



**CEMENT INDUSTRY
FEDERATION**



**Cement Industry Federation
Submission to the
Senate Economics Legislation Committee's
consideration of the:**

Energy Efficiency Opportunities (Repeal) Bill

20 June 2014





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Senate Economics Legislation Committee
www.aph.gov.au/senate_economics

Executive Summary

- The Cement Industry Federation (CIF) supports the Energy Efficiency Opportunities (Repeal) Bill as introduced to the Parliament on 15 May 2014, which seeks to terminate the Energy Efficiency Opportunities program on 29 June 2014.
- The Energy Efficiency Opportunities program places an unnecessary compliance burden on Australian cement manufacturers who, as energy intensive producers, already have appropriate energy management practices in place that deliver the same outcomes as the legislation.
- Decisions on whether to implement identified energy efficiency measures are made within the constraints of the normal business environment and take into account the combined cost of all inputs – not just energy efficiency.
- Information on cement industry energy consumption data is also reported under the Australian Government's National Greenhouse and Energy Reporting (NGER) program. Repeal of the EEO will remove this duplication.
- The removal of unnecessary and anti-competitive legislation and regulation – such as the EEO program – will allow for a more productive use of financial and human resources within our member companies – and therefore improve the overall competitive position of our industry.

1. Introduction

The Cement Industry Federation (CIF) welcomes the opportunity to provide a submission to the Senate Economics Legislation Committee's consideration of the Energy Efficiency Opportunities (Repeal) Bill.

1.1 Cement Industry Federation

The CIF is the national body representing the Australian integrated cement manufacturing industry. Our members – Adelaide Brighton Ltd, Boral Cement Ltd and Cement Australia Pty Ltd – account for 100 per cent of integrated clinker and cement production in Australia.

CIF member operations are located in every Australian state and territory, incorporating seven integrated clinker and cement manufacturing sites, five stand-alone cement mills, eight limestone mines and a national distribution network to move raw materials, as well as intermediary and finished products.

Sales of cementitious materials were 8.9 million tonnes in 2012-13, with an annual industry turnover in excess of \$2.2 billion. The cement industry is also a key employer with over 5,000 directly and indirectly employed in Australia, with many thousands more involved in the downstream production and distribution of concrete.

1.2 The Importance of Cement

Cement is a vital commodity for the Australian economy, providing significant social and economic benefits both now and into the future. This strong and versatile material is a critical input for Australia's building and construction industry, our resources industry (e.g. LNG plants) as well as for infrastructure development (roads, rail, airports, bridges and ports).

Competitively priced supplies of cement are essential to Australia's continuing economic growth and, as such, security of supply should be a goal supported by all levels of government.

2. The Australian Cement Industry and the EEO

Australia's integrated cement manufacturing industry is energy intensive and trade exposed (import-competing) and, as with many Australian manufacturers, has been subjected to pressure from a range of sources including the high Australian dollar, increasing shipping costs, increasing energy costs, a new carbon price, and an increasing regulatory burden.

The Energy Efficiency Opportunities (EEO) Program is an Australian Government initiative to encourage large energy-using businesses to increase their energy efficiency by improving the identification, evaluation and implementation of cost-effective energy saving opportunities. The program is mandatory for organisations that use over 0.5 petajoules (PJ) of energy annually and therefore includes cement manufacturers.

All CIF member companies have been participating in the EEO since its inception. This is despite our industry's inherent drive to manage energy use and therefore our energy efficiency. Simply put, CIF member companies are incentivised to reduce energy costs in order to remain competitive.

EEO creates an unnecessary reporting and cost burden on industries already heavily focussed on energy efficiency. As a result the CIF, as with other energy-intensive manufacturers, has been consistent in calling for the EEO program to be terminated.

3. Why the EEO Should be Repealed

The administrative and implementation costs associated with the EEO program have placed a significant burden on CIF member companies since its inception, both in terms of the human and financial resources required for compliance.

With energy representing such a large portion - around 25 per cent - of Australian cement manufacturing production costs, cement producers are strongly motivated towards actively managing their energy efficiency on a day-to-day basis.

Decisions on whether to implement identified energy efficiency measures are made within the constraints of the normal business environment and take into account the combined cost of all inputs – not just energy efficiency.

The requirement for mandatory reporting under EEO does nothing other than burden industry with yet another reporting requirement. Key points that underpin the CIF's support for the repeal of the EEO legislation include:

- CIF member companies have well developed, long-standing energy management practices that deliver the same outcomes as the legislation;
- The administrative and implementation costs associated with the EEO legislation impose an unnecessary burden on energy intensive industries such as cement production;
- The EEO program focuses on energy efficiency in isolation whilst ignoring other important business elements that are essential to investment decision making – especially in terms of major capital investments;
- Government policies and programs that are implemented in the absence of market failure or that do not address an underlying market failure specifically run the risk of encouraging irrational decision making. This is particularly the case when the form of intervention is obligatory and prescriptive as with the EEO program; and
- Information on cement industry energy consumption data is also reported under the Australian Government's National Greenhouse and Energy Reporting (NGER) program. Repeal of the EEO will remove this duplication.

4. Removing Unnecessary Regulation

The CIF supports the Government's regulatory reform agenda, which has a key objective to reduce the '...red and green tape cost burden imposed on the Australian economy by \$1 billion per year.'¹

To achieve this outcome the Australian Government has committed to:

- 1) Reducing the volume of regulation;
- 2) Eliminating duplication and regulatory overlap;
- 3) Improving the level of consultation;
- 4) Ensuring there are rigorous and mandatory post implementation reviews; and
- 5) Ensuring regulators are being transparent, accountable and efficient in administering regulations.

The CIF supports all of the above points and the steps the Government has already taken towards reducing the regulatory burden – exemplified by the introduction of two parliamentary repeal days every year to cut unnecessary and costly legislation and regulation.

The Energy Efficiency Opportunities (Repeal) Bill fits neatly into the Government's regulatory reform agenda – specifically in terms of reducing the volume of regulation as well as eliminating duplication and regulatory overlap.

The Regulation Impact Statement accompanying the Energy Efficiency Opportunities (Repeal) Bill clearly states the reasons underpinning the repeal:

“Rising energy prices and the improvement of internal energy management processes have reduced the need for the EEO legislation. Repealing the legislation would reduce the compliance costs of the 464 participating businesses by over \$17 million per year.”²

The CIF is a strong contributor to the Australian economy as part of its manufacturing sector. The continued future success of our industry is dependent on remaining competitive relative to key international producers (mostly in Asia) and continued strong local demand for cement-based products.

The removal of unnecessary and anti-competitive legislation and regulation – such as the EEO program – will allow for a more productive use of financial and human resources within our member companies – and therefore improve the overall competitive position of our industry.

¹ <http://www.liberal.org.au/boosting-productivity-and-reducing-regulation>

² Encouraging Energy Efficiency Activity in Australian Industry: removal unnecessary regulation (RIS), Department of Industry