

Speech delivered by Senator Grant Chapman

Australian Energy and Utility Summit 2005

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Professor Michael Dureau, Ladies and Gentlemen,

Thank you for that introduction and welcome.

It has been a busy year since I saw you at the last Australian Energy and Utility Summit. It is a great pleasure to be invited to join you again.

You will recall the 2004 Summit was held at the time of the release of the Australian Government's energy White Paper – *Securing Australia's Energy Future*.

At the time I observed that the White Paper is a pragmatic policy statement that aims to do exactly what its name suggests – secure our energy future.

I am pleased to report that significant progress has been made over the year, including some practical steps towards energy market reform.

We have a big task on our hands, with energy demand expected to grow by a staggering 40% by 2020.

According to industry estimates, we need \$37 billion of investment in energy supply infrastructure in the next decade.

It is Australian Government policy, as expressed in the energy White Paper, to meet these challenges while sticking to its three energy objectives – prosperity, security and sustainability.

The White Paper is a comprehensive and integrated strategy, encouraging the substantial investment in infrastructure that we need to support growing demand, while we move towards a low-emissions future.

A critical element of this strategy is the continuing reform of Australia's electricity and gas markets.

The Howard Government has committed itself to establishing an open and competitive Australian energy market with opportunities for investors and benefits for customers.

We are working towards this win-win outcome and I can assure you it will continue to be a high priority for the Government.

Establishing new governance and institutional structures is central to our program of reform.

For some time there's been an unwieldy system of regulation operating in Australia, but rationalisation is now underway.

From 1 July 2005, two new statutory bodies will begin operating in the Australian energy market.

The first body is the Australian Energy Market Commission (AEMC) which will be responsible for rule-making and market development.

It is important to note that the AEMC is not a regulator.

It will have the job of setting the rules and procedures that will allow more efficient gas and electricity markets to develop and operate.

The second statutory body is the Australian Energy Regulator (AER), which will be responsible for market regulation, market surveillance, rule enforcement and economic regulation.

The AER will replace the thirteen State-based electricity regulators and eight gas regulators that operate around the country.

First off, these two new national bodies will be responsible for the National Electricity Market.

Updated electricity market legislation and a new set of electricity market rules will begin operating on 1 July.

I believe we are sending a clear signal with these fundamental changes.

With the new Australian Energy Market Commission and the Australian Energy Regulator we intend to cut through bureaucratic red tape, allow market participants to be involved in the market development process, and offer prospective investors the stability and certainty they need to make decisions.

We will be transferring more functions to the AEMC and the AER over the next 18 months via a comprehensive legislative package.

Gas transmission regulation, and gas and electricity distribution and retail regulation will become the responsibility of these new bodies by the end of 2006.

The legislative package will also respond to the Productivity Commission's Review of the Gas Access Regime, merits review, and to National Energy Access.

This will mean transferring functions of the National Gas Pipelines Advisory Committee and Code Registrar to the AEMC and putting a market development process for natural gas in place.

Gas regulatory and enforcement functions of the ACCC will transfer to the AER at the end of 2006.

The response from the Ministerial Council on Energy to the Productivity Commission's recommendations on gas access will reflect all of these new arrangements.

How the Council responds will be important input into the development of a national energy access regime for Australia.

We are working hard towards a totally national approach, doing our best to integrate the gas and electricity regimes around the country.

I am sure we will deliver a better regulatory framework for Australia, one that supports and encourages new infrastructure investment.

After all, we all want the same thing – that is, a reliable energy supply delivered at the lowest possible cost.

At the same time, I am confident that everyone's interests - both producers and consumers – will be taken into account.

The Ministerial Council on Energy is also working on a national framework for electricity and gas distribution, and retail regulation.

It will address inconsistencies in the regulatory environment for energy distributors and retailers.

As far as possible, it will bring what it can within a national framework.

All the different rules, codes, licences, and laws operating around the country will be replaced by national legislation and rules.

It will be the job of the Australian Energy Regulator to be the national 'enforcer' across the whole energy market.

When it's in place, the new framework will reduce business costs, facilitate competition and encourage innovation in the energy products offered to consumers.

I am sure everyone will be looking forward to that!

The Government would agree that reform has taken longer than expected, but we are still committed to achieving an effective national market and regulatory framework for energy.

The Ministerial Council on Energy aims to consult on the legislative approach in September 2005 and to prepare an exposure draft of the full legislative package for consultation by March 2006.

