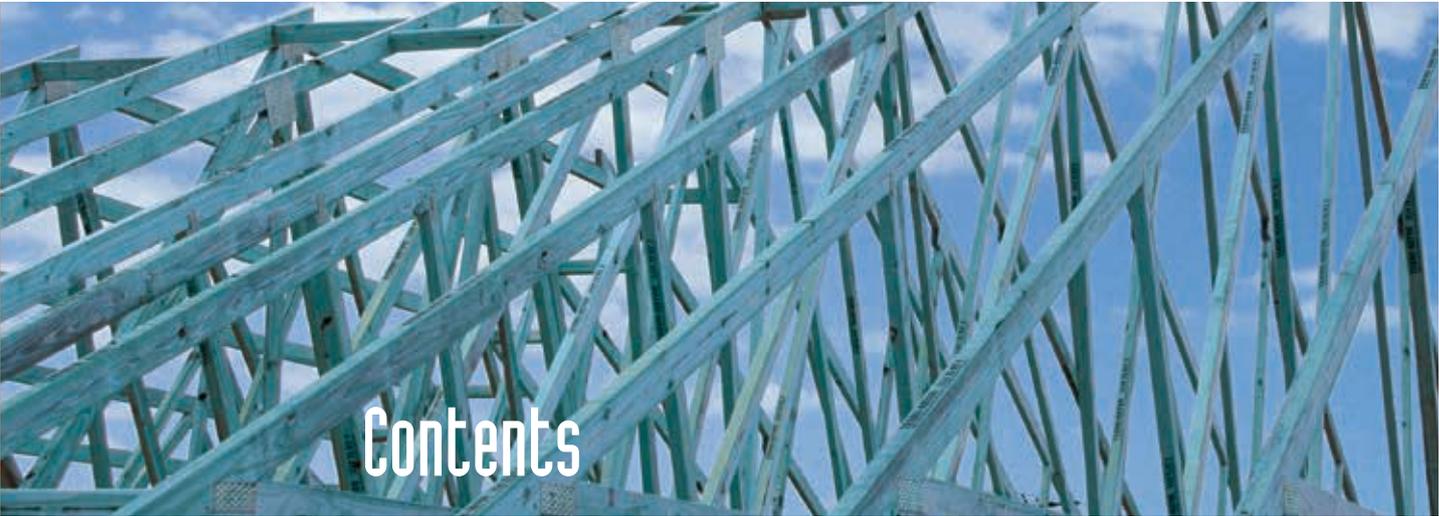




# Australian Industry **Greenhouse** Network

annual report 2012-2013



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# Chair's report

**At the policy and operational level, the past year has been — both for AIGN and members — one of sustained effort, but also of increasing uncertainty. The effort has related to the implementation of key elements of the Clean Energy Future Package; the uncertainty relates to the forthcoming 2013 federal election and the divergence in climate change policy between the two main parties.**

After more than a decade of debate around the shape and detail of climate change policy, the past year marked the implementation of a price on carbon. AIGN played an important part, particularly for company members, in providing the forum for the exchange of information and views between industry and government to minimise the costs of transition to the new policy environment. This included regular attendance by representatives from the climate change portfolio and the Clean Energy Regulator at network meetings and the preparation by AIGN of consolidated industry responses on key implementation issues.

The increased focus on implementation has not been to the neglect of policy issues. AIGN provided submissions into major reviews such as the Climate Change Authority's Renewable Energy Target and Caps and Targets reviews, and the Department of Resources, Energy and Tourism's Full-Cycle Review of the Energy Efficiency Opportunities program.

Submissions were also provided on the proposed one-way link between the carbon pricing mechanism and the European Union's Emissions Trading Scheme and on the approach Australia should adopt towards the post 2020 international climate change agreement. Members' willingness to provide input and time to the secretariat in preparing responses has been much appreciated.

While maintaining a constructive relationship with existing agencies, AIGN has also built strong relationships with key new bodies such as the Clean Energy Regulator and Climate Change Authority. Their respective CEOs, Chloe Munro and Anthea Harris, as well as senior staff, have been regular attendees at monthly meetings, demonstrating the regard in which AIGN is held.

Climate change policy has been an area of significant policy differences between political parties over the past decade. This has not changed,

with the forthcoming election representing a significant policy divide — the government's Clean Energy Future package (with, at time of writing, proposed early transition to an Emission Trading Scheme) remains opposed by the Coalition's promise to repeal existing legislation and introduce its Direct Action Plan. AIGN's contributions to the debate will, as ever, be shaped by our principles and supported by a collaborative approach with our membership.

In the run-up to the election AIGN is also seeking an assurance from both parties that they will not seek to introduce any climate change policies that would disadvantage industry in Australia relative to its international competitors. This relates both to the imposition of any additional costs on industry in Australia that our competitors do not face or any form of compensation or permit allocation arrangements that may apply to industry.

Whatever the outcome of the election, a renewed focus on policy is likely with a requirement for sustained input from AIGN.

At the international level, progress on a global agreement under the auspices of the UNFCCC remains slow — although an increasing number of countries are indicating a willingness to consider emissions reduction policies or as in the case of China commencing a number of trials. However, preparedness to consider action should not be confused with concrete and current action. AIGN will continue to promote ongoing and realistic assessment of global action to reduce greenhouse gas emissions, particularly by our major trading competitors and major emitter countries that are outside of the Kyoto Protocol.

2012–13 has been a year of transition for the AIGN secretariat, with Mr Alex Gosman taking over as CEO in June 2012. Alex has brought a

## Chair's report

fresh approach to the role, one that will serve AIGN well in the period ahead. One of Alex's first tasks was to conduct an internal review of the organisation. Feedback was overwhelmingly positive on the role and the performance of AIGN. Members endorsed the continued operation of AIGN as a network, taking a principled position on issues and seeking to improve debate by contributing consolidated industry positions, information, and thought leadership.

The review highlighted the high value members place on the monthly network meetings and email flows of information, as well as the analysis of issues and the commissioning of targeted pieces of external work.

The AIGN Board has worked to update some of the existing operational and governance material and I thank my fellow board members for their efforts in this regard.

