

**Report of the Industry Consultations
for the Energy Efficiency Opportunities Assessment**

Department of Industry, Tourism and Resources

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1. Introduction

The Department of Industry, Tourism and Resources (ITR) held consultation workshops with almost 180 industry members in Perth, Sydney, Melbourne, Brisbane and Canberra during October and November 2004 to discuss the development of the mandatory Energy Efficiency Opportunities Assessment (EEOA) measure.

The participants represented companies across the manufacturing, mining and resource processing, power generation and distribution, energy services, and transport sectors. Members of the Australian Greenhouse Office (AGO), state government agencies (in particular, those involved in developing the National Framework for Energy Efficiency) and industry associations also participated. A list of organisations attending is at Attachment A.

ITR emphasised it was consulting with industry early in the development of the EEOA to ensure that current practice and industry's thinking on getting the most out of the measure would help to shape the EEOA. During the day-long workshops, company representatives were asked for their views on the measure as a whole, their own firm's energy performance and practices, and the components needed for a successful assessment procedure.

In-depth discussion occurred within small groups at each session and this was recorded before being reported back and discussed with the workshop as a whole. The questions asked of the industry members were fine-tuned over the course of the workshops, focusing more tightly on current industry action and the recommended shape of the assessment procedure.

ITR also received written submissions from a handful of companies that were unable to attend the workshops and their views have been incorporated.

The aim of this report is to summarise the feedback received from industry so that it can contribute directly to the development of the EEOA. The report should be read in conjunction with the PowerPoint slides from the ITR and case study presentations at the workshops, as information from those is not repeated here.

2. Benefits and opportunities of the EEOA

ITR staff opened the workshops by outlining the features of the EEOA and how it fits within the Australian Government's broader energy policy and the National Framework on Energy Efficiency. ITR detailed the steps involved in developing the EEOA's assessment procedure and reporting framework, including the consultation process. The participants were asked to consider the potential benefits and opportunities that the EEOA could offer to their companies or industries.

Participants at all workshops believed the EEOA would encourage companies to 'do more' to improve their energy efficiency as it provided a **framework** to demonstrate and identify new energy efficiency opportunities. Many saw advantages in the EEOA being a **national programme**, providing the 'impetus to move forward' through Australian Government direction on the energy efficiency issue. The programme could enable a standardised framework to be developed across states.

Attendees who said their organisations had made the easy gains, or 'plucked the low-hanging fruit', believed the EEOA could add still extra impetus to energy efficiency efforts. For instance, site inspections conducted under requirements for the Victorian EPA had revealed unexpected savings; 'The projects are there,' one company commented. Short-term projects were more likely to be taken up through the EEOA 'instead of ignored', said one group.

Company representatives also identified the **broader focus of the EEOA**, with its inclusion of business goals and processes, as offering far greater benefits to a business than an audit approach. The EEOA would help to make energy efficiency a part of core business and encourage culture change for the long term.

All the workshops highlighted the potential **bottom-line benefits** of the EEOA. Undertaking an appropriate level of energy efficiency opportunity assessments was 'obviously good business sense in identifying viable projects in driving for lower costs'. The EEOA would also provide flow-on business benefits such as labour savings, reduced maintenance costs, and improved technology.

Some companies identified the EEOA as an important impetus to **enhancing their international competitiveness**, both because it would improve efficiency and prepare companies for a carbon-priced future. One company suggested the measure would put businesses in a better position to develop **export** opportunities through better energy efficiency know how. The EEOA could also increase **product development** opportunities because of the innovation encouraged by the measure.

The proposed **four-year payback** for energy efficiency opportunities was seen by some to provide a boost to energy performance because currently many companies only examine projects with one- to two-year paybacks. The reporting of the payback opportunities was also expected to expose energy efficiency to senior management – something that would not otherwise occur.

The EEOA could **increase access to funds** where a company did not have capital to invest in projects beyond one to two years, as financial institutions might be more attracted to invest if the two- to four-year payback projects were identified with a level of rigour. Some believed banks and other lenders often did not invest in energy efficiency because the projects were too fragmented and required too much research to assess.

However, a credible assessment process could increase the financial attractiveness of the investment.

Gaining the attention and **support of investors**, both institutional and retail, was also identified by companies as a major driver for change. Some argued that better investor understanding of energy efficiency would create market pressure for companies to improve their performance.

