

6 July 2018

National Energy Guarantee  
Department of the Environment and Energy  
PO Box 787, Canberra ACT 2601

To whom it may concern,

**Chemistry Australia – Submission to the National Energy Guarantee - Draft Detail Design for Consultation - Commonwealth Elements**

Chemistry Australia welcomes the opportunity to provide this submission to the National Energy Guarantee – draft detail design consultation paper – Commonwealth Elements.

Chemistry Australia is the peak national body representing the business of chemistry. Members include chemicals manufacturers, importers and distributors, logistics and supply chain partners, raw material suppliers, plastics fabricators and compounders, universities, research agencies and service providers to the sector.

This strategic \$40Bn industry directly employs 60,000 people, many in highly skilled jobs, and contributes \$11.6Bn to GDP. The industry is a significant consumer of electricity and gas for heat, steam and other forms of process energy and enables it to supply inputs to 109 of Australia's 111 industries. This encompasses large scale chemical facilities, including Energy Intensive and Trade Exposed sites, producing hundreds of thousands of tonnes of fertilisers for crops, chlor-alkali plants that ensure chlorine remains in supply for the nation's water treatment demands, as well as polymers that enable plastics manufacturers supplying just-in-time hygienic packaging for domestic food chains and cold-chain exports of fresh fruit, vegetables and seafood.

Chemistry Australia supports the intent and ongoing application of the National Electricity Objective (NEO):

*“to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*

- *price, quality, safety and reliability and security of supply of electricity*
- *the reliability, safety and security of the national electricity system.”*

This remains a key principle for the development, implementation and management of the National Energy Guarantee (NEG). For Australian manufacturing to be globally competitive, it must be able to regain the previous competitive advantage of energy supply and affordability, while supporting emissions reduction.



## 1. Emissions targets and timing

- 1.1 Chemistry Australia broadly agrees with the proposed emissions targets.
- 1.2 Consistent with the intent of the NEO, the target review period should include a mechanism and processes that take into account the operational and investment considerations of consumers, including large consumers. Members have noted the benefits of reviews being no less than a five-year period, given the need for 5 to 10-year project capital decision-making certainty inherent in large scale operations.
- 1.3 Chemistry Australia supports a technology neutral approach to achieving NEG outcomes as well as the objective of providing investment certainty for power generation. This objective will be important to maintain if and when targets are reached and any plans to move beyond them are considered.

## 2. EITE exemptions and processes

- 2.1 Chemistry Australia welcomes the exemption for Energy Intensive and Trade Exposed businesses. Many members companies have energy intensive operations embedded within the national economy's supply chains. The outputs are heavily trade exposed and input cost increases are unable to be passed on.
- 2.2 Chemistry Australia agrees with the RET exemption processes being the basis for EITE exemption under the NEG. This includes the Clean Energy Regulator as the responsible regulator. Chemistry Australia supports the intent to avoid duplicative processes and to minimize administrative costs for industry and the regulator.
- 2.3 For the avoidance of doubt, this should also include how the relative percentages of liable and non - liable activities and the electricity consumed are treated. Page 11, Box 3, para 3, notes:

*“Electricity used in non-EITE activities at the site is excluded from the exempt electricity calculated in the exemption. For sites that have a mix of liable and non-liable electricity, the CER will consider that the percentage of liable and non-liable electricity consumed by each activity at the site (EITE activity or non-EITE activity) will be the same”.*

This text is ambiguous as the percentage of liable and non-liable electricity can be interpreted as either:

- Being treated the same as under the current CER methodologies, or
- Being equally treated as 50/50 percentages, irrespective of the current CER methodologies.

If the intent of this clause is a), then we agree with the consistent approach between RET and NEG. However, if the intent is b), we disagree and strongly recommend consistency with the RET methodology, to avoid unintended consequences, liabilities and attendant cost penalties.

- 2.4 Chemistry Australia notes the need for flexibility for EITE customers, given the design paper refers to a negotiation between EITE entities and retailers or nominated entities. As exemption certificates are not transferable, consumers have little ability to do other than accept the basis upon which their electricity provider is prepared to accept the transfer of certificates.
- 2.5 Chemistry Australia also supports the adoption of a mechanism for market customers that allows them full flexibility to manage their procurement of energy and commitments under the NEG in the most commercially beneficial manner. Under the RET, this has been possible with an opt-in mechanism.

### 3 External offsets

- 3.1 Chemistry Australia recommends that companies should be able to exercise choice in the use of external offsets to meet the emission requirements of the Guarantee. Emissions are a global issue and the opportunity to manage them should be flexible in a highly globalized economy.
- 3.2 Chemistry Australia notes the need for greater certainty on the use of Large Scale Certificates (LSC) under the scheme. Where there is no long-term certainty, eg beyond 2021, their uptake and therefore value is likely to diminish.

Chemistry Australia looks forward to working with the Commonwealth Government on this and other action that provides investment certainty for electricity services and delivers long term supply, price and emissions benefits for consumers, the broader economy and environment.

For more information or if we can assist in any way, please don't hesitate to contact me at:

[pbury@chemistryaustralia.org.au](mailto:pbury@chemistryaustralia.org.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Bury', with a long horizontal dashed line extending to the right from the end of the signature.

**Peter Bury**  
**Directory – Strategy, Innovation and Research**  
**Chemistry Australia**