



Secretariat:

Suite 16/7 Rosebery Place
Balmain, Sydney NSW 2041
Australia

T +61 2 9810 7322

F +61 2 9810 7320

E info@energypolicyinstitute.com.au

W www.energypolicyinstitute.com.au

1 May 2015

The Secretariat

Review of Governance Arrangements for Australian Energy Markets

GPO Box 9839

Canberra ACT 2601

Dear Sir/Madam

We make this submission to the Review Panel with respect to the structure and process of energy policymaking in Australia. We believe this has particular relevance to the role of the COAG Energy Council as an institution in the Federation. It responds to questions 1 to 7 of the April 2015 Issues Paper.

This submission does not address any of the energy market operational arrangements that have flowed from the 2004 Australian Energy Market Agreement amongst participating jurisdictions. It addresses the higher-order issues that go to the question of the ongoing development of the Australian economy and in particular ongoing investment in its energy and energy-related sectors. In other words, the submission is concerned with investment rather than trade, although it is appreciated that investment itself can be characterised as a form of trade and there is a symbiotic relationship between the two.

The views of the Institute are that:

1. Australia lacks an 'investment grade' energy policy. This has serious long-term implications for future investment in the energy sector in Australia and in turn for the energy security not only of Australia but also its major export customers.
2. The energy policymaking process in Australia has become outmoded. This may be explained by the volume, volatility and complexity of contemporary issues affecting the energy industry (including but not limited to climate policy and energy technology innovation policy), and the excessive politicisation of these issues.
3. The adoption of a long-term national energy vision and the formulation of an integrated energy policy cannot any longer be achieved simply by the Commonwealth publishing an Energy White Paper (EWP) whenever there is a change of government at federal level.
4. Deep stakeholder engagement, starting with the states and territories, is essential.

5. The existing institutional arrangements on policymaking are inadequate, being spread amongst jurisdictions and across multiple organisations, with resources spread very thinly and lacking co-ordination.
6. Considerable additional institutional capacity is required to bring together the necessary resources and expertise to define the long-term national energy vision, to review policy, to oversee policy implementation and to monitor and report on outcomes.

The Institute submits that a new policymaking model is called for. The ideal model in the view of the Institute is a commercially and technologically literate National Energy Commission; a Commission that could function as an independent statutory corporation for the benefit of the nation as a whole; with a key requirement being to report annually to the Parliament.

A possible interim model could be a National Energy Council with an independent chair and stakeholder representatives, responsible to COAG First Ministers, with a secretariat managed out of the Department of Prime Minister and Cabinet; reporting annually to COAG First Ministers.

The position of the Commonwealth, if we glean it correctly from the March 2015 EWP, is that the COAG Energy Council should be responsible in the future for pursuing priority issues of national significance, as well as key reforms in the energy and resources sectors. The Commonwealth has promised in the EWP to lead *“a collaborative process during 2015-16 to prioritise and deliver ambitious responses to the challenges considered by the Energy Council in the development, supply and use of energy.”*

I am in the final stage of preparing a discussion paper addressing the policy formulation process more broadly, from which I hope that the Review Panel will be able to better understand the contemporary context in which this submission is put forward. The Institute intends to issue a final paper in the second half of the year after evaluating feedback from stakeholders.

I should emphasise that the Energy Policy Institute of Australia is independent, apolitical and technology-neutral. Since 2013, the Institute has published public policy papers on particular issues by invited authors for the purpose of encouraging public debate. A compendium of key points from these papers is attached. More are in preparation.

We would welcome the opportunity of elaborating on any of these issues to the Review Panel.

Yours sincerely



Robert Pritchard
Executive Director
Energy Policy Institute of Australia
Tel: +612 9252 8900 | +61 413 755 616