This external pressure was one of several **external drivers** that participants identified as important to success. The legislative backing, or mandatory nature of the measure, meant the EEOA would be put on senior management's agenda; it would also create a level playing field for all firms.

The public reporting of the assessment also would be a driver to change company performance. The EEOA would enable companies to communicate their progress to stakeholders – customers, shareholders and suppliers, which was important for maintaining corporate and internal commitment. It would give industry's energy efficiency efforts more credibility with the community because of its national, government-instigated framework.

Some participants saw the EEOA as an important way to address the issue that Australia was seen as lagging in energy efficiency performance as a nation. The sectors or companies that were performing well by international standards would be able to **demonstrate and gain recognition** for their performance. Companies that implemented the opportunities they identified would benefit from publicly reporting their efforts. One group said the recognition provided by the EEOA would be 'a reward to the good guys' and help to drive future performance. Another group saw the verification process acting essentially as a reward for high achievers because of the credibility it would give to the programme.

The EEOA would also enhance the **quality of reporting** and help to provide information on best practice techniques to companies. The reporting process itself would help to keep companies' attention on energy efficiency.

The potential for the measure to influence the revision of **accounting treatment of investments** in energy efficiency projects would support company commitment to energy efficiency. The measure could support triple bottom line reporting, for instance, helping to raise the perception of shareholder benefits.

The **learning and knowledge sharing** offered by the EEOA was identified by almost all participants as a major potential benefit of the programme. Attendees thought the EEOA created a chance to educate upper management about energy efficiency and break through the language barriers that existed between technical staff and CEOs. One group believed that assessing energy efficiency would improve companies' understanding of their own systems and processes.

Another saw a benefit in the energy lessons learned by the bigger companies feeding through the supply chain to smaller businesses. Some participants indicated a step change would result from a more sophisticated understanding of energy efficiency improvement strategies increasing across the major energy-using businesses in the economy.

The EEOA would give companies a process to tap into **external expertise** and hence challenge the status quo. 'Fresh eyes' always added to the process, many participants agreed. Often external consultants or service providers knew about latest technology, while internal people knew the most about the company itself. The EEOA would provide a process for experts inside and outside companies to work together successfully.

Companies pointed to the chance for firms to **benchmark** against their sector and look for opportunities and highlight weaknesses. The EEOA would also enable stakeholders to develop a common language to understand and compare their performance. **Case studies** developed through the EEOA would help companies to share their knowledge, inspire others, and provide better information for future government programmes. Better **data collection systems** and analysis would also enable information to be shared with other sectors, increasing capacity across programmes nationally and feeding into government policy.

In **environmental terms**, the EEOA would help companies to focus on energy efficiency in a carbon-constrained world. Potentially it could assist in providing a 'national answer' to greenhouse via data collection nationwide. Some companies commented that it would also help to build the capacity of firms to respond to possible emissions trading or other international greenhouse abatement measures. Importantly, the programme could build momentum for the philosophy of long-term sustainability.

Internationally, **Australia's reputation** would improve with the uptake of more energy efficiency opportunities.

The EEOA would generate growth in the **energy efficiency sector** and strengthen the skills of service providers.

3. Challenges and risks involved in the EEOA

In addition to the opportunities, the industry members discussed a range of challenges involved in setting up a successful programme and the risks the measure could pose to business. Participants were also asked to identify any questions they wished to clarify on the EEOA; these have been collated and answers will be provided on the EEOA website over time as the measure is developed.

Many participants said the biggest challenge would be to ensure the **EEOA was flexible** enough to cater for the diverse practices, performances and company structures that existed across sectors and companies. Some said a 'cookie cutter' approach would not work. The participants from industries where energy comprised a high proportion of costs emphasised that 'one system does not fit all', as their industries already treated energy as a priority and had extensive energy management systems and practices in place.

These **differences in companies and industries**, including long-term plans and business objectives of firms, needed to be taken into account when developing the assessment procedure. For the high-performing firms, the process needed to **give recognition** for prior energy performance, management systems and action on energy efficiency.