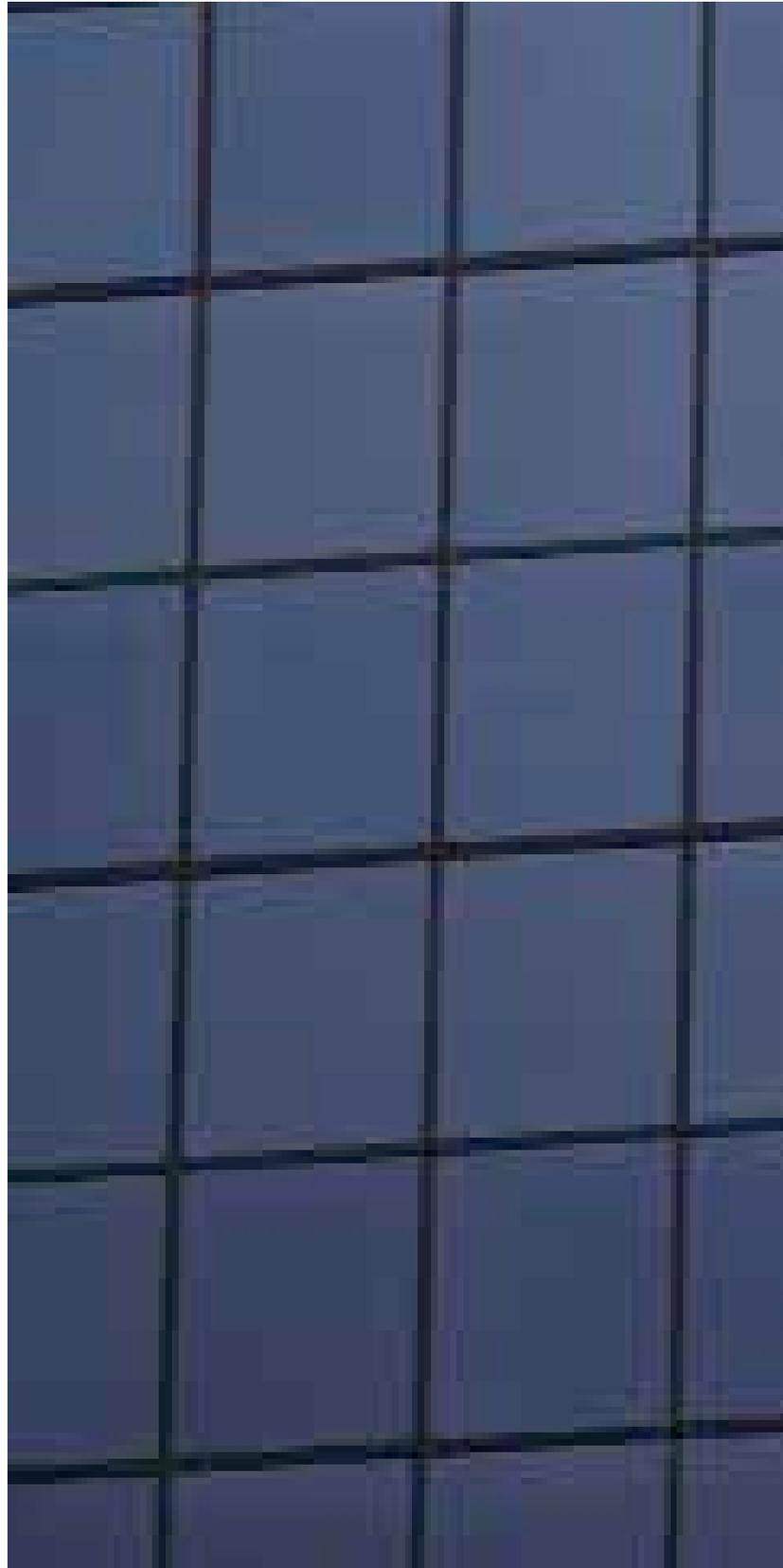
AIGN introduced a more flexible staffing structure in 2012–13 and I thank Alex, Marion Niederkofler, Lynda McIntosh and Alex Ferguson for their efforts on behalf of members over the past year. AIGN also farewelled its long-serving staff member, Emma Watts, during 2012–13 and Emma's experience and diligence will be missed.

I would also like to acknowledge those AIGN Board members who moved on during 2012–13 — Martin Jones, the previous Chair, Peter Gniel, who served as Deputy Chair and Dave Plunkett.

With the continuing uncertainty over future policy directions, I am confident that in this atmosphere AIGN will continue to provide thoughtful and effective advice to the membership and the broader community.

**Damian Dwyer**

Chair



# Year in review

**The announcement in July 2011 of the Clean Energy Future (CEF) Plan heralded the introduction of a broad based carbon price in Australia from 1 July 2012.**

For AIGN and its members the focus in 2012–13 moved on from the detail of CEF and the passage of the Clean Energy Bills to implementation of the new administrative arrangements and processes established to underpin CEF. The establishment of the Clean Energy Regulator (CER) in April 2012 focused attention to the complex details around the reporting and acquittal of emissions.

The implementation of CEF, at both the company and economy level, threw up many challenges. Through the monthly network meetings and the preparation of consolidated industry responses on key issues, AIGN provided a forum for industry to constructively engage with government agencies on regulatory and policy issues. Resolving complex implementation and policy issues was aided by the willingness of key agencies to engage with AIGN and its members.

Representatives of the CER were regular attendees at network meetings where issues such as reporting frameworks and systems, the surrender process, auction implementation, and transition of the Online System for Comprehensive Activity Reporting (OSCAR) to the Emission and Energy Reporting Scheme (EERS) were discussed in great detail. These sessions were always well attended by member companies, whose representatives commented on the value of the accessibility of CER staff and the ability to constructively engage to resolve issues.

In addition to the focus on the development and implementation of the Clean Energy Future Plan, there have been a number of

other domestic issues and events requiring AIGN's attention. There was continuing engagement with the policy and legislative areas of the Climate Change Department. At the practical level this has included the ongoing refinement of the National Greenhouse and Energy Reporting System (NGERS), progressing a streamlining agenda and advocating a consistent position on the need to phase out programs that do not complement the carbon pricing mechanism at both a state and federal level. AIGN maintained a watching brief over issues around the consideration of a National Energy Savings Initiative, where it has reiterated its support for action at the state level to remove their programs before any consideration of a Commonwealth initiative.

AIGN worked closely with the department/s responsible for climate change policy to resolve a number of legislative and regulatory issues around the CEF.

A key focus in the first half of the year was consolidating the industry response on the legislation underpinning the linkage of CEF with the EU ETS. AIGN appeared before the respective Economics Committees of the Senate and House of Representatives along with member associations commenting on the proposed details of the linkages.

