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Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

(via e-mail to: economics.sen@aph.gov.au)

RE: ENERGY EFFICIENCY OPPORTUNITIES (REPEAL) BILL 2014: COMMENTS FROM THE AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION ASSOCIATION (APPEA)

Since 1959, the Australian Petroleum Production & Exploration Association (APPEA) has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has more than 85 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 220 associate member companies provide a wide range of goods and services to industry. Further information about APPEA can be found on our website, at www.appea.com.au.

APPEA welcomes the opportunity to provide comments on the *Energy Efficiency Opportunities (Repeal) Bill 2014*.

APPEA member companies have in place long-standing and pervasive energy management policies, systems and measurement indicators that form a core part of their operational performance¹. The industry has also been a participant in numerous voluntary and mandatory energy efficiency and energy efficiency related programs since such programs commenced in Australia.

One of the features of these experiences has been a relative misunderstanding and under-appreciation by many of the existing and powerful drivers for energy efficiency that pervade the operations of the upstream oil and gas industry in Australia and the industry's history of reducing the energy intensity of its operations and increasing its energy production efficiency.

A clear example of these existing drivers can be found in the operations of Australia's domestic gas processing plants and existing and under construction export LNG plants, noting that the process of liquefying natural gas is particularly energy-intensive. The fuel used to power the various processes at the facility is often derived from the natural gas itself. Any gas used to serve

¹ An outline of these policies, processes and management systems were provided in a number of APPEA member company submissions to the Prime Minister's Task Group on Energy Efficiency, which reported in 2010. See ee.ret.gov.au/energy-efficiency/strategies-and-initiatives/prime-ministers-task-group-energy-efficiency for further information.



as an energy source for the process is gas that cannot be liquefied and sold to export customers. This means that the use of natural gas as an energy source at the facility has a very direct opportunity cost associated with it – a unit of gas that can be saved through reducing energy use is a unit of gas that can be sold.

This driver, that pervades the initial design and ongoing operation of these facilities exists independent of any energy efficiency policy or program and drives energy efficiency actions throughout the facility. Similar drivers exist for other upstream oil and gas facilities.

This means that, with a national emissions reduction program to be introduced through the proposed Emissions Reduction Fund (ERF), programs such as Energy Efficiency Opportunities (EEO) are redundant. The EEO had been designed to encourage:

... large energy-using businesses to improve their energy efficiency. It does this by requiring businesses to identify, evaluate and report publicly on cost effective energy savings opportunities²

The ERF will provide an incentive (over and above existing drivers considered above) to identify, evaluate and, where cost effective, act on any energy efficiency opportunities. For energy producing companies, particularly those operating in the upstream oil and gas industry, EEO is additional, and not complementary, to a mechanism like the ERF.

In addition, the EEO imposes a range of administrative and compliance costs on participants that, for companies in the oil and gas industry, do not drive energy efficiency outcomes.

On this basis, APPEA has welcomed and supports the repeal of EEO contained in the Bill and recommends it be passed.

APPEA would welcome the opportunity to meet with you to discuss these comments. In the meantime, should you have any queries, please contact Mr Damian Dwyer, Director – Economics

Yours sincerely

David Byers
Chief Executive

² See www.energyefficiencyopportunities.gov.au for further information.