Some company representatives felt the easy gains had been made and gaining a '**next-step level**' would require substantial resources in terms of capital investment, senior management attention and staff time. Getting value from energy efficiency opportunities would be critical. Others believed many new opportunities existed because 'the more you look, the more you find'. The 'low hanging fruit' analogy was not appropriate as new methodologies and technologies enabled further opportunities to be identified and implemented over time.

A strong message from all the workshops was that the **boundaries of the EEOA** needed to be clear. The participants stressed that company structures and operations were complex. The EEOA needed to clarify at what level the assessment would apply: the parent company, subsidiary or site. Where companies had multiple sites, how would the number of sites be treated? Some businesses had more than 100 sites yet most energy use was confined to a small number.

The eligibility of companies such as power generators, distributors and transmitters, as well as government business enterprises and overseas-owned companies, needed to be clarified. Participants also wanted to know what constituted 'energy' in the calculation of a company's annual energy use – would energy used as an industrial feedstock or self-generated energy be included in the 0.5 petajoules a year threshold?

All the workshops debated whether the **four-year payback** period was the best method for the EEOA to report on energy efficiency opportunities. Some thought a payback approach was too restrictive and proposed using other methods such as Return on Investment. Factors other than paybacks, such as risk and other priorities, could influence a project's viability and these should be reflected in the public reporting of the EEOA.

Many attendees also focused on whether four years was the best timeframe for the payback. Some supported four years, saying it would enable them to put up more projects, while others favoured a reduced period. Some wanted longer than four years. In Victoria the companies questioned why four years was planned when the Victorian EPA's scheme used three-year paybacks, though it was noted that under the EPA scheme businesses are required to implement the three year paybacks whereas under EEOA they are not.

Many participants were concerned the **public reporting** of the payback opportunities could pose a **risk to their corporate reputation**. Companies could suffer an adverse public reaction if they decided not to implement projects due to business constraints or other equally important priorities.

'How will firms look if they don't implement opportunities when they've been publicly identified?' one participant asked. Another group said the information reported by companies needed to be put in context: the 'how, what and why' of the company's actions and the industry's circumstances. If the reputation risk was not resolved, it could create a **disincentive for companies to identify opportunities**.

Another related concern was the potential risk of **disclosing confidential information** through public reporting. Participants recognised transparency was necessary for the measure's credibility; however, the EEOA needed to strike the right balance between public reporting of information and keeping commercially sensitive information confidential.

A strong message from all the workshops was the need for **streamlining of Commonwealth and state** government approaches to industry's energy and environmental performance. They wanted to see a consistent framework and methodology to be developed for public reporting. Many companies were reporting to the Australian Government through existing programmes such as Greenhouse Challenge. One company representative called for 'real streamlining' to occur between ITR and the AGO, rather than 'one report being attached to the other' while retaining diverse methodologies.

Industry members also wanted the **legislative mechanism** adopted for the EEOA to be consistent across government. They were concerned that using the corporations powers could create a different legislative regime to that operating for the National Environment Protection Measure (NEPM) and create complexity for business.

Companies publicly report their emissions to state and territory governments annually through the National Pollutant Inventory (NPI). NEPM is administered jointly by federal, state and territory ministers. Some companies suggested the EEOA legislation should be covered by NEPM; however; others did not support this idea.

In a similar vein, other participants wanted to ensure the **administrative requirements** of the EEOA were kept to a minimum. The NPI, for instance, had started as a light-handed measure but had become a 'large burden'. One group argued the level of the EEOA's administrative requirements should be appropriate for the likely cost savings to be made by companies. The EEOA framework needed to be 'efficient, flexible and not resource intensive'.

Many argued that **skill levels** needed to increase both within industry and in the energy services sector to ensure the EEOA was successful. One attendee mentioned the shortage of engineers in the steel industry, with staff being attracted to higher-paying positions elsewhere. Skills in analysing energy use from a whole-of-system production perspective were rare, another participant said, and the few people who had the skills were often too busy.

Others also highlighted that while internal staff had technical knowledge, they might not have the communication or facilitation skills needed to manage change projects, and this could alienate some staff. Most companies recognised the enormous job it would be to build the capacity to undertake the EEOA.

Participants also pointed to the competence of **external assessors** as critical to the public credibility of the EEOA. The external experts needed to be suitably qualified and accredited. As one group put it, 'Who audits the auditors?' Some argued that aspects of their operations would be too specialised for external assessors to have any knowledge. Using both internal managers and external assessors would deliver the best results.

