COAG ENERGY COUNCIL

# Submission in response to the National Energy Guarantee Draft Detailed Design for Consultation Commonwealth Elements

SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED


| | |
|---|---|
| **SUBMISSION OF:** | SOUTH AUSTRALIAN WINE INDUSTRY ASSOCIATION INCORPORATED |
| **ABN:** | 43 807 200 928 |
| **ADDRESS:** | First Floor, Industry Offices<br>National Wine Centre<br>Botanic Road<br>ADELAIDE SA 5000 |
| **CONTACT PERSON:** | Mark Gishen |
| **POSITION:** | Project Manager – Environment & Technical |
| **TELEPHONE:** | (08) 8222 9277 |
| **FACSIMILE:** | (08) 8222 9276 |
| **EMAIL:** | mark@winesa.asn.au |
| **WEB:** | www.winesa.asn.au |
| **DATE:** | 6 July 2018 |


Submissions by 6 July 2018 to:
Energy Security Board
COAG Energy Council Secretariat, Department of the Environment and Energy
GPO Box 787, CANBERRA ACT 2601
Email: NationalEnergyGuarantee@environment.gov.au

## SUMMARY OF SUBMISSION

The South Australian Wine Industry Association (SAWIA) remains concerned that some aspects of the proposed *National Energy Guarantee* may not deliver outcomes consistent with the National Energy Objectives with respect to the "long-term interests of consumers of energy".

In response to the issues raised in the Draft Detailed Design Consultation Paper for the Commonwealth Elements of the NEG, it is SAWIA's view that:

- the approach to setting the emissions reduction targets seems reasonable, but the actual target may be too low and could cause unintended cost increases in our sector and possibly undermine past and future private investment in distributed energy generation.
- the approach for exemption of Emissions Intense Trade Exposed entities appears very complex and may create additional compliance costs that would inevitably be borne by electricity users.
- the approach to using offsets may introduce complexity that might also lead to cost increases to users.

## THE SOUTH AUSTRALIAN WINE INDUSTRY ASSOCIATION INCORPORATED

The South Australian Wine Industry Association Incorporated (SAWIA) is an industry employer association representing the interests of wine grape growers and wine producers throughout the state of South Australia.

SAWIA is a not for profit incorporated association, funded by voluntary member subscriptions, grants and fee for service activities, whose mission is to provide leadership and services which underpin the sustainability and competitiveness of our members' wine businesses.

SAWIA membership represents approximately 96% of the grapes crushed in South Australia and about 40% of the land under viticulture. Each major wine region within South Australia is represented on the board governing our activities.

SAWIA has a strong track record as an industry leader and innovator in many areas. SAWIA pro-actively represents members and the greater wine industry with government and related agencies in a wide variety of aspects of business in the wine sector.



**South Australian Wine Industry Association Incorporated**
ABN 43 807 200 928
1st Floor Industry Offices, National Wine Centre, Botanic Road, Adelaide SA 5000
Tel: 61 8 8222 9277 Fax: 61 8 8222 9276 Email: admin@winesa.asn.au Web: www.winesa.asn.au

## SUBMISSION

### Background: Electricity usage in the wine sector in South Australia

The South Australian (SA) wine sector has historically been the heart of the Australian Wine Industry with around about half of Australia's vineyard area and total grape harvest. Many of the major Australian wine companies' head offices are located in SA, and SA wineries export about 70% of Australia's total exports worth about $1.786 billion in 2017. Wine is now South Australia's largest single export sector.

Electricity can be a significant proportion of the costs of production for businesses in the wine sector.

In vineyards, the main use of electricity is to drive water pumps for irrigation, and this can represent up to about 25% of total production costs. The demand is highly seasonal in most wine growing regions in South Australia, and the largest requirement for electricity is when the need for irrigation is at its highest – that is, throughout summer. The peak demand (1/2 hour interval) for electricity during this period can be an order of magnitude higher than the yearly average.

