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18 July 2014

Senate Standing Committee on Economics
PO Box 6100
CANBERRA ACT 2600

Dear Sir/Madam

The National Roads and Motorists' Association (NRMA) Submission to the Senate Economics Legislation Committee – Australian Renewable Energy Agency (Repeal) Bill 2014

The National Roads and Motorists' Association (NRMA) welcomes the opportunity to contribute to the Senate Economics Legislation Committee's consideration of the Australian Renewable Energy Agency (Repeal) Bill 2014.

NRMA recognises the economic driver for the disbandment of the Australian Renewable Energy Agency (ARENA), and that existing funding commitments will be honoured. However, the NRMA is concerned that the loss of a federal agency committed to 'renewables' funding and research will impact Australia's future energy security and risk competitiveness in a world increasingly looking to bioenergy options.

Given the Government's stated commitment to innovation and research, the renewables sector requires reassurance that Australian research and development will not be jeopardised by the closure of ARENA. NRMA believes that investment in alternative fuels research must be a part of the Federal Government's agenda for Australia's future energy security and resilience. Indeed, so strongly do we believe this that we are currently preparing a submission to the Senate Standing Committee on Economics inquiry into Australia's Innovation System.

Why Renewables Research Matters

NRMA has long been advocating the use of biofuels as part of an alternative fuels mix to provide diversity and therefore resilience to the transport sector. Indeed, in 2008, the Jamison Group of Scientists published a report for the NRMA which stated:

'A key part of expanding the uptake of alternatives is for comprehensive research to consider in an integrated and robust way the social, economic, engineering and environmental aspects of each option'¹.

¹ A Roadmap for Alternative Fuels in Australia, Ending our Dependence on Oil, Jamison Group for NRMA, http://www.mynrma.com.au/media/Jamison_Group_Alternative_Fuels_report_July_2008.pdf, page 4

As recently as February 2014, NRMA proposed an option to achieve a 30% secure energy supply for the nation comprising 10% from Australia-sourced oil and 20% from Australian-sourced alternative fuels, which would include biofuels². Without ongoing R&D this aspirational but achievable target cannot be realised.

It is worth noting the observations in the June 2014 Department of Industry's Second Edition of the *Australian Energy Resource Assessment* (jointly undertaken by Geoscience Australia (GA) and the Bureau of Resources and Energy Economics (BREE)). Chapter 12 of the Assessment has Bioenergy as its focus: the world market; Australia's bioenergy resources, capacity and capability; and, the outlook for Australia. Transport biofuels are a significant feature of the bioenergy assessments in this Chapter.

In particular, the point is made that active research into second-generation transport biofuels is essential for Australia to achieve a commercially viable biofuels sector. Second generation research is currently being undertaken in Australia by a range of academic institutions, commercial entities, CSIRO and with Government support through funding from ARENA³.

ARENA is supporting critical research that will have direct and measurable positive outcomes for Australia and the Australian people. The *Australian Energy Resource Assessment* notes that 'biofuels from advanced (second and third) technologies may provide an opportunity to increase Australia's fuel security'⁴. Renewables R&D is essential to ensure Australia's future energy security.

Why Government-Sponsored Research Matters

The International Renewable Energy Agency (IRENA) has just published its 2030 Roadmap (June 2014). The Roadmap has been the work of 82 national experts from 42 countries (including Australia with 5 participants) who collaborated through a year-long program of webinars, regional meetings and national workshops.

The Roadmap is IRENA's proposal (solution as they say) as to how the world can work together to double the share of renewable energy in the global energy mix. The Foreword notes that the goals are not overly aspirational but that action needs to be taken now to build a healthy, prosperous and environmentally sustainable future through renewable energy.

Business as usual will see the hopes of a future built on a sustainable energy system recede. The Director-General states: Renewable energy is not an option. It is a necessity⁵.

There is a consistent theme throughout the IRENA Roadmap about the centrality of Government commitment and support to achieving energy sustainability and security. IRENA, and indeed the NRMA, believe that some elements of national capability and security must be the responsibility of the Government, if not solely, then by setting the strategy and framework and partnering with industry / business as necessary.

² NRMA Report - Australia's Liquid Fuel Security Part 2, February 2014 , p. 17

³ Australian Energy Resource Assessment, 2nd Edition, Department of Industry, June 2014, p. 329

⁴ Australian Energy Resource Assessment, 2nd Edition, Department of Industry, June 2014, p. 319

⁵ *Remap2030, A Renewable Energy Roadmap*, Summary of Findings, IRENA, June 2014, http://irena.org/remap/REmap_Summary.pdf, p. 5

In IRENA's assessment:

'Governments play an instrumental role in supporting the development of renewable energy technologies. As renewables evolve, they require a specific mix of targeted incentives at each stage, from basic science and research and development to commercial deployment.

'Governments can support value creation through a variety of measures, including programmes to strengthen technology transfer through cluster development, implementation of local content requirements, and product development through public and private cooperation in the field of research and innovation'⁶.

But it must be emphasised that markets alone cannot, and should not, deliver energy security and national resilience for Australia. NRMA is concerned that the legitimate aim to reduce subsidy to functioning, competitive markets may be obscuring the need for government-led security initiatives:

'This government believes in providing the policy framework where Australian businesses can grow and compete in an increasingly competitive global marketplace without relying on hand-outs ...'⁷

As the IRENA Roadmap notes:

'Markets and policy makers both play crucial roles. Markets provide affordable solutions but a sustainable future requires policy guidance...'⁸

A further warning about reliance on markets to achieve energy security came from the recent G7 Energy Ministers Meeting in Rome, May 2014:

'Energy security must include timely investment to supply energy in line with economic developments and environmental needs. Some investments in infrastructure, needed to increase security of supply, and that **cannot be built according to market rules**, could be supported by regulatory frameworks or by means of public funding'⁹.

Australia's transport fuels are now over 90% dependent on imported oil or fuel and local refining capacity has reduced by over 40% in the space of three years¹⁰. There is currently no policy in place to avoid Australia becoming 100% dependent on imported fuels for transport. This represents an unacceptable risk to Australian society and the economy.

⁶ *Remap2030, A Renewable Energy Roadmap*, Summary of Findings, IRENA, June 2014, http://irena.org/remap/REmap_Summary.pdf, p.40

⁷ Minister for Industry, House of Representatives Hansard, Australian Renewable Energy Agency (Repeal) Bill 2014, Second Reading Speech, Thursday 19 June 2014

⁸ *Remap2030, A Renewable Energy Roadmap*, Summary of Findings, IRENA, June 2014, http://irena.org/remap/REmap_Summary.pdf, p.12

⁹ G7 Rome Energy Ministerial Meeting, Joint Statement, Rome, May 2014, <http://www.g8.utoronto.ca/energy/140506-rome.html>

¹⁰ Blackburn J. Australia's Liquid Fuel Security: Part 2, http://www.mynrma.com.au/media/Fuel_Security_Report_Pt2.pdf

NRMA therefore queries what policy will support development of new, sustainable and secure transport energy fuels for Australia?

Conclusion

The long-term security of Australian's transport sector can only be achieved with viable alternative transport fuels. The research and development in the alternative fuels sector must be fully supported by all the mechanisms available to Government.

NRMA urges the Government to consider the implications for Australia's transport sector if research into alternative fuels does not keep pace with the rest of the world. ARENA has a role contributing directly to Australia's future energy security.

NRMA thanks the Committee for the opportunity to provide feedback on the proposed bill. Should you require any further information, please contact Peter Haenke, Senior Manager – Group Risk & Sustainability

Yours sincerely

Kyle Loades
President