Another area identified as a challenge lay in making the EEOA consistent with internal business processes. Some argued a **five-yearly assessment** was 'not in tune' with the normal business cycle and 'not practical' for firms that continuously improved their energy performance. Some said companies could deal with this by reporting annually on their response to the EEOA.

One company representative also said the nomination of 50 firms in a particular year might not fit with a company's internal assessment programme. It would not volunteer as a test company in 2005 as potential energy reduction strategies would require all its focus. The EEOA needed a process to agree with firms on the **year in which to undertake the assessment and report and to deal with companies with diverse businesses.**

A further challenge lay in the **policy uncertainty** surrounding the future of the Kyoto Protocol given Russia's decision to ratify the treaty. Some believed emissions trading would become operative, rendering other policy measures redundant. The participants noted that given the significant investment needed from industry and government to get the EEOA working, they wondered if the EEOA could be designed as a useful mechanism to prepare companies for a carbon-constrained future.

4. Energy efficiency lessons and ideas from industry

Participants at different workshops discussed how their firms currently managed and improved their energy use. Some companies believed they were already doing everything economically viable; others acknowledged that they did not have 'a full handle' on what energy wastage was occurring and therefore being managed. A few indicated their companies believed they were doing everything, but better systems, technology and methodologies always made further economically feasible improvements possible.

The workshops revealed firms were using a range of tools and practices, providing a broad picture of energy management in Australia today.

Some companies used **environmental or business management systems, such as ISO 14000**, to manage other environmental risks and indicated they could expand it to focus on energy. Other organisations used environmental management systems to monitor and manage their energy performance. Some had team-based mechanisms for identifying and managing projects.

Most firms undertook **metering and monitoring**, although the degree varied – from daily or monthly to less frequently or not at all. Few firms sub-metered although some were introducing the practice in new plant. Some firms highlighted that while metering and monitoring took place, the information collected was not always analysed in a meaningful way.

Companies also undertook **energy audits** at different intervals and for different reasons. Some did the audits as part of Greenhouse Challenge, others due to global company policy and some because of state regulations. The audits identified energy efficiency opportunities but were normally constrained due to their focus on auxiliary, stand-alone equipment, lack of knowledge of operating environment and lack of involvement of internal expertise. The audits did not investigate production efficiency and hence had limited benefits.

Many said managing energy costs was treated as a normal part of their **cost minimisation** strategy and energy efficiency projects were integrated with normal business planning. A business case was prepared for the projects and projects were prioritised according to the value they returned to the business, using standard payback periods or internal rates of return.

A variety of companies took account of energy efficiency in their **company policies**. The key performance indicators for corporate managers included an energy component. Purchasing policy included criteria for energy efficiency. The training of operators and site engineers covered energy efficiency issues. Some firms had a 'green office programme' to educate staff.

Those from **global companies** said their business plans, benchmarks, goals and funding for capital projects were determined by their parent companies. International benchmarks relevant to the industry sector were used to develop improvement programmes. Companies also had a global focus on greenhouse, with measuring, monitoring, reporting and action plans in place.

Reporting to government was occurring through a variety of programmes. Indicative of several firms, one company reported energy data to the ABS fuel and energy survey; the annual ABARE fuel and electricity survey; the National Greenhouse Gas Inventory (for the AGO); annual reports for the NSW Greenhouse Gas Benchmark Scheme; and submitted energy/greenhouse audits and reduction programmes to the Victorian EPA under an Air Quality SEPP.

Ways to optimise energy efficiency

Each workshop was also given presentations from companies that had undertaken successful energy efficiency projects. Projects by BP, Barrett Burston Malting, AMCOR, Australian Vinyls, Newmont Australia, Western Sydney Area Health Service and BlueScope Steel were described. The presentations outlined the business context, goals, experiences and results from the initiatives. This provided a springboard for the workshop members to discuss the best way to optimise energy efficiency.

Many said energy efficiency needed to be a part of the **strategic vision and business planning** of the organisation as well as everyday management and decision making. Energy management plans needed to be integrated into overall business plan and business processes, including planning around funding, timeframe, resources, deliverable targets, and responsibilities.

