

## EUAA CONGRATULATES NEW LABOR GOVERNMENT

Australia's leading advocate for large commercial and industrial energy users, the Energy Users' Association of Australia (EUAA), congratulates the new Labor Government and Prime Minister Anthony Albanese on their federal election victory. The EUAA and its member companies look forward to working with the new government as we transition our energy system and those that rely on it, to a low carbon future.

We would also like to thank outgoing Minister for Energy and Emissions Reduction, Angus Taylor for his many years of service in this critical portfolio.

"The new government faces many challenges, none the least being escalating energy costs driven in part by factors beyond our borders and the flow on effect on the cost of living," said EUAA Chief Executive Officer, Andrew Richards.

"This coincides with a strong push towards net zero targets which adds complexity to the current challenges. In this environment we must maintain a sharp focus on consumer outcomes and achieving net zero at least cost, not at any cost."

There are many stakeholders in the energy debate who are highly invested in policy and regulatory outcomes that support their own commercial interests or underwrite a particular business case. If energy users are to successfully navigate the energy transition, an impartial assessment of the challenges, opportunities and policy options is required as only then can we design policy that is truly consumer centric.

"We often see a narrative that achieving net zero will somehow be easy and cheap, when the lived experience of many energy users to date is that it is hard and potentially very expensive. That is not to say we shouldn't do it, but that we need to have our eyes open to the challenges."

"We are encouraged by the incoming governments intention to work closely with energy users, especially those in hard to abate and trade exposed sectors. Detailed, sector specific plans will be required to ensure we transition to net zero while allowing existing industry to transform and flourish."

"We also can't leave those most vulnerable in society behind as we transition to net zero including those regional communities who are faced with many challenges as our energy system becomes more dispersed. We can't allow these people to be collateral damage of the energy transition as it's no point solving one moral problem only to create another one."

The EUAA is the peak body representing Australian industrial and commercial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts downward pressure on electricity and gas costs.

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## **Challenges for the incoming Federal Government.**

### Emissions Reductions.

The EUAA supports the pursuit of net zero and many of our members have already taken positive action such as entering into long-term renewable energy PPA's, enhancing energy efficiency and taking initial steps to re-shape their manufacturing processes to accommodate future low emissions technologies if and when they become commercially viable.

The existing safeguard mechanism has already produced some positive results and could be a useful way to gradually lower emissions. However, ensuring a transition that preserves existing value and provides new economic opportunities will require careful consideration and a range of supporting policy that recognises that not all industry sectors can move to net zero at the same pace. Helping those in hard to abate sectors will require careful planning and tailored responses from government that includes targeted R&D and technology deployment funding and assistance for trade exposed, energy intensive industry.

It is important to recognise that not all industrial processes can be decarbonised or that it may take many years for zero emissions technology to become commercially viable so access to a broad range of highly credible and verifiable offsets will also be vital.

Finally, given we are continually told that renewable energy represents is the lowest cost energy technology available we think it reasonable that consumers no longer need to underwrite the deployment of large scale wind and solar. While renewable energy subsidies were justified in the past in order to level the playing field, it is obvious that renewable energy can and should stand on its own feet without the need for continued subsidy or other mechanisms such as government (taxpayer) contract support through CFD's or other derivatives.

We look forward to working with the next Energy Minister on future emissions reduction policy as we strive to meet net zero at least cost.

### Energy Infrastructure.

We often hear the calls that "there is no transition without transmission". While more transmission will no doubt be required, be it increased interstate connection or renewable energy zones, the sheer scale and timelines being spoken about is unprecedented. We need to recognise this has never been done before. As it stands today, energy users will wear all the costs and bear a majority of the risk of these assets and it will likely lead to a sharp increase in energy bills.

The next Energy Minister needs to set their mind to how best to shield energy users from the costs and risks that the rapid rewiring of the NEM represents. The scale and cost of the challenge can't be underestimated with in excess of \$40 billion in new transmission anticipated over the next decade alone so the response from governments needs to be scaled to match the challenge.