For wineries, electricity is used to power a range of processing equipment and the proportion of production costs can vary widely according to the types of activities carried out from as low as 5% to as high as 50% of total costs. The higher proportion would apply in the case of a winery that is perhaps a contract processing facility with few staff and no cellar door sales activity, whilst the lower might apply in the case of a winery that has a cellar door and maybe administration staff on site, with perhaps a small maturation cellar for barrel storage of wine. In a processing facility, the largest use of electricity is most commonly for refrigeration, and the greatest demand for this occurs during the vintage period – spanning from approximately early January to at least late April across all the wine growing regions. The peak demand (1/2 hour interval) for electricity during this period can in some cases be up to an order of magnitude higher than the average throughout the rest of the year. Hence, demand based tariffs can disadvantage grape and wine producers relative to other industries that have inherently less 'peaky' requirements for electricity.

Most grape and wine production is based in regional areas of the State and, whilst the majority have access to the power grid, some users have experienced limitations in supply and/or reliability of electricity from the grid. In certain cases, this has led to users either choosing to remain off-grid or to use diesel powered generators or pumps to help overcome these problems.

### Position on the Draft Detailed Design Consultation Paper for the Commonwealth Elements of the National Energy Guarantee

SAWIA is pleased to be able to comment on the Draft Detailed Design Consultation Paper for the Commonwealth Elements of the National Energy Guarantee ('NEG').

SAWIA notes that energy and emissions policy nationally have in the past been disjointed, which has also contributed to uncertainty in the electricity market with a consequent detrimental impact on prices. SAWIA therefore supports market-based policy developments to redress this situation.

SAWIA recognises the intent of the NEG and we provide views on the specific issues sought by the paper below.



**South Australian Wine Industry Association Incorporated**
ABN 43 807 200 928
1st Floor Industry Offices, National Wine Centre, Botanic Road, Adelaide SA 5000
Tel: 61 8 8222 9277 Fax: 61 8 8222 9276 Email: admin@winesa.asn.au Web: www.winesa.asn.au

***The Government's proposed approach to setting the initial electricity emissions targets under the Guarantee, and for amending targets and setting future targets.***
Whilst the initial target term of 10 years may provide increased certainty, we are aware of some concerns that the target is too low, which may cause unintended impacts. For example, the low target might put increased burden for emissions reduction on to sectors other than electricity, which could then get passed through to manufacturers.

Our members have been concerned about the extent and rate of increase of electricity prices that have occurred over the recent years. Consequently, many of them have made significant investments in renewable energy in order to reduce their costs. Large Scale Generation Certificates (LGCs) have been an important aspect of financial viability in these investments. Therefore, we are concerned that the low emissions target could also decrease the value of renewable energy credits from such existing and future investments.

***Whether the proposed approach to streamline the RET and Guarantee exemption applications minimises any regulatory burden for EITE entities***
In our previous submission on the NEG, we indicated our broad support for the EITE exemption. However, the approach appears to be quite complex, and we remain concerned that the balance between streamlined regulation and verification of exemption claims may be difficult to achieve.

***Whether market customers should be able to use offsets to reduce part of their emissions under the Guarantee, and the proposed approach to using offsets to be used for compliance.***
In general terms, we consider that the use of offsets is a useful market mechanism for achieving emissions reduction towards achieving Australia's emission reduction targets. The approach of having a cap on offsets should provide certainty to business, but therefore any subsequent adjustments should be done in a way that maintains investment certainty. Allowing the use of both domestic and international credit units is reasonable, but we would be concerned about possible complexity (and possible subsequent cost) that might be introduced in order for verification to ensure equivalence.

End of submission


**South Australian Wine Industry Association Incorporated**
ABN 43 807 200 928
1st Floor Industry Offices, National Wine Centre, Botanic Road, Adelaide SA 5000
Tel: 61 8 8222 9277 Fax: 61 8 8222 9276 Email: admin@winesa.asn.au Web: www.winesa.asn.au