Most pointed to securing the **commitment of the CEO** and senior management as a priority. A top-down approach was necessary to drive the changes: gaining access to resources, access to capital, setting performance targets and incorporating energy efficiency into company policies. Senior managers should have energy included in their KPIs. Other managers needed to be empowered to achieve change. Senior commitment also needed to be promoted to staff through staff journals.

Bottom-up support and 'site buy-in' was also important as this was where the implementation of initiatives would occur and long-term change achieved. Staff – 'the coal-face workers' as one group put it – should be engaged within a comprehensive strategy, rather than changes being 'imposed by management'. Companies should tap into in-house expertise and secure staff buy-in by conducting consultations early. One participant said involving the operational teams was the key, as 'they know the energy and hit the buttons to use the energy'. Technical staff needed the appropriate level of training, incentives and support.

The industry members said companies needed the right **systems in place** to ensure energy was given the appropriate priority and received across-organisational support. Companies needed management processes and corporate energy policies as well as production processes that recognised energy efficiency as a goal and systems for measuring energy improvement. The EEOA should fall inside companies' current systems.

Many said the **company's culture** was critically important in supporting the introduction of energy efficiency initiatives. New practices or approaches needed to be integrated into day-to-day operations. Generating a strong culture, increasing staff awareness and training, recognising people's efforts and providing rewards for success were all important. The training and awareness-raising around energy issues should emphasise the company's commitment to energy efficiency and outline energy targets. Relaying staff successes to management would also help to build a new culture.

It was suggested that energy could be put on the agenda by appointing a dedicated energy manager to every site, in the same way as sites had an OH&S manager. An empowered energy champion at the site level could deliver significant improvements to energy efficiency.

To maximise the implementation of energy efficiency opportunities, many participants said **financial incentives** were needed to 'kick-start' industry's efforts. Tax rebates, accelerated depreciation allowances, low-interest loans or funds for Energy Performance Contracting were suggested as potential incentives. As one attendee commented, government action was important to get companies 'over the initial hump, get them moving, then let them do it'. If funds were available, then 'the whole uptake of energy efficiencies would increase significantly'. The Government could also provide impetus by keeping red tape to a minimum and providing 'more efficient and broader government support' and ensuring regulation was supportive.

Some participants pointed to the **external, non-financial drivers** that stimulated energy efficiency projects, as 'sometimes financial incentives are not enough'. The mandatory nature of the EEOA would drive better energy efficiency as 'the authority has to be there'. Others said 'mandatory is good in that it cuts through the politics' of a company.

Customer and investor expectations and new accounting methods such as triple bottom line reporting were also important for driving change. Consumer pressure was effective, as illustrated by the five-star energy ratings scheme. Companies need to make the link between energy use and sustainability and communicate this to stakeholders.

Participants also identified a need for the government to provide **recognition for good leadership**. Other programmes had given benefits to companies through recognition and this had encouraged their peers.

The EEOA should be designed to reward both leaders within companies and the leading companies themselves. The rewards and recognition should be linked to both innovation and to achievements.

Many supported bringing in the ‘fresh eyes’ of **external consultants** as they could help to identify opportunities and bring a higher level of expertise across several disciplines. Consultants should work with **cross-functional teams** within organisations. This was the best way to understand energy across the organisation and brainstorm ideas. Energy efficiency teams should be maintained beyond project implementation to maintain momentum.

5. Design of the assessment procedure

After reviewing industry practice and keeping in mind both the risks and the opportunities of the EEOA, the main focus of the workshops was for industry members to devise the key components of an effective assessment procedure. Potential models for the procedure were put forward including specific features of an effective assessment and the policies or principles needed to underpin the EEOA as a whole.

Key components

The workshops revealed different ways of looking at the assessment procedure.

Many participants pointed out the assessment could **take place at different levels**:

- the **equipment** level, where energy audits normally take place, such as lights and motors;
- the **technical** systems level, where a part of the production process is examined, such as steam, compressors and refrigeration;
- the **production process** level, where energy flows across the whole of production are investigated; and the people that influence that energy use are engaged in the identification and implementation;
- **management systems** level, where company commitment can be secured and organisational barriers addressed.

Some company representatives suggested the assessment should focus on one level while others believed it would provide most benefits if applied at all levels. The industry members recognised that different approaches had different strengths and weaknesses.

