

COAG Energy Council

Meeting Communiqué

CANBERRA / 4 DECEMBER 2015

ENERGY AND RESOURCES MINISTERS MET IN CANBERRA TODAY FOR THE FOURTH COAG ENERGY COUNCIL MEETING.

Today's meeting progressed key initiatives to improve the adaptability and resilience of Australia's energy markets to respond to environmental and technological change.

Ministers agreed to a national, cooperative effort to better integrate energy and climate policy, with a clear focus on ensuring that consumers and industry have access to low-cost, reliable energy as Australia moves towards a lower-emissions economy.

Ministers also agreed that, fundamental to solving our energy challenges, is increasing the amount of supply, the number of suppliers, and removing obstacles towards this end.

The Energy Council also agreed to modernise regulatory frameworks and consumer protections so consumers can engage with increasingly dynamic and decentralised energy markets driven by the need to accommodate emerging technologies.

The Energy Council has released a [Gas Supply Strategy](#), which signals a stronger level of cooperation on onshore gas social, scientific and regulatory issues and promoting industry best practice.

The challenges and opportunities arising from the change sweeping energy markets require agile and strategic leadership. The Energy Council met with a range of industry and consumer representatives at the start of the meeting to discuss key issues, and thanked those stakeholders who contributed to the recently completed Review of Governance Arrangements for Australian Energy Markets.

Gas

Australian gas markets are changing at a rate unprecedented anywhere in the world. While Australia's gas resources offer significant economic opportunity, they are characterised by uncertainty around price and availability. The opportunities offered - and challenges presented - in developing Australia's gas resources are shared by all governments and the Council considers that pursuing long-term reforms to improve markets will support investment and build more resilient gas markets.

The Council has released a [Gas Supply Strategy](#) which includes four key streams:

- Increased sharing of geoscience and other information about potential resources to improve certainty around gas supply data;
- Strengthening scientific rigour and the sharing of information to improve baseline and monitoring data of unconventional gas resources across the community;
- Harmonising regulatory frameworks to manage risk and address issues; and
- Improving collaboration to promote industry best practice.

The Strategy will be complemented by a range of other measures. The Australian Petroleum Production and Exploration Association has agreed to develop an "Unconventional Gas Activities Report" that will be provided to the Council on an annual basis, beginning at the next meeting. The report will, for the first time, bring together a nationally consistent set of information on the industry's activities across all jurisdictions.

In addition to this, officials will continue to produce an annual report on onshore gas reserves, resources and production to support better understanding of gas supply

adequacy. Continued implementation of the Council's Multiple Land Use Framework and [Harmonised Framework for Natural Gas from Coal Seams](#) will also continue to be important.

The Council also agreed to the Australian Energy Market Operator's (AEMO) advice to address some of the effects on liquidity of infrastructure constraints by instituting improvements to the Wallumbilla Gas Supply Hub. This will see the replacement of the current three trading locations with a single voluntary trading market and the introduction of supporting 'Optional Hub Services'. Ministers also noted AEMO's advice that the Moomba Hub is on track to commence in July 2016.

Ministers noted a range of upcoming advice on the challenges in the gas market, including the Australian Competition and Consumer Commission's *East Coast Gas Inquiry*, and the Australian Energy Market Commission's (AEMC) *East Coast Wholesale Gas Market and Pipeline Frameworks Review* and will put a priority on considering recommendations from this work at the next Council meeting.

Carbon policy, the energy market and consumers

The successful integration of carbon and energy policies will be critical to meeting Australia's emissions reduction target of 26 to 28 per cent below 2005 levels by 2030. Ministers will develop a national approach to connect environmental outcomes and energy policy in the interests of consumers.

The Council has asked officials to prepare advice that will allow it to better understand the potential impact of carbon policies on the energy sector to facilitate better integration.

The Council agrees that improving our national energy productivity will deliver greater value from the energy that Australians use. As a first step, the Council today adopted the [National Energy Productivity Plan](#) to increase the economic benefit from each unit of energy consumed.

The Plan identifies a wide range of new and existing measures, across both energy efficiency and market reform, that are designed to help meet Australia's emissions reduction targets, while at the same time helping energy consumers to manage and reduce energy costs, growing the economy and jobs, and boosting competitiveness.

The Plan aims to improve energy productivity by 40 per cent by 2030, by driving: more productive consumer choices, through measures which make consumer energy choices easier, help business compete and provide more efficient incentives; and more productive energy services, through measures which support innovation, competitive modern markets and consumer protections.

Some measures will be delivered collaboratively by the Council and others by individual jurisdictions, including a range of new commitments from the Commonwealth, such as improvements in vehicle efficiency and a new Energy Use Data Model. The Council will consult closely with stakeholders on the development of new measures under the Plan.

Embracing emerging technologies

With increasingly complex energy services and emerging technologies, it is critical that markets and the laws and rules that govern them remain effective and that energy consumers have the tools necessary to capture the benefits of new technologies and manage their energy costs. It is also important that regulatory frameworks continue to ensure competitive and technological neutrality so that there is a level playing field and consistent treatment of new technologies that feed into the grid.

