

ESB AND AER REPORTS ARE CLEAR, THE TRANSITION WILL NOT BE EASY OR CHEAP BUT HARD AND EXPENSIVE

It is time to start having a more honest and open conversation about the transition of our energy system, says Energy Users' Association of Australia (EUAA) upon the release of the latest reports from the Energy Security Board (ESB) and Australian Energy Regulator (AER) that clearly lays out the enormous challenges and costs that consumers are likely to face in the coming years as we decarbonise our energy system.

This comes on the same day as AGL announced the early closure of its Loy Yang A power station. A move that is likely to impact both final prices consumers pay for energy and potentially the reliability of the Victorian power system.

"The EUAA has been saying for some time that the transition of our energy system will not be free. Now our peak regulators are telling us that the transition is going to be both difficult and costly. These two reports add a healthy dose of reality into the discussion about the energy transition," said EUAA Chief Executive Officer, Mr Andrew Richards.

"Governments must take notice of the reports released today by the ESB and AER that signal a number of looming challenges that must be managed. We thank that ESB and AER for these important contributions to the energy transition discussion."

An accelerated transition requires us to spend hundreds of billions in new forms of generation, storage, networks and technologies that maintain a secure power system. This creates huge opportunities for those who provide and invest in these technologies, but will result in increased costs and risks for consumers who will be required to foot the energy transition bill.

"You cannot expect to have lower energy bills in the coming years when you undertake such a dramatic transformation program— it defies logic. Equity still wants a return, banks still want loans repaid, overheads still need to be recovered and the list goes on."

The scale and rate of change outlined earlier this year in the AEMO Energy Statement of Opportunities and further confirmed by the reports released today by the ESB and AER show that consumers could be in for a bumpy ride if governments, peak regulatory bodies and the energy industry itself didn't step up and stay focussed on achieving net zero at least cost, not at any cost while also maintaining system strength and reliability.

"Our transition is not going to be easy or cheap and it is time that the language around the transition changed. We need to stop confusing consumers by telling them that electricity will get cheaper when the reality is that bills are going to increase – remember, we are looking to do this at a time of escalating material costs, supply chain constraints and rising interest rates," added Mr Richards.

Large energy users represented by the EUAA typically have large stable loads that help to keep our system stable but they also cannot ramp up and down quickly to respond to fluctuations in supply. Sudden losses in energy supply can also damage the multimillion-dollar machinery they use that creates a bigger problem.

"Decarbonising the energy sector is the right thing to do, but we need to be honest about what it means for consumers energy bills," added Mr Richards.

The EUAA supports the transition to net zero at least cost not at any cost.

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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