Those who favoured the assessment applying only at the management systems level suggested that companies could use ISO 14000 with a focus on energy. Many also thought an assessment at any other level could not work without the management systems in place to support it.

The participants who canvassed focusing on the production process level pointed to the success of this approach under ITR's former Energy Efficiency Best Practice programme. Looking at energy use from a production process perspective could generate benefits that went beyond energy and achieve benefits in quality, productivity, OH&S and staff engagement.

It was suggested the key components of a good assessment procedure for the production process level would include:

- **good data:** information and measurement,
- **skilled people:** internal staff working with external experts,
- **broad boundary:** focus on the production process not just individual equipment, and
- **project evaluation:** methodologies to assess opportunities for productivity and quality, in addition to energy benefits.

Company members who proposed the assessment should apply at all four levels argued this would ensure the EEOA achieved benefits beyond technical audits and positioned the firm to achieve long-term change. They argued equipment-level assessments alone created little value for industry. These types of assessments generated minimal benefits, achieving a small percentage savings on what represented a small percentage cost for the firm.

However, the drawback on assessing at all levels was the current capacity within industry to do this. Some doubted if such capacity existed, especially across all 250 top energy-using businesses and in the energy services sector. They indicated that the measure "might fall over" if all levels were examined as part of the assessment process.

The EEOA would need to try and deal with the issues involved in **managing the assessment procedure** as decision making power and responsibility for the levels varied within organisations. For example, management initiatives such as introducing new KPIs or changing valuation methods for capital projects occurred at the corporate level while physical energy was used and controlled at the site operations level. Both were important but control rested at different places in different companies. This issue needed to be recognised in the assessment procedure.

Some participants suggested the assessment could work through a **points-based or 'recipe' approach**, where companies would indicate at what level their business was operating and what part of the company had influence over what aspects. This would recognise the differences that existed within companies and sectors and would allow for a more flexible approach. Others indicated they would prefer a fixed approach so the requirements were clear.

Some thought the points-based assessment could be two pronged. First the companies would self-assess against key criteria, such as management systems being in place, an equipment assessment undertaken, production projects assessment undertaken, and results achieved, such as ROI. Second, where they did not meet particular criteria, a more detailed process would occur for identifying the opportunities available or systems the company needed to identify energy efficiency opportunities.

Many participants also proposed businesses should **self-nominate** for the EEOA according to a set of criteria drawn up for the programme. Companies could self-nominate their: eligibility as a large energy user; the business entity responsible for the assessment; and the timing. Firms proposed self-nomination would create a more efficient, less cumbersome process both for business and the government. Enabling companies to choose the timing, for instance, meant they could coincide the assessment with their internal business processes, such as investment cycles, or environmental processes.

The assessment procedure also needed to include a test for **materiality** that allowed for variability in energy use at different sites. It was proposed that companies should not need to include every site in their assessment, but rather cover say 80 per cent of energy use or the key opportunities, systems and processes that influenced all sites.

Participants at one workshop stressed the value of taking **steps pre- and post-assessment** to ensure it was in tune with the business and readied for success.

Pre-assessment steps included identifying the **needs and objectives** of the business (to tie the assessment into the business planning process); identifying a **corporate sponsor**; demonstrating the **resources** dedicated to the procedure; and providing evidence of **baseline** and ongoing performance measures. The participants canvassed using the **Level 3 Audit** as a minimum that companies must achieve.

Steps post-assessment included placing assessment outcomes where appropriate into the **long-term business plan** and objectives of the organisation; adopting a **scorecard approach** to acknowledge the better achievers in the assessment; and securing **CEO sign-off**.

Supporting features

The workshop participants also drew up supporting features of the measure that would address barriers and encourage the optimum uptake of energy efficiency opportunities.

A critical feature identified by attendees was the need for **skilled people**, both internal and external, to undertake the assessment procedure. Excellent technical skills were needed, combining skills of in-house and external experts. A **verification system** was necessary for external consultants so that companies could be assured of their expertise. For internal staff, the EEOA needed a focus on education, training and incentives at different levels of the organisation.

