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



**AUSTRALIAN ALUMINIUM COUNCIL SUBMISSION TO THE INQUIRY INTO THE ENERGY
EFFICIENCY OPPORTUNITIES (REPEAL) BILL 2014**

Thank you for the opportunity to make a submission to the Inquiry into the Energy Efficiency Opportunities (Repeal) Bill 2014 by the Senate Standing Committees on Economics.

The Australian Aluminium Council represents the bauxite, alumina and aluminium industry in Australia. The Council supports the bill to repeal the Energy Efficiency Opportunities (EEO) Program. Alumina refining and aluminium smelting companies within the Council have reported that the EEO program:

- Has resulted in the unnecessary duplication or modification of pre-existing internal energy efficiency systems;
- Has not increased the already high awareness within the companies towards opportunities for increasing energy efficiency;
- Has not increased the number of energy efficiency projects initiated within the companies, as efforts towards increasing energy efficiency were already proceeding before the implementation of the EEO program; and
- Has led to unnecessary administrative costs to businesses and Government.

Energy and the alumina and aluminium industries

The processes of refining alumina and smelting aluminium are extremely energy intensive - estimates are that, combined, the alumina and aluminium industries account for more than 10% of the total electricity and gas demand in Australia (and an even higher percentage of industrial electricity and gas demand). For the alumina and aluminium industries, energy costs form a significant proportion of total production costs.

Therefore, it is in the interests of alumina refineries and aluminium smelters to pay close attention to energy efficiency in order to ensure that costs and environmental impacts are

minimised as much as possible. Energy efficiency was a focus of businesses before the EEO program and will continue to be a focus should the program be repealed.

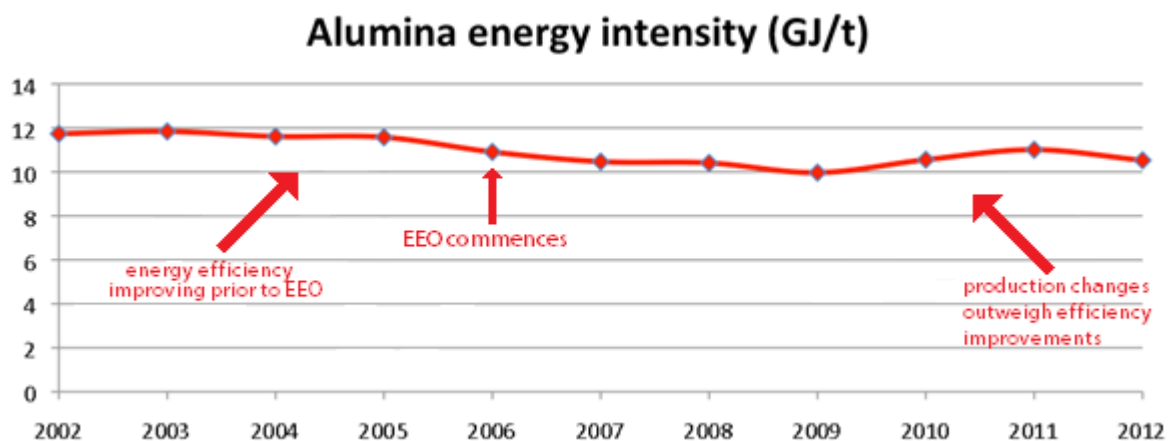
Problems with the EEO program

The object of the EEO program was “to improve the identification, evaluation and public reporting of energy efficiency opportunities by large energy-using businesses, to increase the uptake of cost effective energy efficiency opportunities”.

However, the program regulations have been rigid and have enforced unnecessary levels of red tape on businesses - this comes at a cost to both Government and businesses.

There has been no increase in the rate of improvement in energy efficiency since the implementation of the EEO program.

As seen in the graph below, alumina refining energy intensity fluctuated before and after the commencement of the EEO, showing no benefit to the program:



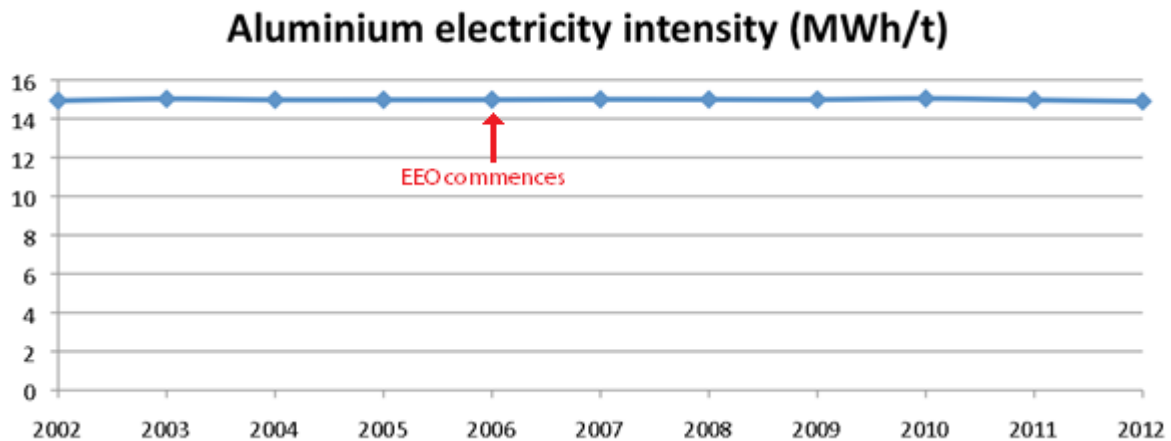
Prior to the implementation of the EEO program, energy intensity was already declining due to businesses seeking energy efficiency improvements for commercial reasons.

Additionally, energy intensity decreased due to the expansion of existing refineries and the construction of new refineries. The rate of improvements in energy efficiency did not change after the commencement of the EEO in 2006, as companies already had internal energy efficiency programs in place.

The graph also shows that the regulations of the EEO did not prevent temporary decreases in energy efficiency due to production changes and external factors. From 2009 to 2011 there was an increase in energy intensity (decrease in energy efficiency) which was a result of decreased production due to commercial constraints and external factors, such as floods.

The lack of change in energy efficiency improvements from the EEO program is also seen in aluminium smelting energy intensity rates in the graph below. Energy costs are 30%-40% of aluminium production costs and as such, energy efficiency has always been an important

measure of performance for companies, facilities and managers. Energy efficiency in aluminium smelting is already at a high level - there is little “low hanging fruit” that would create improvements, meaning that the EEO program simply brought an increase in red tape and was an administrative burden that did not materially alter energy efficiency rates.



The reporting obligations enforced by the EEO program have also led in some cases to the duplication of already existing energy efficiency programs.

Essentially, the program has not reached its objectives of improving efficiency – in the case of alumina refining, improvements were already being made as a result of internal systems, and in the case of aluminium smelting, further improvements are few as a result of already well-functioning internal efficiency opportunity identification programs.

The Council and its members support the repeal bill. We look forward to continuing to identify energy efficiency opportunities without the burden and costs of unnecessary red tape.

Please contact me if any matter requires further clarification or detail.

Yours sincerely

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