



Report for EPIA Members on Meeting of COAG Energy Council in Canberra on 19 August 2016

The Council has recognised the need to respond to what it described as 'a *paradigm shift in energy markets.*' In its communique of 19 August, the preamble read:

'Ministers met at a time of significant change in Australian energy markets due to the transition to low-carbon emissions. There is increased reliance on renewable energy and rapid technological change.

Recent events in South Australia have led to discussions on the integration of energy and climate change policy.

The international price of LNG and the need for improved access to domestic supply is contributing to higher wholesale gas prices. Significant reports on gas market reform from the Australian Competition and Consumer Commission (ACCC) and Australian Energy Market Commission (AEMC) now provide a strong evidence base and momentum for action.

Ministers recognised there is a need to respond to this paradigm shift in energy markets and respond in a way that maintains the confidence of energy consumers and investors in our energy markets, which must be reliable, affordable and sustainable. Business as usual is not an option.

... the Council agreed to take action to maintain an affordable and reliable supply of energy to consumers and manage these changes. The package of measures are designed to deliver better functioning and competitive energy markets.' (emphasis provided)

The issue of **integration of energy and climate policy** has not made any apparent progress except as can be gleaned from the preamble. In December 2015, the Council asked its officials for their advice on the potential impact of carbon policies. The Council has now asked them to include advice on the impacts of state and territory policies. Presumably, the officials will report in time for the next Council meeting in December 2016. Great care will need to be taken by the Council to get this right.

EPIA reiterates that the need for technology neutrality and diversity is fundamental, that there is no single roadmap to a low-emissions economy and that fostering of innovation by greater collaboration will be critical.

At their meeting, the Council released a comprehensive package of reform measures falling under two main categories.

The first is gas market reform - with the creation of a **Gas Market Reform Group**. This will be supported by a special secretariat headed by Michael Vertigan as independent Chair. The GMRG is to be assisted by three technical working groups responsible for (i) pipelines, (ii) wholesale markets (with northern and southern hubs), and (iii) provision of market-related information via bulletin boards. There is also to be provision for stakeholder engagement.

The second is what the Council has called the **Energy Market Transformation Strategic Work Program**. This will be entrusted largely to an enlarged Australian Energy Market Commission. The AEMC has been asked to, amongst other things, monitor the impact of emerging technologies and the role of interconnectors in a transitioning energy sector.

The Institute looks forward to playing a constructive part in all of these issues