Well targeted funding to support identified critical infrastructure can play a role in moderating the costs and risks energy users face. Using this funding to leverage private investment only where a clear need has been identified will be critical as will seeking some level of co-funding from connecting generators.

Social license is one of the key emerging challenges for the energy transition. While this should be an issue for those proposing infrastructure developments to deal with (i.e. transmission, energy generation and storage), governments should expect more from them. Linking funding support with best practice community engagement and ongoing community benefits should be part of any future program underwritten by governments.

Calls to weaken the role of the Australian Energy Regulator or require less than robust economic assessment of transmission infrastructure is a recipe for disaster for energy bills. While open to improving regulatory processes, the EUAA will not support a dilution of good governance and robust economic analysis of infrastructure that consumers will be expected to pay for over the coming decades.

The EUAA are a co-proponent of a rule change that we believe will provide consumers with more confidence that transmission projects will deliver the promised net market benefits while not materially delaying those projects that deliver benefits and therefore deserve to proceed.

The next Energy Minister should reinforce the central role of the AER and a strong, independent regulatory approval process that protects consumers interests.

#### System Strength & Reliability.

From an energy system perspective, a MWh of renewable energy is less valuable to the system than a MWh of energy from traditional forms of generation. Managing an orderly exit of aging thermal generation and ensuring sufficient resources are in place that can provide the services the energy system needs should be central to managing system strength and reliability.

While the ESB Post 2025 Market Design work continues at the direction of energy ministers, there continues to be a number of contradictory actions by governments that cast doubt over the ability of future market based mechanisms to deliver the desired outcome. This ad-hoc approach is not in the long-term interests of consumers.

The next Energy Minister should work closely with our regulatory bodies to support market based solutions that may include some form of capacity market if the need for such a change is made clear. Implicit in this is that governments allow these market mechanisms to work and not seek to constantly intervene. Consumers also need to understand that new costs will be inevitable as we need to replace the lost services provided by existing thermal generation and which renewable energy technologies, to this point in time, are not capable of providing.

#### A Coordinated Approach.

One of the key challenges facing many energy users and their advocates, is the fractured nature of energy policy development that we believe is threatening the very nature of a fully integrated National Electricity Market. If not resolved energy users face the prospect of paying for both state and national solutions that seek to solve the same problem.

As a first step to resolving this the next Energy Minister should re-convene and re-commit to what was once the COAG Energy Council. While we don't expect energy ministers to agree on everything, we do expect a level of coordination of energy policy across federal and state jurisdictions to deliver outcomes that are in the long-term interest of consumers not the short term interests of political or commercial interests.

## The Future Of Gas.

The EUAA support the continued use of gas to ensure that long-duration gaps in energy supply are sufficiently managed and as a critical input as both heat and product for many industrial and manufacturing processes.

With global energy markets undergoing significant upheaval, unaffordable gas prices loom large in the minds of energy users. Continuation of the ADGSM, enforcement of the Gas Industry Code of Conduct and an ongoing monitoring role for the ACCC will provide important protections for domestic energy users.

If international gas prices start to be reflected in domestic markets, more dramatic measures may be required by the next Energy Minister. These measures will need to be highly targeted, capable of quick implementation and temporary in nature as a bridge for industry to either find alternative fuel sources (i.e. electrification or green gas) or until such time that more long-term policy brings gas prices down (i.e. prospective gas reservation, enhancements to competition and transparency).

At the same time we need to look at all the alternatives to traditional methane. Hydrogen could play a role but it has a long way to go to be cost competitive while the cost of converting consumer side equipment, which will amount to many billions of dollars, seems to be dramatically underestimated by many.

The next Energy Minister should not abandon the pursuit of bio-methane or other green gas as it has the dual advantage of having significantly lower emissions than traditional methane, could incorporate significant land use benefits and does not require expensive re-tooling of the gas network or customer facilities.