 per cent. This equates to a loss in NPV for such a project of \$823 million (for a 10 per cent increase in capital expenditure) and \$195 million (for a 10 per cent increase in operating expenditure). A reduction of this magnitude is significant in terms of its overall impact on project economics. Similarly, there is a significant negative impact on the economics of an offshore LNG project.

Results depend on the costs, production profile and timelines for individual projects. Any movement in a project's rate of return will affect investment decisions. The APPEA report makes a number of recommendations that are directly relevant to the NCOA's Terms of Reference. They are:

⁸ APPEA (2013), *Cutting Green Tape: Streamlining Major Oil and Gas Project Environmental Approvals Processes in Australia*, 25 March (available at www.appea.com.au/wp-content/uploads/2013/04/APPEA_Cutting-Green-Tape.pdf).

Based on industry experience and information in the case studies, and supported by the modelling of the financial impacts on proponents and the government, APPEA recommends the following changes to improve the existing framework.

1. Fast-track bilateral arrangements for accreditation by the Commonwealth of state processes, and create a 'one-stop-shop' for state assessment and decision processes under the EPBC Act.
2. Accredite NOPSEMA for offshore environmental approvals under the EPBC Act.
3. Refine and reduce the triggers under the EPBC Act (national threatened species lists, refine the catch-all trigger of 'the Commonwealth Marine environment').
4. Clarify the roles and responsibilities of State and/or Commonwealth agencies and legislation.
5. Streamline reporting within Commonwealth and state processes (such as removing duplicate reporting to agencies, adding statutory timelines where appropriate).

APPEA acknowledges and welcomes the reforms that are underway in many of these areas, including through the Government's 'one stop shop' approach and strategic assessment processes for arrangements between NOSEMA and administration of the EPBC Act.

In a similar way, the Productivity Commission, in the Draft Report⁹ as part of its *Major Project Development Assessment Processes* Commissioned Study, found the efficiency and effectiveness of approval process processes bears heavily on the viability, location and timing of major project investment decisions. Even small changes in the process can make significant differences to the viability of a project. As an illustration, the Commission has estimated the indicative cost to a project proponent of a one-year delay to a major oil or gas project with a capital cost of \$17 billion to be between \$300 million to \$1.3 billion, depending on the assumptions made. The central estimate of \$700 million would reduce the net present value of the investment by about 9 per cent.

A comprehensive streamlining of Australia's greenhouse policies and programs

The third area of APPEA recommendations for the NCOA as an area of focus is the need to comprehensively streamline Australia's greenhouse policies and programs. APPEA, in line with its November 2010 *Climate Change Policy Principles*¹⁰, supports a national climate change policy that delivers abatement at least cost. APPEA's Principles also note that with a national greenhouse policy approach in place, any additional measures targeted at reducing greenhouse gas emissions should only apply to sectors of the economy that are not covered by single national approach.

APPEA is working co-operatively with the Australian Government as it develops its Direct Action Plan and provided a submission¹¹ to the recent consultation on the Emissions Reduction Fund (ERF) Terms of Reference. As part of that approach, APPEA has urged federal and state governments to expedite the removal of the plethora of other policies and programs regulating greenhouse gas emissions in Australia. The growth of separate greenhouse initiatives and their lack of consistency increases costs and uncertainty for Australian industry, including the upstream oil and gas industry.

⁹ Productivity Commission (2013), *Major Project Development Assessment Processes*, Commissioned Study Draft Report, 5 August (available at www.pc.gov.au/projects/study/major-projects).

¹⁰ APPEA (2010), *Climate Change Policy Principles*, November (available at www.appea.com.au/wp-content/uploads/2013/04/APPEA-Climate-Change-Policy-Principles-November-2010.pdf).

¹¹ See www.appea.com.au/wp-content/uploads/2013/11/APPEA-Emissions-Reduction-Fund-18-Nov-13.pdf for a copy of APPEA's submission.

The NCAO should recommend that with the planned commencement of the Emissions Reduction Fund, a comprehensive rationalisation of greenhouse measures across all Australian jurisdictions be undertaken.

Key amongst the policy approaches requiring rigorous assessment and streamlining are:

- The Energy Efficiency Opportunities measure.
- The Renewable Energy Target.

Energy Efficiency Opportunities

In relation to the Energy Efficiency Opportunities (EEO) measure, APPEA member companies have in place long-standing and pervasive energy management policies, systems and measurement indicators that form a core part of their operational performance¹². The industry has also been a participant in numerous voluntary and mandatory energy efficiency and energy efficiency related programs since such programs commenced in Australia.

