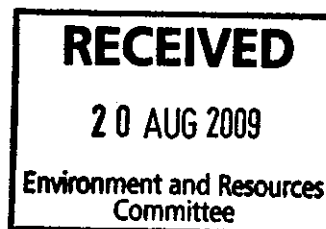


14 August 2009

The Research Director
Environment and Resources Committee
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Dear Sir/Madam

**RE: ENVIRONMENT AND RESOURCES COMMITTEE INQUIRY
INTO ENERGY EFFICIENCY IMPROVEMENTS: APPEA
COMMENTS**

The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide a submission to the Committee's *Inquiry into Energy Efficiency Improvements*.

APPEA represents the upstream oil and gas industry in Australia. APPEA member companies produce around 98 per cent of Australia's oil and gas. Further detail about APPEA and its members and the upstream oil and gas industry in Australia can be found at our website, at www.appea.com.au.

APPEA's comments are focussed, in particular on item c. and d. of the Committee's terms of reference, namely:

- c. *potential policy options for energy efficiency improvements, with an emphasis on initiatives that are cost effective for individual producers and consumers; and*
- d. *the role of the Carbon Pollution Reduction Scheme and other Commonwealth Government initiatives in encouraging energy efficiency.*

The need to rationalise greenhouse policy response measures: general comments

The growth of separate Australian Government and State and Territory Government policies and greenhouse initiatives and their lack of consistency are increasing costs and uncertainty for Australian industry, including the upstream oil and gas industry. This cost and uncertainty and the associated sovereign risk, misallocation of resources and deadweight losses to the economy associated with the hotchpotch of greenhouse measures in Australia is significant and is growing.

A single, nationally coordinated approach by all Australian governments is urgently required. In particular, State governments should not introduce policies and mechanisms inconsistent with a national approach.

In particular, the introduction of a domestic emissions trading scheme (such as the proposed Carbon Pollution Reduction Scheme (CPRS)) must be accompanied by a

significant rationalisation of greenhouse measures across all Australian jurisdictions. Every existing measure should be subjected to a rigorous assessment against the principles and processes recommended below and only those measures that can definitively demonstrate their net benefits should be considered.

With that in mind, APPEA notes that the domestic emissions trading scheme is designed to be the “core” greenhouse response and to encourage energy efficiency, particularly for entities, such as those operating in the upstream oil and gas industry in Queensland, that will be liable under the proposed CPRS.

Given this, the reason for many existing energy efficiency programs, particularly those focussed on entities that will be liable under the proposed CPRS, is largely redundant. By directly placing a price on carbon, the CPRS will provide a direct and powerful incentive to identify, evaluate and, where cost effective, act on any energy efficiency opportunities. In this circumstance, specific energy efficiency related programs are not required.

Energy efficiency programs may have a role in situations where they meet the COAG *Principles for Jurisdictions to Review and Streamline their Existing Climate Change Mitigation Measures*¹, agreed by all jurisdictions, including Queensland, in November 2008.

These principles have been developed to guide assessment of emission reduction measures and determine whether the measures complement emissions trading. In summary, they require that:

- measures be targeted at a market failure that is not adequately addressed by the Carbon Pollution Reduction Scheme or that impinges on its effectiveness in driving emissions reductions;
- complementary measures should adhere to the principles of efficiency, effectiveness, equity and administrative simplicity and be kept under review;
- complementary measures be tightly targeted to the market failure identified in the above criteria and only where amenable to government intervention. Where the measures are regulatory they should meet best-practice regulatory principles, including that the benefit of any government intervention should outweigh the cost;
- complementary measures be targeted to manage the impacts of the Carbon Pollution Reduction Scheme on particular sectors of the economy. Where this is the case, in line with regulatory best-practice, the non-abatement objective should be clearly identified and it should be supported by evidence that the measure is the best method of attaining the objective; and
- where measures meet the above criteria, they should generally be implemented by the level of government that is best able to deliver the measure. In determining this, consideration should be given to: the level of government that has responsibility as defined by the Constitution or convention/practice; the regulatory and compliance costs that will be imposed on the community; and how the delivery of the measure is best coordinated or managed across jurisdictions.

¹ Further detail is available at www.coag.gov.au/coag_meeting_outcomes/2008-11-29/docs/20081129_complementarity_principles.pdf.

APPEA therefore recommends that all existing energy efficiency related programs and measures in place in Queensland or under consideration for introduction in Queensland be rigorously assessed against these principles. Only if a program should unequivocally meet these principles, and would clearly result in net benefits for Queensland, should its retention or introduction be considered.

APPEA would welcome the opportunity to provide evidence to the Committee in support of our written submission. If you have any queries on any of the issues raised in our submission, please feel free to contact Damian Dwyer, Director – Energy Markets & Climate Change via telephone on (02) 6267 0902 or via e-mail at ddwyer@appea.com.au or Matthew Paull, Director – Queensland & New South Wales via telephone on 0423 592 722 or via e-mail at mpaull@appea.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Robinson', with a horizontal line extending from the end.

Belinda Robinson
CHIEF EXECUTIVE