In the latter half of 2012–13, considerable input was provided to the Department of Resources, Energy and Tourism into possible modifications of the Energy Efficiency Opportunities (EEO) program following a full-cycle evaluation by ACIL Tasman, as well as extension of EEO to new developments and expansions. AIGN was disappointed by the limited nature of proposals to



reduce the administrative burden of EEO despite 80 per cent of industry respondents wanting it to cease. Furthermore the timeframe for providing input was limited, which raised questions over the degree of genuine consultation intended.

In contrast, AIGN appreciated the openness of the consultative processes followed by the Climate Change Authority (CCA) in its various reviews over 2012–13 and the willingness of its staff to engage with AIGN and our members. AIGN made three submissions to the CCA in its review of the Renewable Energy Target; a number of AIGN recommendations were subsequently accepted by the government, although issues around implementation have yet to be resolved. More recently AIGN has provided a submission to the Caps and Targets review, which will be a major focus for the CCA in 2013–14.

On behalf of members, AIGN maintained a strong interest in international developments where, increasingly, the 'action' seems to be at the national and regional level (for example, China is moving

to a number of regional ETS trials, and South Korea has committed to an ETS from 2015). At the multilateral level, the focus is increasingly on means to raise levels of country ambition and negotiations over the shape of the post 2020 climate change agreement. AIGN attended the UNFCCC Doha meeting and provided a major submission to the department in March on priority elements of a post 2020 international agreement. The submission highlighted the need for the agreement to include major emitters and provide for real and measurable commitments.

A constant theme by members during the year was the time required to respond to the seemingly endless requests for input into various reviews and inquiries. A greater degree of coordination within government would have reduced some of these calls upon members' time although the opportunity to consult is highly valued. Looking ahead, and with the forthcoming election which potentially presents some major policy changes from either party, it is unlikely to be any quieter in 2013–14.

## AIGN network meetings



A major AIGN activity continues to be the program of regular network meetings. These meetings assist in the progression of AIGN's objectives by contributing to the exchange of ideas within AIGN, and in developing thoughtful responses to key issues. Whereas in the past the focus in the meetings has been on policy issues and the implications of various proposed emission reduction schemes, the implementation of CEF in 2012–13 required increased attention to implementation issues. This was of particular value to corporate members.

Arising from feedback received during the review of AIGN and noting the variety of interests represented within AIGN's membership, efforts have been made to provide a clearer separation in consideration of policy and implementation issues in the agenda structure.

The network meetings give members the opportunity to not only hear from a range of speakers, but to also provide considered input. Speakers over the past 12 months have included representatives from government, the private sector, non-government organisations and academia.

AIGN was also privileged to have speakers from the UK and Chinese governments at the February meeting providing perspectives of their policy approaches on emissions reductions and future carbon budgets. Professor Jiang Kejun of the Chinese National Development and Reform Commission's Energy Research Institute spoke on current developments in China, including the proposed regional trials prior to a two-way discussion on experiences in Australia with the implementation of CEF. David Kennedy, CEO of the UK Commission on Climate Change (similar to the CCA) spoke of the work of the Commission and in particular its focus on carbon budgets.

The implementation of the carbon pricing mechanism from 1 July 2012 has guided the agenda of AIGN meetings over the last 12 months, as have a number of major reviews of current climate change policy. Australian Government officials addressed the meetings on a regular basis, which is critical to

AIGN's effective contribution to policy discussions. AIGN is grateful to those officials who have been generous and considered in their participation in network meetings, particularly representatives from the Clean Energy Regulator, Climate Change Authority, Department of Resources, Energy and Tourism and also DIICCSRTE.

At the November 2012 meeting the Minister for Climate Change the Hon Greg Combet and the shadow Spokesman for the Environment the Hon Greg Hunt addressed members on their parties' respective approaches towards greenhouse gas emissions.

Topics addressed by guest speakers at AIGN meetings have included:

- implementation of the Clean Energy Future
- 2012 Australia Carbon Pricing Survey
- climate change and energy policy in Western Australia
- the Productivity Commission's approach to reviews of carbon price impacts on industries
- Australia's greenhouse gas emissions forecast for 2013
- progress of international negotiations on climate change as well as developments internationally and their impact on international prices (particularly the EU ETS)
- progress of international negotiations on climate change as well as development proposals for a national energy savings initiative
- the Energy Efficiency Program and its various reviews as well as work on industrial data on energy efficiency (ClimateWorks)
- changes in Australia's energy demand
- lessons from water buybacks in Australia
- Australia's emission levels.

## International meetings and policy

Traditionally AIGN's involvement at the international level on approaches towards greenhouse gas reductions has been via the United Nations Framework Convention on Climate Change (UNFCCC) which provides the foundation for international cooperation on climate change. During 2012–13 the board re-affirmed the importance of AIGN's continuing involvement in the work of the UNFCCC, not only as one of the few bodies representing the interests of Australian business but also for the credibility involvement provides for interaction in Australia with key policy makers.

Australia's commitment under the Cancun Agreements is to reduce net emissions by 5 per cent below 2000 levels by 2020 irrespective of global action on climate change, with conditional net emissions reduction of up to 15 per cent or 25 per cent depending on the extent of global action.

Over the past few years consideration at the national and regional level of emission reduction policies has increasingly taken place outside the United Nations framework in recognition of the ongoing challenges that the UNFCCC faces in reaching consensus on key issues around meaningful global action on climate change.

From an AIGN perspective this has meant not only maintaining involvement in the UNFCCC process but also maintaining a close watch on actions at the national level and assessing what the implications are for Australia. In addition to attending briefings by the Climate Change Department on progress at the UNFCCC level AIGN also attended meetings on actions being taken within China, South Africa and South Korea.

As is the usual practice, AIGN CEO Alex Gosman attended the UNFCCC conference, held in December 2012 in Doha, Qatar. In addition to participating in the daily stakeholder briefings conducted on behalf of the Australian delegation AIGN also contributed to the business and industry statements made to the conference and provided input into a number of proposals. It was notable that the level of business

representation from Australia at the conference has declined to the extent that AIGN and the Business Council of Australia were the only business participants in attendance.

The conference itself resulted in a package of decisions, referred to as the 'Doha climate gateway' with a focus on increasing the levels of commitment and ambition to emission reductions by member countries, commencing a three year work plan on the shape of the post 2020 international agreement (to be presented at the 2015 COP meeting in Paris) and establishing a number of priority institutions — for example the Green Climate Fund.

