



Hunter Business Chamber

Energy Green Paper - Federal Government
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Background

The Hunter Region has long held the reputation as the powerhouse of the NSW economy and ranks highly as one of the most valued, diverse and resilient regions in Australia.

The Hunter Business Chamber is the largest regional business chamber in Australia and was established in 1886. The Chamber represents over 1800 member businesses to all levels of government. The Hunter Business Chamber is experiencing a period of unprecedented growth and is the peak industry association in the Hunter which represents all sectors of business in the region.

The Hunter Business Chamber works as an integral part of the chamber network in NSW and represents business at local, State and Federal level to advocate for an improved operational climate for business.

Industry is a crucial component of the Hunter economy and the region is home to many organisations that have struggled over the past three years at least, with increased energy costs, lengthy and complex approvals processes and ever changing environmental regulations and costs.

The Chamber believes its members deserve a business environment that encourages and attracts investment and provides the following observations about components of the Energy Green Paper that contribute to this.

Attracting energy resources and investment

Approvals process

The Chamber has long argued for improved approvals processes to ensure the assessment of all projects, including energy and resources projects, occurs in a timely and reasonable manner.

The Chamber supports the intentions outlined in the Energy Green Paper to remove complexity and duplication and address the lengthy approval timeframes.

A more strategic approach is needed to ensure there are no conflicting policy objectives and that greater certainty and transparency is provided to planning applications.

These initiatives are critical to industries and organisations who currently struggle to gain support of investors and the community alike.

This lack of certainty severely erodes the ability for businesses in NSW and the Hunter to compete on a level playing field across both state and national borders.

Infrastructure bottlenecks

The Chamber is encouraged by the Government's commitment to removing bottlenecks and addressing the issues around funding of future infrastructure projects.

The Government's Asset Recycling Scheme should provide future funding for infrastructure projects and work continues in NSW in this regard.

While a national view on infrastructure priorities and policies is needed, it will be equally important to ensure that resources from recycled assets are used to deliver vital infrastructure in the regions where that funding originates. The Hunter contributes significantly to the economic prosperity of NSW and Australia and can only continue to do this if appropriate infrastructure is provided for current and future operations in the region.

Innovation

The Chamber movement has identified that there remains a growing need for greater collaboration between researchers and industry within Australia. In July this year, the NSW Business Chamber released its *Thinking Business: Industry-Research Collaboration Report*, which identifies measures to overcome systemic and cultural barriers that have inhibited Australian research converting into commercial success.

In conjunction with this work program, the Hunter and State Chambers have also been involved with the development of the NSW Energy Innovation Knowledge Hub located in Newcastle. The Hub was formed to address local industry challenges by creating new opportunities and market access for clean and efficient energy technologies, creating a collaborative culture and increasing competitiveness and productivity through knowledge transfer. One of the objectives of this hub is to increase innovation investment of SMEs and provide new tools and services to enable Australian businesses to invest, create export opportunities, innovate and grow.

The Chamber recommends that the White Paper includes reference to the need to support innovation through greater industry-research collaboration in Australian industries, both within the energy supply sector as well as within sectors using energy, to improve Australia's competitiveness.

Electricity prices

Tariff Structures

The Chamber supports a review of tariff structures and pursuit of reform that improves consumer access to information about their energy use and costs.

In 2012, the Hunter Business Chamber received a \$1.2 million federal grant from the Department of Industry to deliver the Energy Hunter project. The Energy Hunter project is a partnership between the Hunter Business Chamber, Newcastle City Council, and Hunter TAFE.

Under the partnership, Energy Hunter has provided significant assistance and support to small and medium sized businesses across the Hunter Region, helping them to identify, manage, and improve their energy use and costs.

The program has delivered the goods for 349 businesses to date. Across all businesses in the program, there has been a year-on-year reduction from 2012 to 2013 of over 1.5 million kilowatt hours, representing a cumulative saving of \$400,000 for Hunter businesses.

The program delivers a sound mix of energy consumption advice, real time monitoring, mass learning programs and business mentoring to offer the best possible outcomes for participants. It has demonstrated at a regional level, the lack of understanding that consumers face in regards to their energy use and costs as a direct result of a lack of access to knowledge.

It is noted that the AEMC is currently consulting on its rule change proposal for distribution network prices.

The AEMC's analysis calculates the majority of customers are expected to benefit from lower network costs in the medium to longer term. If this is dependent on an ability to change electricity consumption habits then business should be provided with a transition period and access to information that helps them to do this. Many businesses will not be in a position to make significant changes to their electricity consumption at peak times.

