AUSTRALIAN INDUSTRY GREENHOUSE NETWORK

14 February 2025

NEM Review Expert Panel

c/- NEM Review Secretariat

Department of Climate Change, Energy, the Environment and Water

NEMreview@dcceew.gov.au

Dear Mr Nelson

The Australian Industry Greenhouse Network (AIGN) appreciates the opportunity to comment on the Terms of Reference release package for the review of the National Electricity Market (NEM).

About AIGN

AIGN is an invitation-only network of industry associations and businesses.

We provide a member-led forum for discussion on nationally significant climate change issues, offering information and analysis in the consideration of national and international policy and the role industry can, must, and will play in the transition to net-zero emissions by 2050.

AIGN stands apart as a unique community of highly experienced professionals, who bring together their collective knowledge and expertise to promote the development of international, national, and local climate policy consistent with Paris Agreement goals.

Our policy principles

AIGN's climate change policy principles drive our engagement in policy development, which should aim to:

1. Recognise and respond to the scientific consensus of the Intergovernmental Panel on Climate Change net zero goals.
2. Establish a long-term price signal across the whole economy.

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3. Address trade competitiveness of export and import competing industries.
4. Promote public and private investment in low emission technologies.
5. Encourage investment in adaptation and resilience strategies.
6. Be based on sound science and climate risk management.

Climate change and energy policy is interrelated

AIGN supports the Government's commitment to the Paris Agreement and to meeting its goals, recognising the need for increasing ambition to keep the 1.5°C warming goal within reach and to achieve carbon neutrality by 2050 or sooner.

AIGN has a broad membership with a range of expertise in various sectors of the economy.

AIGN's focus is on policies that achieve emissions reductions while maintaining economic growth and international competitiveness. We recognise the strong interrelationship between climate and energy policy, and the importance of ensuring a well-functioning wholesale electricity market that can support Australia's decarbonisation objectives. Net zero energy will be a key enabler for the decarbonisation of many of the industries that are AIGN members including cement, steel, glass and aluminium.

The decarbonisation pathways of energy producers and users are linked

The transition to a low-emissions electricity system is central to Australia's successful achievement of net-zero emissions by 2050. The continued evolution of the NEM will have direct implications for AIGN members, many of whom are large energy users seeking reliable, affordable, and internationally competitive energy supplies to support their decarbonisation pathways.

The NEM review primarily focuses on the technical and structural operation of the wholesale market following the conclusion of the Capacity Investment Scheme. The outcomes of this process will influence the broader energy transition, determining how the electricity market can accommodate increasing shares of renewable generation while maintaining reliability and affordability. The interplay of renewables, storage, and firming will be key.

The review will need to rationally assess and identify the best transition options, rather than be guided by perceptions of how the electricity grid should transition (for example, comparing options for optimal deployment of renewables at competitive cost, such as gas peaking plants vs. synchronous condensers and storage).

AIGN members' international competitiveness and climate objectives are best supported by a stable, reliable and decarbonising energy system

As an organisation focused on promoting sensible, efficient and internationally comparative climate action, we provide the following comments to the Expert Panel:

- This review underscores a shared recognition that the current market structure must evolve to address the needs of a renewables-dominated electricity system.
- The interplay between energy and climate policy has significant implications for Australian industry. Effective electricity market reform must ensure that large energy users can maintain access to competitively priced, reliable electricity while contributing to Australia's net-zero by 2050 goal and interim emissions reduction targets.
- A stable electricity grid throughout the energy transition is essential for Australia's economic prosperity. Many AIGN members operate in trade-exposed industries where energy costs and reliability are key factors in maintaining global competitiveness.
- We encourage the Expert Panel to consider how market reforms can support the long-term competitiveness of Australia's industrial sector.
- The Renewable Energy Target and the Capacity Investment Scheme have played key roles in Australia's clean energy transition. The market must now move beyond short-term interventions toward a more integrated, enduring framework.
- In its 2024 Annual Progress Report, the Climate Change Authority made several recommendations to promote rapid decarbonisation and expansion of the electricity and energy sector as the top priority. These include changes to expand and embed the Capacity Investment Scheme and rapid, large-scale deployment of syncons with back-up generation for system security and reliability.
  AIGN encourages the Expert Panel to consider these recommendations in the course of this review, which may present an

opportunity for the Government to act on Recommendation 5 of the Annual Progress Report and seek the provision of further advice on the four recommendations related to transforming the energy grid.

- With respect to Recommendation 4 of the Annual Progress Report, AIGN encourages close consultation with large energy users on how the Government could foster decarbonisation initiatives at industrial facilities, noting that each site will have its own opportunities and challenges.
- AIGN also supports Recommendation 3 of the Annual Progress Report, to speed up and enhance the transparency of approvals processes for large-scale generators in the NEM.

Conclusion

The NEM Review is an important step toward ensuring Australian people and businesses have an electricity market that is fit for purpose in a rapidly evolving energy landscape.

As the review progresses, AIGN members welcome ongoing engagement with the Expert Panel to ensure that industry perspectives, including from large energy users, are factored into future discussions. The ability of the NEM to deliver secure, affordable, and low-emissions electricity will be fundamental to achieving Australia's climate objectives and maintaining industrial competitiveness.

AIGN appreciates the opportunity to participate in this consultation and looks forward to further dialogue.

Thank you for your time and consideration.

Kind regards,

Susie Smith | Chief Executive