One of the features of these experiences has been a relative misunderstanding and under-appreciation by many of the existing and powerful drivers for energy efficiency that pervade the operations of the upstream oil and gas industry in Australia and the industry's history of reducing the energy intensity of its operations and increasing its energy production efficiency.

A clear example of these existing drivers can be found in the operations of Australia's existing and proposed export LNG plants. The process of liquefying natural gas is energy-intensive. The fuel used to power the various processes at the facility is often derived from the natural gas itself. Any gas used to serve as an energy source for the process is gas that cannot be liquefied and sold to export customers. This means that the use of natural gas as an energy source at the LNG facility has a very direct opportunity cost associated with it – every unit of gas that can be saved through reducing energy use is a unit of gas that can be sold.

This driver, that pervades the initial design and ongoing operation of these facilities exists independent of any energy efficiency policy or program and drives energy efficiency actions throughout the facility. Similar drivers exist for other upstream oil and gas facilities, producing crude oil and condensate, or gas for domestic use.

As noted above, with the proposed introduction of an ERF, where energy efficiency opportunities can bid into the Fund for potential funding, the reason for most existing energy efficiency programs, such as EEO (including, most importantly, the recent EEO extension to greenfields and major expansions), which has been designed to encourage:

... large energy-using businesses to improve their energy efficiency. It does this by requiring businesses to identify, evaluate and report publicly on cost effective energy savings opportunities¹³

¹² An outline of these policies, processes and management systems are provided in a number of APPEA member company submissions to the Task Group.

¹³ See www.energyefficiencyopportunities.gov.au for further information.

is redundant, particularly for energy producing companies, including those operating in the upstream oil and gas industry. The ERF will provide an incentive (over and above existing drivers considered above) to identify, evaluate and, where cost effective, act on any energy efficiency opportunities. For energy producing companies, particularly those operating in the upstream oil and gas industry, EEO is additional, and not complementary, to a mechanism like the ERF.

The ERF imposes a range of administrative and compliance costs on participants and these costs can, for each participant, approach \$500,000. In addition, the Department of Industry incurs administration costs for the EEO program that total around \$8 million.

With the commencement of the ERF, the Energy Efficiency Opportunities Assessment program should be discontinued for energy producing companies, including those operating in the upstream oil and gas industry. Any State-based mandatory energy efficiency measures should also be discontinued.

Renewable Energy Target

The role of the Renewable Energy Target (RET) which forces a fixed quantum of renewable energy into the electricity supply mix, displacing lower cost non-renewable, but relatively low-emission alternatives (most notably natural gas), should now be the subject of rigorous assessment.

The ERF is the primary policy initiative through which the Federal Government will achieve its greenhouse gas emissions reduction target (5 per cent reduction in 2000 emissions levels by 2020). Paradoxically, the RET will not result in any extra greenhouse gas emissions abatement, but will certainly result in extra costs as it locks in coal fired power generation while driving the deployment of higher cost renewable technologies.

The RET is an economically inefficient policy that should be discontinued. Based on economic modelling conducted by BA Economics, the cost of continuing with the RET scheme when a national climate policy is in place¹⁴ will reduce Australia's economic output (GDP) by \$6.5 billion more than would the standalone approach.¹⁵

The RET should be discontinued. At least in the medium-term, it is a policy that results in a higher cost to achieve the same level of overall constraint on greenhouse gas emissions than would have been achieved in the absence of the RET.

In its submission to 2012 Climate Change Authority review of the RET scheme¹⁶, APPEA advocated discontinuation of the RET. But if the RET is retained, its negative impact should be reduced:

- The fixed gigawatt hour target should be revised down to reflect the level that achieves the 20 per cent by 2020 commitment.
- The partial exemption certificates (PEC) provided to trade exposed industries, including LNG, to offset costs of the RET should be increased to 100 per cent.

¹⁴ In the case of the BA Economics modelling, an economy-wide carbon price.

¹⁵ Available at www.appea.com.au/wp-content/uploads/2013/06/APPEA-submission-on-RET-BAE-report.pdf.

¹⁶ Available at www.appea.com.au/wp-content/uploads/2013/06/APPEA-submission-on-RET-BAE-report.pdf.

- Amendments to the operation of the self-generation provisions contained in the current legislation are needed.

If you or your project team require additional information about our submission, please do not hesitate to contact me on 6267 0900 / dbyers@appea.com.au, or Damian Dwyer, Director – Economics on 6267 0902 / ddwyer@appea.com.au.

Yours sincerely



David Byers
Chief Executive

Enc.