The White Paper must acknowledge the potential impact of tariff reform on industries that use a significant amount of energy.

Reliability

The Hunter is home to many large energy users also and while it is fair to say that reliability should reflect consumer demand it is imperative that reform and infrastructure considers the needs of these businesses and their ability to continue to grow and operate in our region.

It is vital to acknowledge large industry requires significant, uninterrupted base load power and reliable energy supply for successful operation. There are also many SMEs for which reliability is very important.

The Chamber supports the development of a National Framework to ensure distribution and transmission reliability and notes that the recommendations from the COAG review are being implemented through the COAG Energy Council. We look forward to the publication of this final plan and detail around priority recommendations.

Emissions reduction schemes

Businesses and most particularly large energy users have been held captive over a number of years to the uncertainty of a number of emissions reduction schemes. While several of these have come and gone, they have all contributed to a cumulative impact on investment decision and competitiveness for organisations in Australia. Whilst ever there are green schemes that lack detail and are not developed with existing schemes and tariffs in mind then this will remain the status quo.

The White Paper should provide detail on the Direct Action Scheme and policy on the Renewable Energy Target as well as expected impacts to business.

Encourage privatisation

The Chamber supports the Government's Asset Recycling initiative and as a result the privatisation of NSW's electricity transmission and distribution assets, in an effort to provide greater transparency and reduced costs to consumers.

The Chamber further supports the development of the incentive scheme for payments to states and territories that make progress on privatisation by selling their assets and redirecting the funds into productive infrastructure.

Building gas supply and improving market operation

Addressing gas supply

The Hunter is home to some of the State's largest consumers of gas and electricity. Gas is typically used by large manufacturers in the region for their production processes. Security of energy provision is critical to ensure the flow of production and their ability to meet projected deliverables.

It is important to note that a substantial number of other businesses use gas on a smaller scale and collectively consume large amounts of gas in the region. The Hunter is well known for its diversity and the significant contributions it makes to the state and national economies. There are a number of industries that make up this diversity and their ongoing viability is integral to our overall economic contribution.

NSW currently produces only 5% of the gas it uses each year, importing 95% of its gas supplies from other States, specifically South Australia, Victoria and Queensland. With evidence mounting that Queensland production will increasingly be tied up with its own use as well as off-shore contracts in the coming years, it is increasingly concerning that NSW may be gradually starved of its historic supply chains.

With current limited capacity of its own, NSW is vulnerable to the potential of future reservation policies in other states as well as the move to a lower carbon economy. Demand for gas as an alternative energy source is forecast to grow as this move is pursued and supported by pricing regulations.

Timing is critical in ensuring that alternative sourcing and supply mechanisms are developed to guarantee that NSW continues to be able to access the necessary base-load supply of gas for its own use.

NSW must secure long-term gas supply that will meet its needs into the future. Its reliance on other states as a primary source has the potential to drive up domestic prices as it competes for export bound supply.

NSW needs to be able to better supply its domestic market, particularly in light of projected growth in demand, but also to ensure fair and reasonable price frameworks for consumers.

The Green Paper notes that increasing gas supply will be dependent on addressing community concerns. NSW CSG licences have borne the brunt of these concerns with a freeze on new CSG licences. Unfortunately, this will not address gas supply issues.

There needs to be a concerted, national approach to knowledge sharing on CSG and the White Paper should acknowledge the significant analysis that has already been undertaken by Professor Mary O’Kane, NSW Chief Scientist and Engineer in regard to assessing the evidence base of community concerns.

The Chamber encourages reform within the gas market that will improve operations and address supply issues in a timely manner.

Security, innovation and energy productivity

Energy productivity

The Hunter Business Chamber is committed to providing assistance to SMEs to improve efficiency and productivity but government regulation needs to consider the lack of resources and knowledge currently facing SMEs.

In addition, most large energy using businesses are already heavily regulated and compete on a global scale that forces them to already have in place high operational efficiency and productivity plans. The alternatives to further improve productivity potentially come from future investment and will require significant capital, once again in a climate where investment uncertainty abounds.

The White Paper needs to acknowledge that there are barriers to energy productivity for both large and small organisations. Placing regulatory burden on these businesses will contribute to a decline in competitiveness. Any such regulation needs to be considered parallel to existing and future regulation that energy using businesses are subject to.

Conclusion

The Hunter Business Chamber appreciates the opportunity to be involved in discussion around the long term, reliable and cost effective supply of energy to businesses in our region and state. This is central to their capacity to continue to operate and grow, contributing to our national economy.

The Chamber will continue to work with all levels of government in order to ensure the ongoing provision of appropriate and reliable infrastructure in this regard.

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