A related issue was the need for the EEOA to help to build the **capability of the business** so that it could reap the benefits of the assessment. The measure needed a process for facilitating **communication** within the organisation and should provide **coaching or education** programmes to help the company to measure and understand its current energy performance. Some suggested, for instance, the EEOA should run **workshops** to build the capacity of companies.

Others focused on the need for the EEOA to **create tools** to help companies to prepare for and undertake the assessment procedure. Tools ranging from tools to help staff with preparing a business case, fulfil the reporting requirements, and improve data collection would be of great value.

Participants said technology-oriented staff may be experts in their areas, but not good at 'selling up to management' or conducting projects with other arms of the business. Where the assessment focused on the production process, companies also wanted help with evaluation methodologies that helped them to take account of broader benefits when considering energy efficiency opportunities.

Recognition and rewards for participants in the EEOA were also nominated as an essential supporting feature. Companies often responded most to the 'big carrot' rather than the 'big stick', particularly companies that were already performing well. Some participants suggested a customer recognition and rating scheme, similar to the energy star rating system for appliances, would be a boost to the measure. Rewards such as a Prime Minister's Award for the 'best in scheme' would also encourage and publicise good performance.

To ensure companies were not deterred from identifying new opportunities, the **public reporting framework** should enable companies to be flexible about whether they wished to implement projects. The reporting framework must take account of the fact companies may not take up all opportunities. It should be sensitive to confidentiality of information.

The methodology should also acknowledge other business initiatives, such as the petroleum industry increasing energy use to produce cleaner fuels.

In a similar vein, the EEOA must get the **external drivers** right to encourage companies to do the assessment well and identify new opportunities. Boards would not focus on the issue unless the drivers were there – customer expectations, shareholder demands and legislative backing. Companies were responding to areas that contributed to their corporate social responsibility.

Participants thought recognition of **prior performance** was also important to encourage industry support for the EEOA. The assessment procedure needed to take account of the firm's baseline performance, so that good companies were recognised for their history of energy management and efficiency. One group suggested the starting point for energy efficiency opportunities included, could be the announcement of the EEOA in the energy white paper *Securing Australia's Energy Future* – 15 June 2004 - so that companies would not postpone energy efficiency improvements until their assessment took place.

Participants viewed **consistency between Commonwealth-state governments** as a critical feature of the EEOA. Companies wanted consistent methodologies used for the assessment procedure and public reporting as well as consistency in general regulatory requirements. Duplication had to be avoided to keep administrative costs down.

The assessment must focus on key areas for review very quickly, particularly in **multi-site companies** where the focus is heavily on higher energy user sites, and look generically or use a sampling approach for smaller sites. The assessment should not look at everything for the sake of being 'complete' when the cost of investigating small energy use sites may be more than any annual saving achieved.

The EEOA guidelines should require **CEO sign-off** on the assessment procedure. This would provide legitimacy to managers and staff, enabling them to gain the attention of the CEO or senior management team when undertaking the assessment.

A broad boundary should be used for the EEOA that looks at the **overall production process**, not just equipment. The assessment should look for evidence of significant **energy efficiency innovation**, such as through internal R & D or research conducted into available technologies. A focus on innovation would encourage the uptake of technology.

6. Conclusion

The industry workshops were highly valuable for gaining industry input into the design of the EEOA. While company representatives had specific comments or experiences, common themes emerged across the states on the challenges, benefits, lessons and recommended design of the EEOA.

A clear message from industry was that the EEOA must be an overarching framework that takes account of differing company practices and structures and has reporting methodologies consistent with other federal and state programmes.

Industry members wanted the EEOA to be flexible, efficient and credible. They argued new energy efficiency opportunities will be generated by getting the right principles, processes and systems in place and then having the follow-up support to implement projects.

The key areas of concern surrounded five main issues:

- **the four-year payback** – whether it was the best method for reporting on opportunities,
- **public reporting** – how to encourage companies to be thorough in identifying opportunities when they must publicly report outcomes,
- **streamlining** – ensuring the methodologies of state and federal programmes are consistent,
- **complexity of company structure and operations** – how to design a framework that accounts for diversity of company structure and practice, and
- **attitudinal hump** – how to shift companies into ‘opportunity’ thinking around energy efficiency and away from a belief that everything cost-effective had been ‘done’ on energy.

