



Agriculture Industries Energy Taskforce

COAG Energy Council

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Dear COAG Energy Council

Thank you for the opportunity to comment on the National Energy Guarantee (NEG) Draft Detailed Design for Consultation - Commonwealth Elements paper.

The Agriculture Industries Energy Taskforce (the Taskforce) and National Irrigators' Council (NIC) have previously made submissions to the NEG design process. We have indicated broad support for the proposal highlighting the need to provide some certainty in National energy policy, however we have identified the need to build affordability in as a core stated criteria.

We are also fearful that the reliability guarantee could be used to drive costs higher and suggest that safeguards be included to ensure that this does not occur.

We recognise that there are a number of complex elements to the energy price picture, of which the NEG is just one. Our organisation remains actively involved in policy advocacy with energy market regulators, policy makers and at each level of the supply chain.

We are agnostic with respect to the source of the electrons.

Overall, all policy governing aspects of the electricity market, including the NEG, must be built on a foundation of national interest, with affordability and international competitiveness being a key part of that.

Australia's agricultural sector plays a vital role in the wellbeing of every Australian through the production of food and fibre for local consumption and for export. Irrigated agriculture produces around \$15 billion worth of product each year, that's 27% of the value of agricultural production using just 0.6% of agricultural land. We are an export exposed sector and in recent years, the cost of production – particularly for irrigators – has been seriously impacted by rising electricity prices.

That impact makes Australia less competitive as an agricultural producer and that's why we believe

The Agriculture Industries Energy Taskforce has identified a sustainable electricity price as one that has, a price ceiling of 8 cents for electrons (R) and 8 cents for the Network (N)

all components of energy policy must work together to achieve a substantial reduction in current prices with an ultimate goal of a maximum price of 16 cents per kw/h.

NIC and the Taskforce have provided much more detailed information on impacts of high energy prices in previous submissions including to the ACCC's retail power price inquiry. These can be provided if required.

We would like to be clear that in demanding policy that results in a reduction in power prices we do not see a conflict with Australia meeting its emission reduction goals or with an orderly transition to a low emission system. Australia's plentiful energy resources should enable a system to deliver affordability along with other national goals.

Setting emissions targets

We recognise that it is a Government decision as to what emissions targets are built into the NEG and this paper essentially deals with the mechanisms. We do note, however, that the NEG process deals only with the stationary energy sector and that, in the longer term, emissions goals can also involve a number of other areas that can directly affect the agricultural sector. These include the transport sector, including off road farm equipment and machinery along with land management.

In setting emissions targets, it is important that appropriate consideration be given to outcomes which do not unfairly shift the burden of reductions onto other sectors, in particular agriculture, food and fibre processing and handling.

Exemptions for EITE (Emissions Intensive Trade Exposed) activities

NIC does not disagree with provisions for exemptions for activities that provide direct benefits to Australia via jobs and economic activity. It should be noted however that while these industries tend to be large and concentrated, there are many sectors in Australia that produce jobs and economic benefit and are also reasonably energy intensive. Some aspects of farming come into that along with small manufacturing etc.

This large number of small businesses cannot all be exempted in the way that an aluminium smelter can for example. But they are being seriously impacted by a failed electricity market system and lack of energy policy. This highlights the need to have at the core of all energy policy, including the NEG and other market rules, a national interest test that puts affordability and competitive ability at the forefront.

Our only specific comment on the EITE exemption is that it must not materially impact on the costs to other users i.e. these industries must not be cross subsidised by other users either in their regions or overall.

External Offsets

We support the use of offsets and see no reason why offsets should be limited – as long as they can be independently audited and verified. In particular, we would welcome the opportunity for the agricultural sector to participate in programs creating credits or offsets.

Carbon farming enables farmers and land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on the land. These credits can then be sold to others, including businesses, who seek to offset their emissions. The initiative has the added benefit of encouraging sustainable farming. By maintaining certainty through clear and consistent principles and mechanisms, the agriculture sector is able to participate in the use of offsets.

The paper gives an outline of how this type of scheme might be regulated, however, the detail of administration would be critical. For it to be effective for small businesses including farmers, the scheme needs to be clear, administratively straightforward and certain. If the system becomes too complex, we will only see wealthy energy companies and large corporates participating.

Thank you again for the brief opportunity to comment on this paper.

Yours sincerely

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On behalf of the Agriculture Industries Energy Task Force