The parties also agreed to terminate the Ad-hoc Working Group on Long term Co-operative Action that focussed on amendments to the Kyoto Protocol to establish its second commitment period. It was also agreed that at the COP 19 meeting (Warsaw) mechanisms will be established to address loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change.

Consistent with past meetings there remains significant differences between developed and developing countries over key aspects of the UNFCCC work plan. These include who should bear the greatest burden in making emission reductions and the levels of assistance from developed countries to developing countries for both mitigation and adaptation. These differences have continued to slow progress on key work streams including at the recent (June) Bonn meetings.

Periodically — typically before and after UNFCCC international meetings — the International Division of the Climate Change Department conducts briefings with stakeholders on the progress of international negotiations and seeks views on Australia's negotiating position. AIGN has participated in these briefings for a number of years, and in turn had government representatives attend AIGN meetings. They continue to be a useful and productive part of industry's dialogue with Australia's negotiating team.

## Post 2020 International Agreement

A three-year work plan commenced at Doha on the form and structure of the proposed international agreement to replace the Kyoto Protocol which would apply from the conclusion of the second commitment period, namely 2020. It is intended that the agreement will be agreed at the 2015 COP meeting in Paris and progressed under the 'Durban Platform for Enhanced Action' (ADP). Progress will require a high degree of commitment and already a number of areas of the workplan have proved contentious.

The Australian Government made a preliminary submission in February 2013 on a suggested format for the post 2020 agreement. Australia has advocated that the agreement:

- must be built on global participation — applicable to all (with major economies at the core), flexible etc
- should cover areas where a new agreement can 'value-add' to the effectiveness and coherence of the existing global regime that has developed over the past 20 years.

Mitigation must be central if the below-2-degree goal is to be achieved and the mitigation system should capture all countries while allowing for differences in circumstances — with appropriate measurement, reporting and verification.

The Australian submission proposed that the structure of the 2015 agreement could comprise a combination of:

- legally binding 'core' commitments plus supporting provisions (which may be binding or non-binding in effect)
- national schemes annexed to the agreement — establishing a mechanism for tracking countries' efforts and establishing a template for the legal form of commitments (to ensure all countries are demonstrating a similar preparedness to commit, regardless of level).

AIGN presented a submission to the department in regard to what it believes should be the major elements of the proposed post 2020 agreement. Central elements include:

- ensuring Australia's contributions to global emissions reductions are guided by what is in Australia's best interests, noting its industry structure, as well as the activities and commitments of other participants
- engaging major emitters and supporting the Australian proposal that 'the agreement will be applicable to all parties'. Minimising the international price of carbon for any given emission budget. Providing flexibility for different national circumstances and strategies. Integrating climate and development policy
- being transparent in regard to commitments by participants and timeframes of participants
- supporting the concept of annexing to the 2015 agreement 'national schedules inscribing a commitment to its national circumstances'
- continuing access to CDM credits on the basis that they provide access to least cost abatement
- being trade-neutral and allowing for activities-based approaches
- coupling near-term action with long-term focus.

Australia's negotiating position should therefore ensure that arrangements post-2020 provide an environment that encourages our major trading partners to similar levels of commitment in reducing greenhouse gas emissions as entered into by Australia. It is AIGN's view that given the limited commitment at the global and country level to put a price on carbon, Australia has no reason to increase its current target of a 5 per cent reduction below 2000 levels by 2020.



## Public activity

### Conferences, speeches and presentations

Public and corporate interest in climate change policy issues generates many forums. AIGN staff and members attended many of these over the course of the year.

### In the media

AIGN's rarely issues press releases on matters being debated, however it does issue statements to coincide with the release of consultant reports it has commissioned which are released to the public.

AIGN, represented by the CEO, Alex Gosman, participated in several media interviews and provided background material to journalists on an occasional basis.

In interacting with the media the CEO is guided by the board endorsed media policy, which is available to members on the AIGN website [www.aign.net.au](http://www.aign.net.au).

## Submissions

AIGN and its members participated in numerous formal reviews and inquiries over the past year on a range of policy and implementation issues. In addition, and on a more informal basis, AIGN provided timely consolidated feedback on issues, particularly those associated with the implementation of the Clean Energy Future Plan.

AIGN participated in many formal consultation processes, appeared in front of parliamentary inquiries, and initiated correspondence on key issues with Ministers and officials. Submissions were prepared on significant issues including the legislation giving effect to the linkage of Australia's carbon pricing mechanism with the EU ETS and associated administrative arrangements; the Review by the Climate Change Authority (CCA) of the Renewable Energy Target Scheme; the CCA caps and targets review; comments on Australia's approach towards international agreements; and various reports into the Energy Efficiency Opportunities Program, NGERs, Energy Policy, COAG Reforms and the Streamlining Agenda, and state government consultation processes.

AIGN continues to welcome the opportunity to provide input. The willingness of members to contribute by providing input and comments to AIGN's submissions was crucial to the network's ability to provide credible responses.

All submissions are available on the AIGN website, [www.aign.net.au](http://www.aign.net.au).

## Submissions for public consultation 2012–13

### Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education

#### ● Clean Energy Future

AIGN engaged with the department on approaches to streamlining the National Greenhouse and Energy Reporting Scheme (NGERS). As a starting point AIGN took the position that the regulatory burden upon industry needs to be minimised consistent with the requirement for detailed information from industry upon their emissions. AIGN noted that 'more extensive reforms are possible' to 'improve the efficiency of reporting for liable entities' and 'reduce the regulatory burden of NGERS'. AIGN supported providing the Clean Energy Regulator with the 'power to make ATO-style rulings' to increase efficiency and reduce ambiguity and repetition. A number of AIGN recommendations were accepted by the department.

AIGN provided input on a draft Reference Price Method Determination to establish the methodology that the Clean Energy Regulator must use to calculate the reference price for the per-tonne carbon price equivalent. The per-tonne carbon price equivalent is the weighted sum of the average price paid at domestic carbon unit auctions and an international reference price component. The determination relates to the reference price for the international component.

AIGN expressed concerns about the potential inflexibility of the arrangements, that the price could become a carbon price index and that in fact the price may not converge with the European Union unit price. The government in its response determined that for 2015 and 2016, 87.5 per cent of the price will be determined by the Australian Auction price, and 12.5 per cent will be determined by the Certified Emissions Reduction (CER) price and if not by the international exchange with most liquidity. Post 2017 the 12.5 per cent will be set taking into account all unit types within the Kyoto Class, i.e. CER, ERU and RMU provided they account for 5 per cent of the 12.5 per cent volume.

