Chevron

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Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
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Canberra ACT 2600

By email to: economics.sen@aph.gov.au

Dear Committee.

<u>Submission to the Senate Economics Legislation Committee</u>
<u>*Energy Efficiency Opportunities (Repeal) Bill 2014*</u>

Chevron welcomes the opportunity to make this submission in support of the *Energy Efficiency Opportunities (Repeal) Bill 2014*.

Chevron has a long-standing worldwide commitment to maximising energy efficiency and strives to use energy as efficiently as possible in our own operations. Of all the ways to meet the world's expanding energy needs, efficiency and conservation are the cheapest and most beneficial to the environment. Using energy more efficiently helps reduce carbon emissions, lower energy costs and preserve our finite natural resources.

Chevron continues to find new ways to use energy more efficiently in its own operations. From 1992 to 2012 the Chevron Energy Index (CEI) has tracked energy use performance across all Chevron's operations and measured a 34 percent improvement in that period.

In 2013, we adopted new metrics to track energy performance. The five metrics are: Upstream Energy Intensity, Manufacturing Energy Index, Pipeline Energy Intensity and Shipping Energy Intensity and one for all other parts of the business. The new metrics will drive energy performance improvements in coming years.

Chevron believes the current Energy Efficiency Opportunities (EEO) program is an overly prescriptive and unnecessary scheme which does not drive real energy efficiency gains for major energy users.

The 2004 Energy White Paper laid the foundations for the original EEO program. The White Paper referred to the following impediments preventing the optimal uptake of energy efficiency in Australia:

- price signals and market arrangements that do not fully value the benefits from energy efficiency, either as a mechanism for addressing greenhouse emissions or reducing energy demand in response to higher prices;
- arrangements where energy users do not control their own costs and have little incentive to manage energy use effectively and;
- a lack of information about energy efficiency opportunities and cultural barriers within corporations, resulting in decision makers being unaware of potential commercial opportunities.

However, none of these factors are impediments to Chevron's commitment to energy efficiency.

Major LNG projects are vertically-integrated developments. Costs are fully transparent to management and energy efficiency gains are measurable and accrue directly to the project economics. In addition large energy producers such as Chevron have full information on energy efficiency opportunities and there are no cultural barriers limiting take-up.

Chevron's view is consistent with the 2005 Productivity Commission report. This report contained strong in-principle reservations about the EEO program. It noted the program's targeting of high energy users, as opposed to inefficient energy users, was counter-intuitive as energy intensive businesses already have a strong incentive to use energy efficiently.

This is especially true now that real energy prices for industry in Australia have increased by almost 34 per cent from 2005 to 2012.

Supporters of the EEO program will frequently cite the energy savings reported through the EEO program as evidence of the program's success. The 2014 Energy White Paper Issues Paper states:

> *"Energy efficiency measures driven by government action have identified significant economic benefits. Between 2006 and 2011, large energy users reported energy cumulative savings of over $1.5 billion".*

These claims are misleading. They fail to recognise many of the energy savings being reported have been achieved as a result of the firm's internal management practices and not because of the EEO program.

Chevron has long argued that in reporting energy savings, firms should be able to differentiate between those savings realised though the firm's internal practices and those which had been identified only because of the existence of the EEO. Such a differentiation would enable a transparent assessment of the true value of the EEO to be made. Unless such differentiated reporting is allowed, the energy and cost savings reported under the EEO should not be equated with the success of the program.

The future of the EEO program must also be placed in the context of Australia's declining attractiveness as an investment destination. The Bureau of Resources and Energy Economics has estimated a $150 billion of high value projects have been delayed or cancelled in Australia since April 2012. Yet last year regulations were made that broadened the EEO to include new developments. This places another unnecessary regulatory barrier in front of new investment in Australia and counter to the Government's broader policy objective of removing inefficient regulatory burdens.

The most practical steps the federal government can take to ensure the efficient use of energy across the Australian economy is to continue to work towards the full deregulation of energy markets. This will ensure transparent and cost reflective energy pricing allowing energy consumers to make informed and appropriate decisions.

Yours sincerely

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