



# FACT SHEET

## DRAFT ENERGY WHITE PAPER

The draft Energy White Paper seeks to provide a policy framework to address challenges in our energy sector and help maintain Australia's competitiveness.

The White Paper sets out a series of proposed Commonwealth Government priorities designed to provide a framework to give investors, consumers and planners a clear sense of direction and confidence in our energy future.

### KEY MESSAGES

- Australia's energy sector faces a range of challenges in the years ahead, and it is important we help maintain Australia's competitiveness for the long term benefit of consumers.
- We have made very significant progress during the past two decades in developing sound and robust energy markets and systems. But there are challenges to be addressed if we are to meet our long term energy goals alongside the transformation of our energy sector that must occur to meet climate change objectives.
- In response to these challenges the draft Energy White Paper proposes four priority action areas to enhance Australia's energy potential:
  - Strengthening the resilience of Australia's energy policy framework
  - Reinvigorating the energy market reform agenda
  - Developing Australia's critical energy resources – particularly Australia's gas resources
  - Accelerating clean energy outcomes

### CHALLENGES

There are a range of challenges facing Australia's energy sector in the period ahead.

The scale of investment required in our energy sector is unprecedented.

Specifically, investment in the order of \$240 billion will be required in Australia's electricity and gas generation, transmission and distribution sectors between now and 2030. Further investment will also be needed in our liquid fuels infrastructure. Sound regulatory frameworks are required to attract capital to deliver this investment.

Energy prices have risen significantly in recent years and are expected to continue to rise in order to maintain reliable supply. In response we must ensure markets deliver energy competitively, and we must also seek to enhance consumer engagement and the level of consumer understanding of energy use as the first step in behavioural response to alter energy use patterns.

Working in collaboration with global partners we will accelerate the development and commercialisation of clean energy technologies to drive a long term transformation of the Australian energy sector and help us reduce greenhouse gas emissions.

As our energy resources are developed we must seek to ensure the ongoing support of the broader community, and development must occur in a manner that meets best practice with respect to environmental standards and land owner engagement.

## PRIORITY ACTION AREAS

The Government has identified four priority action areas to address challenges and enhance Australia's competitiveness and energy potential.

### ***Strengthening the resilience of Australia's energy policy framework***

The Government will strengthen the resilience of Australia's energy policy framework by:

- institutionalising a regular four-yearly review of national energy policy strategy beginning in 2016.
- undertaking biennial National Energy Security Assessments (NESA) from 2014, and as part of the NESA process, assess Australia's liquid fuel vulnerabilities in 2013, covering the liquid fuel supply chain, including import and refining infrastructure and critical supply linkages.
- improving Australia's energy information base, including through:
  - biennial publication from 2014 of the Australian Energy Resource Assessment and the Australian Energy Technology Assessment (AETA), and expanding the scope of the AETA to specifically cover liquid fuel technologies.
  - enhancing the quality and timeliness of public information on Australia's conventional and unconventional gas reserves and projected market developments, which will help inform policy development.
  - annual publication of the Australian Energy Market Commission's report on trends in future electricity prices.

### ***Reinvigorating the energy market reform agenda***

The Government will reinvigorate the energy market reform agenda, and will work with the states and territories through established COAG ministerial councils to pursue:

- completion of agreed commitments on retail price deregulation while seeking to further empower consumers, alongside a recognition of the need to protect vulnerable consumers through social policy settings.
- promotion of greater competition and business efficiencies, including through further asset privatisation.
- development and implementation of better demand-side reforms, and further exploration of potential measures to reduce growth in peak demand.
- further development of Australia's gas markets to improve transparency and trading opportunities, and further Commonwealth-led work to better monitor market dynamics to assess whether policy settings are delivering required outcomes given the growing use of gas for electricity generation.
- support for further reforms to the Western Australian gas market to ensure that it becomes a more mature and competitive market.
- completion of the transition to truly national energy markets – specifically by undertaking more work to explore extending the national energy market governance arrangements and principles to cover all Australian electricity and gas markets.
- consistent with the agreed COAG complementarity principles for climate change mitigation measures, agreement from all Australian governments to a review of existing non-complementary measures, and agreement not to introduce new measures that are inconsistent with these principles.
- following the passage of carbon pricing legislation, the Government has also announced it will no longer proceed with the introduction of emissions standards or carbon capture and storage ready requirements for new coal fired power stations.

### ***Developing Australia's critical energy resources – particularly Australia's gas resources***

The Government will seek to encourage investment in energy resource development, while recognising there are tensions between export and domestic demand for key energy resources, by:

- pursuing an active approach to the development of its offshore gas resources, including through:
  - updating offshore retention lease arrangements to improve transparency; allow third-party comment on the commerciality of developing particular fields; ensure that reserves are not 'warehoused' indefinitely; and provide certainty of gas supply over long timeframes, including for highly capital-intensive LNG projects.
  - ensuring, through the application of retention lease and production licence approval arrangements, that offshore gas project design and development are providing optimal returns for the Australian community, including appropriate consideration of domestic gas opportunities.
    - specifically, the Commonwealth will have greater regard to the potential for projects to supply the domestic gas market when considering granting a production licence.
  - examining the possible introduction of cash bidding for offshore areas of high prospectivity.
- continuing work with states and territories through the Standing Council on Energy and Resources to cooperatively progress a more harmonised approach to the regulation of the coal seam gas industry.

### ***Accelerating clean energy outcomes***

The Government will work to accelerate clean energy outcomes by:

- continuing the implementation of its clean energy programs to ensure continued support for innovation and commercialisation through bodies such as the Australian Renewable Energy Agency and the Clean Energy Finance Corporation, and continuing to progress carbon capture and storage initiatives.
  - progress in achieving energy outcomes, including clean energy outcomes, will be assessed as part of the proposed four-yearly strategic energy policy review process.
- working with other jurisdictions to identify opportunities to harmonise micro-generation feed-in tariffs, so that they do not impose an unjustifiable burden on electricity consumers, either through cross-subsidy mechanisms or their impact on the Small-scale Renewable Energy Scheme.
- continuing to seek opportunities to develop collaborations with state and territory governments, business and the research community. This will include ensuring that government support is best targeted at technologies that offer Australia the greatest potential benefits, and recognising the need to maintain a long-term and consistent policy approach to support.
- continuing to engage in international clean energy processes and partnerships to promote clean energy technology development and deployment through enhanced knowledge sharing, leveraging international effort and building market capability.

## **ENGAGEMENT AND CONSULTATION PROCESS**

The draft Energy White Paper has been developed as a basis for consultation on the future directions and priorities for Australian energy policy. Written public submissions are invited from interested readers by no later than 16 March 2012. This process will be supported by a series of open information sessions to be held in state and territory capital cities.

Further details on the submission and consultation processes are available at [www.energywhitepaper.ret.gov.au](http://www.energywhitepaper.ret.gov.au)

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