AIGN provided input into the draft Auction Determination. The Auction Determination is to set the rules around the administrative process to be followed by the Clean Energy Regulator in conducting auctions. AIGN emphasised the need to focus on an 'effective and liquid unit market' including 'greatest possible participation, access to the international market', 'functioning secondary market' and minimising the impact of a 'single bidder to influence an outcome'. AIGN strongly objected to the need for a deposit ('collateral') given the strength of existing contractual law. AIGN supported the auctioning of four years of vintages. It suggested a transparent notification and appeal process given the Clean Energy Regulator's power to disqualify a person from auctions for five years. The government's response was consistent with a number of the suggestions by the AIGN although it still requires collateral, albeit of a lesser amount and for a shorter period than initially proposed.

## Submissions

### ● International

AIGN provided input to the department on the form of a post-2020 international agreement to replace the Kyoto Protocol. AIGN expressed its support for global action under the 'auspices of the UNFCCC rather than a country-by-country approach' and made a number of recommendations.

Based on research by AIGN and its members AIGN noted that when speaking of major trading competitors, these can and do vary between different industries, which may obfuscate the ability to assess the comparability of multilateral action. Any comparisons of levels of assistance applying to Australian EITE industries with assistance levels in other countries should be at the company level, not the national level, recognising that in countries such as China there are a range of policies that apply at the national, provincial and city level.

AIGN iterated that given the limited commitment at a global and country level, Australia had 'no reason to increase its current target of a 5 per cent reduction below 2000 levels by 2020.'

### ● Clean Energy Amendment Bills: European Union Linkage

In August 2012 the Australian Government announced that it had secured the agreement of the EU to link Australia's CPM with the European Union Emissions Trading Scheme (EU ETS) from the 1 July 2015. The linking of the two emissions trading schemes will be achieved by a one-way link from 1 July 2015, whereby Australian businesses will be able to buy emissions permits in the EU ETS for compliance in the Australian scheme. And secondly, it will be achieved by the negotiation of a two-way link between the two schemes to start by 1 July 2018.

To facilitate the linking arrangement with the European Union, the Australian Government made two changes. Firstly, it decided not to proceed with the floor price proposed to be effective from 1 July 2015. Secondly, it placed a limit of 12.5 per cent on the use of international Kyoto carbon units.

AIGN, along with a number of member associations, provided comment on the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012 and related Bills giving effect to the linkage arrangements. In addition, AIGN appeared as part of an industry delegation before the respective hearings by the Economic Committees of the Senate and House of Representatives into the Bills.

AIGN expressed qualified support for the proposed linkage arrangements and particularly welcomed the removal of the floor price, although disquiet was expressed over the limited public consultation and limited explanatory notes. Other issues raised in AIGN's submission and at the Parliamentary hearings related to uncertainties around the potential processes for putting limits on the importation of international permits as did proposed changes to the natural gas liability arrangements. Concern was also raised at the lack of parameters around the flexibility to make further changes to the scheme and the 'ceding' of some future control over administrative and policy setting arrangements in Australia to decisions made within the European Union recognising their interests may not necessarily match those of Australia.

A number of concerns raised by AIGN were addressed by the government particularly around placing limitations upon the Minister to impose further sub-limits on Kyoto units to 2020.

Subsequent experiences within the EU ETS over 2012/13 and in particular the collapse in the price due to political uncertainties over the proposed 'backload' of unit allocations (to remove oversupply) highlights the potential for greater uncertainty in Australia.



## Submissions

### ● National Energy Savings Initiative

As part of the Multi-Party Committee on Climate Change Clean Energy Agreement and the Clean Energy Future Plan the Australian Government committed to do further work to investigate the merits of a National Energy Savings Initiative (NESI). Options included requiring energy retailers to identify and implement energy savings in households and businesses. The government has stated that a NESI would only proceed if state and territory schemes were discontinued for a national scheme and there was agreement at the COAG level.

As part of this work a NESI Working Group to lead further activities was established, an issues paper was released and subsequent modelling on the potential economic and energy market impacts of a National Energy Savings Initiative was completed. AIGN maintained its opposition to a NESI repeating previous comments that over the last 40 years, as the International Energy Agency has observed, very few evidence-based examples of good public policy relating to industry energy use have emerged. AIGN has expressed its support for work to be conducted by the Productivity Commission under a COAG agreement for an 'evidence-based analysis on the plethora of state and federal energy efficiency programs' before considering a NESI.

While further modeling work was undertaken and AIGN participated in a modelling workshop, progress in this area has been much delayed. The government was expected to release an Issues paper in early 2013 summarising work to date but this has yet to see the light of day (subsequently released 26 July 2013).

## Department of Resources, Energy and Tourism

### ● Energy Efficiency Opportunities Program

The Energy Efficiency Opportunities (EEO) Program aims to encourage large energy using organisations to identify, evaluate and implement cost-effective energy saving initiatives to improve the competitiveness, innovation and productivity of Australian industry. Participation in the EEO is mandatory for organisations that use over 0.5 PJ of energy annually with an opt-in arrangement for organisations with less energy use. A Life Cycle Evaluation was undertaken by ACIL Tasman for the Department of Resources, Energy and Tourism (RET). It examined the EEO Program's effectiveness, appropriateness with other government initiatives and its level of efficiency. The evaluation review recommended a continuation of the EEO Program. It also recommended simplification of the public reporting requirements, amending the assessment framework requirements, a whole of government approach and recognition of energy performance excellence. The government announced its acceptance of the majority of the report's recommendations.

AIGN and its members participated in the Full Cycle Review of the EEO Program, and were disappointed that industry views were not adequately represented in the final report and that the Department at no stage provided an opportunity for feedback prior to the Ministerial consideration of the report.

AIGN considers the EEO Program has no place in today's operational and policy landscape. As the report highlighted, despite being the supposed beneficiaries, 85 per cent of EEO participants want the program to be wound up (61 per cent want it to stop now, the remainder wish it to be wound up at the end of its current cycle).

These results reflect the industry view that the program is unduly interventionist and prescriptive including requiring data that is beyond the legislative requirements. AIGN's preference remains that if the EEO is to continue it should be a purely voluntary program. Over the past two years RET has been consulting over extending the Energy Efficiency Opportunities (EEO) Program to New Development and Expansion (NDE) projects. This would apply to new developments or expansion projects that meet an energy use threshold. A cost-benefit analysis



## Submissions

conducted by Sapere Research Group showed that the extension would have a net benefit. The department released a regulatory impact statement, discussion paper and draft regulations.

