



Submission of the Energy Policy Institute of Australia on Chapter 2 of the July 2015 Draft Report of the COAG Energy Council Governance Review Panel

The principal finding of the Governance Review Panel in chapter 2 of its draft report was that *“the Council and its SCO [Standing Committee of Officials] lack a focus on strategic direction and are not providing effective and active leadership...”*

The Institute emphatically agrees that this is the central, crucial problem to be addressed. The Institute considers that the problem arises from a combination of factors:

- a lack of unity of purpose
- a lack of transparency and accountability (as the Panel identified) and
- a lack of capacity.

The Institute submits that a lack of strategic direction and leadership must be addressed at the level of the Council and the SCO, nowhere else.

This lack of strategic direction and leadership also needs to be considered in the context that Australia’s energy policies have fallen into disarray, for which the Council itself must bear a considerable degree of responsibility.¹ Much of this has to do with the failure to integrate energy and climate policy.

A crucial problem of a lack of strategic direction and leadership cannot be overcome by minor efficiency improvements or by better communications. Nor can it be overcome by delegating the responsibility to the AEMC or others; to do so would avoid the problem, not solve it.

The need is for the Council to articulate a national energy vision and, with the support of stakeholders, to develop a national strategic plan for the energy industry. For this, the Council needs to appropriately strengthen its own capacity and depoliticise its work.

¹ Before and after the Commonwealth’s 2012 and 2015 Energy White Papers, the Institute has consistently expressed concern that Australia’s energy policies have been allowed to fall into disarray. The Institute outlined what it saw as the rationale and the need for a new entity such as a National Energy Commission in its policy paper of August 2013, a copy of which may be downloaded from http://www.energypolicyinstitute.com.au/images/Integrating_energy_and_climate_policy_2013.pdf

Capacity building can best commence by the Council immediately establishing a properly skilled and resourced body to carry on the work of the SCO and its working groups in a more timely and effective way.

The body should have separate office facilities, it should have a CEO and it should be staffed with research, administrative and communications personnel that are adequate for the tasks involved (consultations with State and Territory officials can still take place and secondment of additional officers from State and Territory jurisdictions can still be made for appropriate tasks as required).

It would be imperative for the body to deliver an annual report on its performance.

The body could be called the COAG Energy Council Advisory Board. The name would make no difference – what matters would be its purpose and functions and, most of all, its actual performance and its accountability to the Council.

The body could if desired be established as a corporation under the Corporations Act.

Institute's Comments on the Panel's Recommendations

- 1. That the Council, supported by SCO, examine current arrangements to determine whether it is feasible to change the meeting arrangements to enable a greater focus on energy matters and energy market reform.*

The Institute's position: The meeting arrangements by themselves can have no great bearing on the central, crucial problem of a lack of strategic direction and leadership identified by the Review Panel.

- 2. That the focus of the work of the Council be the determination of strategic direction and the specification of specific priorities and the associated work plan.*

The Institute's position: We emphatically agree but we also emphasise that the Council needs to be bolstered by an appropriately resourced body to assist with this work as we have outlined in this submission. Integration of energy and climate policy is the overriding challenge.

- 3. That SCO be charged with the responsibility to present to the Council for consideration recommendations on strategic direction and the specific priorities and work plan which should be adopted. The AEMC should be charged with the responsibility for initiating the development of this advice in consultation with SCO.*

The Institute's position: We do not agree. The work of the SCO needs to be undertaken by a fit-for-purpose, appropriately resourced body, not delegated elsewhere.

- 4. That the Council formally delegate the management of the work programme to SCO, including for the provision of reports on its work progress.*

The Institute's position: The Council itself should remain accountable for its strategic direction. SCO is not adequately resourced nor does it, as a committee with members from nine jurisdictions, possess the capacity to undertake this role. The Council needs to undertake capacity building as we have outlined in this submission.

- 5. That SCO be supported by an expanded secretariat located within the Australian Government Department of Industry and Science and that the secretariat includes a small number of appropriately qualified officers seconded from Australian Government and state and territory jurisdictions.*

The Institute's position: This will be insufficient and ineffective. Until SCO is replaced by a fit-for-purpose, appropriately resourced body, it will remain ineffective.

- 6. That the Council, SCO and the individual institutions each develop arrangements to ensure effective consultation with relevant stakeholders, including other institutions.*

The Institute's position: Consultation alone will be insufficient. Genuine stakeholder participation is required to achieve optimal outcomes. A national body would be able to facilitate stakeholder participation as a formal requirement within the constitution of the body.

7. *That the transparency of the activities of the Council be greatly enhanced through its website, improved communication tools and other appropriate forums.*

The Institute's position: This is appropriate but it should be a task for a transparent and accountable body. Annual reporting and other measures to enhance transparency and facilitate stakeholder participation will be essential.

8. *That a 'necessity criterion' be established to apply to proposals by individual jurisdictions that seek exemptions from otherwise nationally agreed arrangements.*

The Institute's position: This would take too long. It is a far more important priority for the nine members of the Council to build trust and confidence in the process of national strategic planning for the energy industry and to pursue collaboration amongst the participating jurisdictions divorced from political cycles.

Respectfully submitted.

Robert Pritchard
Executive Director
Energy Policy Institute of Australia
Level 23 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

24 August, 2015