

5 November 2014

Energy White Paper Taskforce
Department of Industry
GPO Box 9839
CANBERRA ACT 2601

(Lodged online at: www.ewp.industry.gov.au)

Dear Sir / Madam

Re: Energy White Paper (Green Paper 2014) Submission

Thank you for the opportunity for the Australian Sugar Industry Alliance (ASA) to make a submission on the Green Paper 2014 to inform the preparation of the Energy White Paper.

ASA was formed in 2007 to bring together supply chain participants on whole of industry matters. Founding members CANEGROWERS, representing some 80 per cent of the 4,000 Australian sugarcane farmers, and Australian Sugar Milling Council (ASMC), representing 95 per cent of raw sugar production and 100 per cent of Australian raw sugar exports, recognised the need for collaborative efforts in research, development and extension (RD&E), trade liberalisation, environmental and resource management programs, and community engagement. Sugarcane production and processing is the lifeblood of many regional towns and communities along the east coast of Australia from Grafton in northern New South Wales to Mossman in Far North Queensland.

The current electricity pricing framework, unnecessarily distorting Australia's electricity market, is failing electricity consumers and is directly and adversely affecting the international competitiveness of Australia's traded goods sector. Nowhere is this more evident than in the sharp electricity price increases faced by irrigated agriculture and food and fibre producers more generally. Since the framework was first introduced, electricity prices in Australia have been increasing at a faster rate than anywhere else in the developed world. This is a bizarre turn of events for the energy rich Australian economy.

At an industrial level, Australian sugar mills have generated and supplied electricity for over 100 years. Where the industry initially serviced its own needs, all of Australia's sugar mills generate and export electricity, supplying generation to adjacent population centres along the eastern coast of Australia. Sugarcane is, in its simplest form, a highly efficient convertor of solar energy into stored energy. When sugar mills invest in expanded cogeneration, there is a flow-on economic benefit to the local industry and regional economy, a broader impact on regional energy security and a boost in industry confidence.

ASA supports the concept that electricity tariffs should reflect the efficient cost of providing services to consumers assigned to the tariff. However, we do seriously question the way in which this principle is applied by distribution network service providers (DNSPs) – especially by those servicing rural and regional Queensland (Ergon). Current electricity pricing rules enable large profitable DNSPs to take full advantage of a regulatory pricing regime that rewards expenditure and increased costs. New disciplines are required to prevent the further exploitation by DNSPs of these regulatory anomalies.

Key issues of concern for the sugar industry, raised in the Green Paper include:

- Government support for further investment in energy transport infrastructure that further entrenches regional Australia in a relationship with highly inefficient networks.
- Escalating electricity prices driven by low efficiency, high profit government-owned networks, incentivised by existing National Electricity Rules.
- The monopolisation of the electricity market by shifting government ownership of electricity generating assets into 'gentailers' – and the subsequent barriers to entry for new market entrants.
- The relationship between the Renewable Energy Target (RET), energy security and emission reductions. The sugar industry is well invested in the RET, and recognises the importance of developing broader energy policy that is inclusive of renewable energy policy.
- The genuine lack of transport fuel security for Australia, further exacerbated by the lack of policy direction in relation to biofuels, and potential risk of further offshoring of Australian fuel production (ie refineries).
- The nexus of industry processes energy productivity and consistent, certain, government policy.

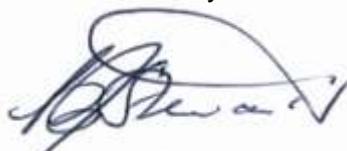
It is the intent of ASA to comment further on these issues, as the productivity and future of the sugar industry is deeply affected by today's energy policy environment. In the interim, the following papers, representing a considerable body of work, as commissioned by ASA, ASMC and CANEGOWERS over the last two years, provide significant context around the arguments underlying the key concerns of the sugar industry in relation the Energy Green Paper. These documents include:

- Carbon + Energy Markets (CME). 2014. *Advice to CANEGROWERS and the Australian Sugar Milling Council on Ergon Electricity Tariff Issues.*
- ASA submission to the Queensland Competition Authority (QCA).
- Carbon +Energy Markets (CME). 2014. *Subsidies for the Expansion of Renewable Electricity Generation: Consideration of the Broader Electricity Market Context.*
- Commodity Intelligence. 2012 *Electricity Market: When sugar mill export electricity to the National Electricity Market.*
- CANEGROWERS submission to the Australian Energy Market Commission – *National Electricity Amendment (Distribution Network Pricing Arrangements) Rule 2014.*

We welcome your questions and further discussion. Please contact either Dominic Nolan (CEO of ASMC) on 07 3231 5000 or Brendan Stewart (CEO of CANEGROWERS) on 07 3864 6444 in the first instance to discuss these papers in relation to the further development of the Energy White Paper.

Thank your for the opportunity to comment in this process.

Yours sincerely



Brendan Stewart
Joint Secretary, ASA



Dominic Nolan
Joint Secretary, ASA