AIGN opposed this extension of the program. AIGN noted that if the extension of EEO is to occur then the key requirements should be developed 'with rigorous stakeholder consultation, and then allow participants a degree of flexibility in' evidence used to 'demonstrate compliance'. AIGN supported the exemption of companies that have sustainable energy management systems and processes.

### ● Industrial Energy Efficiency

#### Data Analysis

The Industrial Energy Efficiency Data Analysis (IEEDA) project was undertaken by the Department. AIGN highlighted some of the flaws of ClimateWorks modeling which formed the basis for the IEEDA project. AIGN also expressed its doubts over the value of the project.

### Clean Energy Regulator

#### ● Emissions and Energy Reporting System

The Clean Energy Regulator introduced a new online reporting system for liable entities under the Carbon Pricing Mechanism — the Emissions and Energy Reporting Scheme (EERS). This replaces the Online System for Comprehensive Activity Reporting (OSCAR). EERS is to be used for the 2012–13 reporting period onwards.

AIGN provided input into the transition and supported the replacement of OSCAR with EERS. Members participated in a number of working groups on the roll out of EERS.

### Climate Change Authority

#### ● Renewable Energy Target

The Renewable Energy Target (RET) aims to have at least 20 per cent (41,000 GWh) of Australia's energy generated from renewable sources by 2020. The RET builds on the Mandatory Renewable Energy Target (MRET) introduced in 2001. From 2011, the RET encompassed the Large-Scale Renewable Energy Target (LRET) and the Small-Scale Renewable Energy Scheme (SRES). Statutory reviews must occur every two years, conducted by the Climate Change Authority (CCA).

AIGN made three submissions to the Authority during its review process, recommending the cessation of the RET noting that the carbon pricing mechanism is 'now to be the principal instrument to achieve reductions in Australia's level of greenhouse gas emissions'. However AIGN commented that if the RET 'is to continue ... then AIGN wishes to see the cost of the RET to trade exposed industries reduced'. AIGN expressed support for the 20 per cent target to be the 'real target' to reflect a revised figure to allow for the reduction in demand for electricity. Other major issues raised by AIGN in its submission included support for trade in Partial Exemption Certificates (PECS), the reduction in the cost of the SRES, the introduction of an opt-in arrangement for large energy users, greater administrative streamlining between the RET and the Jobs and Competitiveness Program, extension of recognised technologies and retention of the exemption from the RET for self generators. AIGN also attended an industry roundtable discussion in November in Sydney.

The CCA recommended the retention of the RET as it 'believes the RET has a continuing role to play in supporting investment in renewable generation in an uncertain environment'. The government in responding expressed its commitment to the RET and accepted this recommendation as well as the retention of the original target (41 kwh) and as recommended by the Authority, committed to conducting reviews every four years, the next one in 2016. The Authority accepted a number of AIGN proposals as outlined above, as did the government subject to further consideration of the issues notably in respect to the ability to opt-in, tradability of Partial Exemption Certificates (PECs) and the retention of the self generators exemption.

#### ● Caps and Targets Review

The Authority is currently reviewing caps and targets for Australia's emissions in 2020 and a roadmap for achieving this. AIGN supported the Authority looking beyond 2020 in its review. AIGN expressed a desire to allow for a 'range of scenarios with differing degrees of probability' to align with international commitments. AIGN expressed a preference for comparing the economic cost of reaching targets rather than quantifying the amount of emissions reductions between jurisdictions.



## Submissions

### Productivity Commission

The Productivity Commission prepared a report: *Barriers to Effective Climate Change Adaptation*, examining regulations and policies that may be barriers to effective climate change adaptation and the costs and benefits of removing those barriers. AIGN's input to the report highlighted that business 'uncertainties and risks are better left to business to access and assimilate into investment decisions, rather than be regulated.' AIGN expressed a preference for market solutions to address market failures where there is 'substantial net benefit'. AIGN noted that while there were no examples of this, that there was concern that local governments may take action without 'the benefit of good scientific advice'.

The report recommended examining barriers on a case-by-case basis, opting for no-regrets options, clarifying local government responsibilities, and reviewing land-use planning and building codes.

### State government initiatives

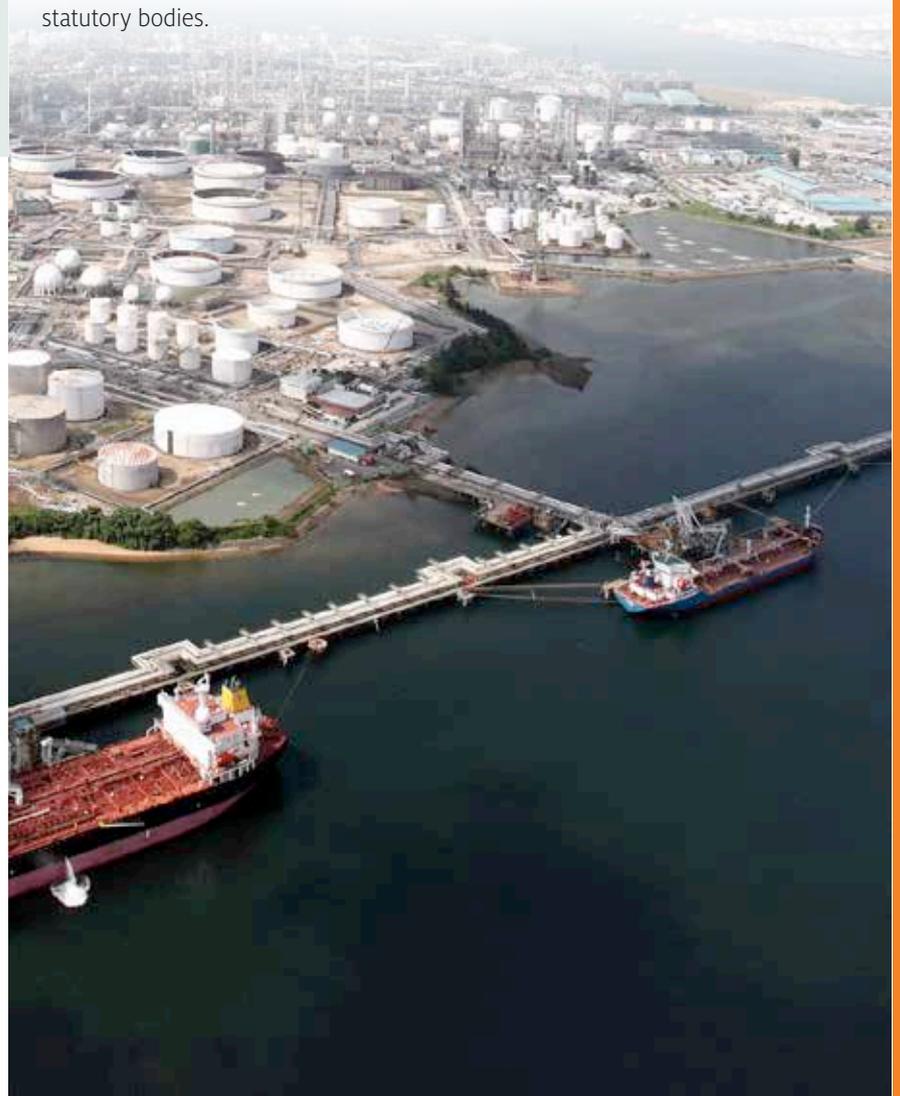
While AIGN predominantly focuses on Australian Government initiatives, from time to time it also comments on state government processes as they relate to climate change and energy policy.