So the Australian Government is forging ahead on reforming Australia's electricity and gas markets.

What about sustainability?

The central issue for sustainability of our energy system is climate change.

The Australian Government has committed more than \$1.8 billion to address climate change.

This includes more than \$700 million in new funding for low emissions technologies announced in the White Paper.

As I mentioned earlier, the White Paper aims for an integrated energy policy framework, focussing on the Government's three objectives: prosperity, security and sustainability.

For example, the \$75 million Solar Cities program is intended to demonstrate how the benefits of solar energy and energy efficiency, and technologies such as smart metering, can bring about a new energy scenario in our urban areas.

I mentioned the Solar Cities program at last year's Summit.

It interests me because it will help to develop a community culture for responsible energy use.

I can report that the response to Solar Cities has been positive, with nearly twenty consortia across Australia keen to become sites for trials.

Following a public consultation process, program guidelines were released in April.

Successful trial sites should be announced by March next year, with trials due to start in July.

I can also report developments in the Energy Efficiency Opportunities (EEO) program.

Under this program all companies using more than 0.5 petajoules of energy per annum will be required to assess their energy use, every five years – and publicly report their findings.

If like me you need to know what this means, I understand 0.5 petajoules is equal to the annual energy needs of around 10,000 households.

Development of the EEO program has involved close consultation with industry that began with workshops in Canberra, Perth, Sydney, Melbourne and Brisbane late last year.

The response from business has been positive, with 28 firms nominating to participate in the trial phase to contribute practical experience to help develop the program.

The legislation will be introduced into Parliament later this year, with the program to be launched in March 2006.

The first annual EEO round will commence in July 2006.

EEO is being developed in the context of the National Framework on Energy Efficiency.

It is accompanied by a host of other energy efficiency measures announced in the White Paper, including the strengthening of energy efficiency labelling, and

establishing minimum energy performance standards for appliances, equipment and buildings.

It's also good to see that we're on track to meet our Kyoto emissions target.

In fact, we are one of the few countries on track to meeting our Kyoto target, despite not ratifying the Protocol.

Though we haven't ratified Kyoto, our position is that we are committed to an effective global response to climate change.

At the recent COAG meeting the States and Territories agreed to work with the Australian Government and industry on climate change policy, in particular to encourage renewable energy and the development of new technology.

I'm delighted this has happened.

Then there's the \$500-million Low Emissions Technology Demonstration Fund.

This Fund is designed to support the commercial demonstration of technologies that have the potential to deliver large-scale greenhouse emission reductions in the energy sector.

The technologies must each have the potential to lower our energy sector emissions by at least 2% after 2030 - and be available on the market from at least 2020.

The first round of project funding proposals will be invited over a five month period starting in August 2005.

And the Government is inviting public comment on the fund through specially organised public meetings in Melbourne and Brisbane.

Three weeks ago the Industry Minister, Ian Macfarlane launched the \$100 million Renewable Energy Development Initiative (REDI).

The initiative will support the development of renewable energy technologies, systems and processes with strong commercial potential.

I am pleased to say that there's been a lot of interest in REDI among technology companies and renewable energy researchers.

Applications for round one funding will close at the end of August and successful applicants are likely to be announced in November 2005.

Finally, can I say that the Australian Government recognises that we have a responsibility to develop our abundant energy resources in an environmentally sustainable way.

We understand that achieving the right balance in energy policy means pursuing economic prosperity and energy security, while at the same time caring for our environment.

I am confident you'll see that the Australian Government is working hard to strike that balance and secure our energy future for the benefit of all Australians.

I can see that the energy industry is embracing the issues too.

This is encouraging.

Scanning the topics other speakers will address at this year's Summit, I see many of them address reform, and the future challenges and opportunities for your industry:

Jim Henness, CEO, Delta Electricity, will talk about 'addressing pace and impact of the Energy Market Reform Program' from a power generator's perspective.

George Maltabarow, Acting MD of Energy Australia, is 'assessing current regulatory approaches and the impact on investment'.

Shane Breheny will consider 'delivering energy in the 21st century'.

The Hon John Mickel, Minister for Energy in Queensland, is speaking about 'energy policy and regulation' in his State.

And, Terry Grimwade, GM, Market Operations, VENCORP, is addressing 'strategies for developing Australia's gas market'.

The scope of these and other topics to be covered by speakers at this Summit is broad ranging and takes the long-term view.

My good wishes for a stimulating and productive couple of days.

Thank you.

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