The participants acknowledged it was a large task to design the EEOA, build the necessary capacity and improve energy efficiency across the business economy. The Australian Government’s role was to help to build capability and assist companies ‘to go on the journey’. Knowledge needed to be shared across business and external expertise harnessed.

Evaluation of the workshops showed the participants valued being involved so early in the development of the measure and being asked about their concerns and the challenges ahead. They also appreciated the opportunity to talk to their counterparts in other industries and discuss how they approach energy efficiency.

The views from this report, including the questions of clarification, are now feeding into the development of programme guidelines, assessment procedure and reporting framework. Drafts for these are expected to be completed by July 2005, when a further round of national consultations with key stakeholders will take place.

ATTACHMENT A

Organisations represented at EEOA workshops

Perth

Alberfield, Austral Bricks WA, Australian Greenhouse Office (AGO), Alcoa World Alumina, BP Refinery Kwinana, Bristle Roofing, Chamber of Commerce and Industry of WA, Chamber of Minerals & Energy of WA, Curtin University, Ecos (representing Chevron Texaco Australia), Epic Energy, Hismelt, Millennium Chemicals, Minara Resources, Newmont Australia, SEDO/NFEE (WA), Simcoa Operations, Sons of Gwalia, The Laminex Group, Tiwest Joint Venture, Transalta, Water Corporation, Wesfarmers, Western Mining, Woodside.

Sydney

AGL, AGO, Alcan Grove, Blue Circle Southern Cement, BlueScope Steel, Boral, Centennial Coal, Coca-Cola Amatil, Delta EMD, Dept of Energy, Utilities & Sustainability (DEUS)/ NFEE, Energetics, Energy Conservation Systems, EnergyAdvice, Exergy Australia, H C Extractions, Hydro Aluminium Kurri Kurri, NSW Greenhouse Gas Scheme, Origin Energy, PACIA, Qantas, Shell, Stonefern Management Consulting, Sustainable Business, Sydney Water, Tomago Aluminium Western Sydney Area Health Service, Woolworths Ltd, Xstrata Coal.

Melbourne

ACI Packaging, AGL Corporate, AGL Energy Sales & Marketing, Amcor, Amcor Paper, AGO, Australian Trucking Association, Australian Vinyls, Bega Cheese, BHP Billiton, Caltex, Department of Sustainability & Environment (VIC), Edison Mission, EEP Management, Energy Supply Association of Australia (ESAA), EnergyAdvice, EPA Victoria, ESSO, FMP Group, Harvey, Holden, International Power – Hazelwood Power Station, IS Alliance, Kimberly-Clark, Mitsubishi, National Foods, Norske Skog, Orica, Origin Energy, Productivity Commission, Qenos, Rio Tinto, SCA Hygiene Austral Asia Pacific, Sustainable Energy Authority Victoria/ NFEE, Shell, Siemens, Telstra, Wesfarmers – Kleenheat Gas.

Brisbane

A3P, AGL Corporate, AGO, Alinta, Anglo Coal Australia, Australian Industry Group, BHP Billiton, BHP Billiton Coal, Boral Ltd, BP (Bulwer Island) Refinery, Brisbane City Council, Comalco Aluminium Ltd, Commerce Queensland, Consolidated Rutile Ltd (CRL), CSIRO, Dept of Energy/NFEE, Energex, Energy Users Association, EPA – Qld, Ergon Energy, Gold Coast City Council, Hyne Timber, Incitec Pivot, NCMC, NRG Gladstone Operating Services, OSD Energy Services, Placerdome Asia Pacific, QNI, Queensland Magnesia, Queensland Rail, Queensland Resources Council, Rio Tinto, Santos, Tarong Energy, Xstrata Copper.

Canberra

Australian Energy Performance Contracting, Australian Industry Greenhouse Network, Australian Industry Group, Australian Trucking Association, Balance Energy, BlueScope Steel, Carter Holt Harvey, Cement Industry Federation, Coles Myer, Context, DeltaEMD, Energy Users Association of Australia, PaperlinX, Patrick Corporation, Pilkington (Australia), Visy Pulp and Paper.

Aluminium sector workshop - Alcan Gove, Alcoa World Alumina Australia, Australian Aluminium Council, Comalco Aluminium Limited, Hydro Aluminium Kurri Kurri, Queensland Alumina, Tomago Aluminium Company, Worsley Alumina,