AIGN consistently argues that as mitigation of climate change requires a global solution, climate change policy and its implementation should be determined at a national level. It considers that climate change measures are the responsibility of the Australian Government. In the presence of a coordinated national response to climate change, the development and implementation of disparate programs across state boundaries is an unnecessary, and inefficient impost on the economy, with little environmental benefit.

It is AIGN's view that state and territory governments should focus on activities unique to their jurisdictions such as adaptation. All levels of government should focus on reducing emissions from their operations and the operations of their statutory bodies.

### AIGN commissioned consultants' reports

AIGN commissions consultants to undertake research on behalf of members on an as needed basis. This work is to advise the thinking of AIGN and its members as it considers its responses to climate change and energy policy measures. Some of this work is made publicly available to inform the public debate on issues. No such work was undertaken in 2012–13 partly reflecting the focus on implementation and noting also the uncertainty over future policy approaches and the political considerations attached to these issues and the operations of their statutory bodies.



# AIGN climate change policy principles

The most appropriate response to climate change is a globally consistent approach, which would include a common price signal for greenhouse gas emissions. Such an approach, however, is not likely to emerge within the long-term investment horizon of industry.

AIGN's climate change policy principles establish a sound framework for Australian policy development. In summary, in the international context, these principles envisage a global agreement that imposes on the Australian community costs that are comparable to the costs expected to be borne in countries with similar wealth.

In the domestic context, the principles envisage Australian policy measures that:

- are national — there is no place for state based mitigation policies
- are developed and implemented transparently to engender community support
- are stable, predictable and avoid complexity to help minimise investment uncertainty
- establish a long-term price signal across the whole economy
- do not expose Australian export and import competing industry to costs not faced by these industries in other countries
- compensate those, including low income earners and non-trade industry, that carry a disproportionate share of the cost burden
- effectively address market failures not addressed by an emissions price signal
- promote public and private investment in first-of-a-kind low emission technologies
- do not discriminate against early movers and new entrants
- encourage the community to invest in adaptation strategies.

Adopting policies that meet these principles should deliver least-cost, environmentally effective and equitable outcomes for Australia.



## AIGN Climate Change Policy Principles

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.

Australia should engage the international community in pursuing identified and beneficial environmental outcomes through greenhouse gas emissions reduction action which:

- allows for differentiated national approaches
- promotes international cooperation
- minimises the costs and distributes the burden equitably across the international community
- is comprehensive in its coverage of countries, greenhouse gases, sources and sinks
- recognises the economic and social circumstances and aspirations of all societies
- is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.

In this global context, Australia should develop a strategic national approach to responding to climate change which:

- is consistent with the principles of sustainable development
- is consistent with other national policies including on economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility
- takes a long term perspective
- maintains the competitiveness of Australian export and import competing industries
- distributes the cost burden equitably across the community;
- adopts a consultative approach to the development of new policies
- is consistent and effectively coordinated across all jurisdictions throughout Australia.

Australia's future greenhouse policy measures should:

- be consistent with the strategic national approach
- be trade and investment neutral, in a way that does not expose Australian industry to costs its competitors do not face
- not discriminate against new entrants to Australian industry nor disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures
- take account of the differing sectoral circumstances
- be based as far as is practicable on market measures
- address all greenhouse gases
- address all emission sources and sinks
- balance, in a cost-effective way, abatement and adaptation strategies – both of which should be based on sound science and risk management.

Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change. Differentiated responsibilities and respective capabilities could take account of such matters as a country's economic growth and structure, population growth, energy production and use.

# Governance

## Objects

The objects of the company are to promote the development of Australia's manufacturing, agricultural and industrial resources by:

- Consulting with governments and other opinion leaders on the adoption of a principled, comprehensive, national and international greenhouse policy framework within which effective, equitable, efficient and appropriate domestic greenhouse policies and measures are developed and implemented consistent with sustainable development.
- Providing information, advice and a forum for developing analysis and participation in the process of public policymaking on the climate change issue.
- Contributing to the international climate change debate including through the provision of advice to the Australian delegation to the UNFCC meetings.

## Directors

AIGN's constitution provides for between nine and 12 directors, two-thirds of whom are elected by association members and one-third by corporate members. The board currently operates with a membership of nine.

Directors representing association members must hold general manager or equivalent positions within their organisation while directors representing corporate members must be employees or officers of their company.

At the annual general meeting in October 2012, three of the six association directors' positions were declared vacant: one resulting from the resignation during the year of Mr Brendan Pearson while two directors, Mr Peter Gniel and Ms Margie Thomson had completed their two-year term in office. Nominations were received from Mr Gniel, Ms Thomson (who were eligible to seek re-election) and Mr Tim Reardon. As the number of nominees matched the number of vacancies, all three were duly elected to the board.

One corporate vacancy on the board existed following the completion by Mr Martin Jones of his two-year term. Ms Susie Smith nominated for this position and as no other nominations were received she was duly elected.

Board membership remained stable until late in the year when Mr Gniel moved on from his position at PACIA in May 2013 and Mr Plunkett's company, Qenos, advised that they would not renew their membership of AIGN in 2013-14. Mr Sid Marris from the Minerals Council of Australia was offered and accepted one casual vacancy on the board with the second being held over until the annual general meeting in October 2013. Mr Marris will be required to step down at this time and seek re-election to his position if he so desires.

AIGN members and secretariat staff appreciate the input of the board of directors to the efficient and effective management and direction of the network and thank directors for the time and effort they devote to the organisation.

## Governance

### AIGN Board membership 1 July 2012 to 30 June 2013

AIGN's Board of Directors, elected in general meeting, is responsible for the company's business planning and operational management. They do this within a policy framework and strategic agenda determined by the general meetings of the company.

Business transacted and decisions made by the board during 2012-13 have been communicated to members through its network meetings and regular communications.

Name	Period
<b>Dwyer, Damian BEc, Grad Dip Pub Ec Pol</b> Director, Energy Markets & Climate Change Australian Petroleum Production & Exploration Association	Elected: October 2011
<b>Gniel, Peter BA</b> Director, Government Relations & Director, Trade & Economic Policy Plastics & Chemicals Industries Association	Elected: October 2010 Re-elected: October 2012 Resigned: May 2013
<b>Jones, Martin BE(Chem)</b> General Manager, Government Relations CSR Limited	Appointed: June 2008 Re-elected: October 2008 Re-elected: October 2010 Resigned: October 2012
<b>Marris, Sid BA(Hons)</b> Director, Industry Policy Minerals Council of Australia	Appointed: May 2013
<b>Plunkett, Dave LLB</b> General Counsel Qenos Pty Ltd	Elected: October 2009 Re-elected: October 2011 Resigned: June 2013
<b>Prosser, Miles BSc (Forestry) (Hons)</b> Executive Director Australian Aluminium Council	Appointed: June 2009 Re-elected: October 2009 Re-elected: October 2011
<b>Reardon, Tim</b> Executive Director National Generators Forum	Elected: October 2012
<b>Smith, Susie BSc, MAICD</b> Manager, Strategy, Planning, Carbon & Sustainability Santos Limited	Elected: October 2012
<b>Thomson, Margie BAg Sc, MEcon</b> Chief Executive Officer Cement Industry Federation	Elected: October 2010 Re-elected: October 2012
<b>Tilley, John PhD</b> Executive Director Australian Institute of Petroleum	Elected: October 2011
<b>Torkington, John BAppSci</b> Senior Advisor, Climate Change Chevron Australia Limited	Appointed: May 2007 Re-elected: October 2007 Re-elected: October 2009 Re-elected: October 2011

# Membership

AIGN membership remained quite stable with no resignations during the year and the recruitment of one new corporate member — Sucrogen which joined in January 2013. However, four corporate members advised by 31 March 2013 (the final date for notification) that they would not renew their membership in 2013–14. They are:

- Adelaide Brighton Ltd
- Inpex Browse Ltd
- Qenos Pty Ltd
- Stanwell Corporation Ltd

Resignations are due mainly to company restructure and financial constraints.

Membership fees in 2012–13 were:

Association membership:  
\$21,060 (excl. GST)

Corporate membership:  
\$10,530 (excl. GST)

Membership fees for 2013–14 have been increased by 4 per cent.

## AIGN Members at 1 July 2013

### Association Members

Australian Aluminium Council  
 Australian Coal Association  
 Australian Food & Grocery Council  
 Australian Forest Products Association  
 Australian Industry Group  
 Australian Institute of Petroleum  
 Australian Petroleum Production & Exploration Association  
 Cement Industry Federation  
 Federal Chamber of Automotive Industries  
 Minerals Council of Australia  
 National Generators Forum  
 Plastics & Chemicals Industries Association

### Corporate Members

Alcoa World Alumina — Australia  
 BlueScope Steel  
 BP Australia Ltd  
 Caltex Australia  
 Chevron Australia Pty Ltd  
 ConocoPhillips Australia  
 CSR Ltd  
 ExxonMobil Australia  
 Incitec Pivot Ltd  
 International Power Australia  
 Leighton Holdings Ltd  
 Origin Energy Ltd  
 Qenos Pty Ltd  
 Rio Tinto Australia Ltd  
 Santos Ltd  
 Shell Australia Ltd  
 Sucrogen Ltd  
 Tomago Aluminium Company Pty Ltd  
 Wesfarmers Ltd  
 Woodside Petroleum Ltd  
 Xstrata Coal

# Administration

## Staffing

The roles of staff within the AIGN secretariat have changed over the past year, mainly due to the departure of long-standing staff member Emma Watts in September 2012.

Ms Watts' position of senior policy advisor has been restructured and the role is now filled by two casual employees, Marion Niederkofler and Alex Ferguson. Ms Niederkofler is employed two days per week as policy advisor and Mr Ferguson works on a casual basis (usually 10 hours per week approx) as research assistant.

Some tasks previously done by the senior policy advisor are now done by the Chief Executive.

Secretariat staff at 1 July 2013 are:

- Alex Gosman, Chief Executive Officer — permanent part time employee approx. 24.5 hours per week
- Marion Niederkofler, Policy Officer — casual employee, approx. 14 hours per week
- Lynda McIntosh, Administration Officer — approximately 10 hours per week on a consultancy basis
- Alex Ferguson, Research Assistant — casual employee, approx. 10 hours per week.

## Operations

AIGN commenced the reporting year in July 2012 with the unexpected leasing of two vacant offices within its suite to two separate companies; both consultants within the allied health industry. This arrangement worked well until November 2012 when one tenant found it impossible to continue his lease and this office then remained vacant until February 2013 when another tenant was found.

While the tenants' businesses have seen additional people visiting the office suite each day the arrangement works well and the income derived from leasing these offices is important in assisting to keep AIGN membership fees as low as possible.

It is expected that AIGN will renew the lease on its office suite in Kingston when it expires in November 2013.

# Financials

The financial statements that accompany this report confirm AIGN's continued sound financial position at 30 June 2013.

The financial outcome at year end showed a substantial shift from last year's deficit to a surplus of \$49,926. This is due mainly to rental income following the recruitment of tenants to the spare offices within AIGN's office suite and the reduction in staff costs following the employment of all staff on a part-time or casual basis. Following the introduction of the carbon tax legislation and the move to the implementation phase, the spend on consultancies was also greatly reduced this year.

The board agreed that membership fees in 2013-14 will be increased by 4 per cent.



[www.aign.net.au](http://www.aign.net.au)

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