The Council has already pursued significant work in this field but agrees there is more to do to ensure consumers benefit and are adequately protected and that the system remains stable. The Council agreed further work is required to successfully transition energy markets to a future where energy provision may be more decentralised and dynamic, and to address specific risks and opportunities identified by officials in the stress testing exercise completed in mid-2015.

The Council agreed a strategic program of work to ensure regulatory frameworks are ready to cope with the effects of emerging technologies such as batteries and enable consumers to benefit from innovative services while mitigating risks. Officials will work with industry and other authorities to fast-track battery safety standards as a priority in 2016. Jurisdictions are progressing work in a collaborative effort to be on the front foot of these technology developments.



A forward work program, including stakeholder consultation and contacts in lead jurisdictions, will be available in 2016 that will examine:

- Those services that require economic regulation and those that should be opened to competition;
- The regulation of standalone and non-interconnected systems under the national energy frameworks, where appropriate;
- The appropriateness of existing consumer protections;
- The flexibility of the regulatory framework for networks to accommodate decentralised supply options;
- The effectiveness of the existing rules framework in driving efficient network investment and operational decisions, including demand side response solutions; and
- The adequacy of existing arrangements for securing power system security.

Officials will report back to the Council at its next meeting.

The Council agreed that ring-fencing guidelines, which separate the competitive and regulated parts of network businesses, should facilitate the use of new technologies, like batteries. The Council also agreed that they should support greater participation by all providers, including network businesses, and that further refinement is required to protect the long-term interests of consumers. The Council noted that the Australian Energy Regulator (AER) would conduct a review of ring-fencing arrangements in 2016. The Council agreed that officials and market bodies would collaborate to ensure that revised ring fencing guidelines support competitive markets, provide market clarity and a level playing field for all energy service providers, while accelerating innovation and efficient investment in network and customer services.

Review of Governance Arrangements for Australian Energy Markets

The Council noted that the *Review of Governance Arrangements for Australian Energy Markets* had come at a time of significant change in Australian energy markets: policy makers, market participants and consumers face different challenges compared to when the existing energy market institutions and governance arrangements were first established.

The Review concluded that the current governance arrangements for Australian energy markets are fundamentally sound but that there are opportunities to improve transparency, timeliness, resources, and clarity of function to increase confidence in decision making, energy policy and markets. The Council is committed to working collaboratively with stakeholders and energy market institutions to meet the ongoing challenges of the future energy market and has agreed to implement 48 recommendations of the final report.

The Council has now released its [response](#) to the recommendations of the Review and is committed to significant reform, including changes to:

- The effective functioning of the Council, its Senior Committee of Officials (SCO), the AEMC, AER, and AEMO to improve strategic direction, prioritisation of key issues, clarity of roles and responsibilities, and strengthen independence;
- Institutional funding; and
- Institutional capability, including personnel and organisational culture changes.

The Council began work to respond to those recommendations before the final report was received under its 'Better Governance and Stakeholder Engagement' work stream. The Council is:

- Increasing the SCO role in prioritising, refining and monitoring the Council's policy agenda;
- Improving the Council's reporting documents, website, communiqués and external facing communication documents; and
- Implementing better processes for stakeholder engagement with the Council and SCO.



Discussion Items

Further changes will be implemented collaboratively with the energy market institutions to improve the clarity of their roles and the resilience of the governance framework for Australia's energy markets.

Productivity Commission inquiry into Mineral and Energy Resources Exploration

Significant progress has been made in implementing recommendations from the Productivity Commission's *Inquiry Report into Mineral and Energy Resources Exploration*. The Report provided 22 recommendations to improve regulatory efficiency and reduce red tape and costs for explorers, covering licensing and approvals, land access, heritage protection and environmental management.

However, in response to recognised limitations and resource constraints to implementing some recommendations, Ministers agreed to consider options for heritage protection that address barriers to exploration, while ensuring safeguards are in place so that sensitive information is only provided to parties on the basis of agreed protocols.

Membership

The COAG Energy Council comprises Commonwealth, State, Territory and New Zealand Ministers responsible for energy and resources.

Commonwealth (Chair)	The Hon Josh Frydenberg MP Minister for Resources, Energy and Northern Australia
New South Wales	The Hon Anthony Roberts MP Minister for Industry, Resources and Energy
Victoria	The Hon Liliana D'Ambrosio MP Minister for Energy and Resources
Queensland	The Hon Dr Anthony Lynham MP Minister for Natural Resources and Mines
	The Hon Mark Bailey MP Minister for Energy and Water Supply
Western Australia	The Hon Bill Marmion MLA Minister for Mines and Petroleum
	The Hon Dr Mike Nahan MLA Minister for Energy
South Australia	The Hon Tom Koutsantonis MP Minister for Mineral Resources and Energy
Tasmania	The Hon Matthew Groom MP Minister for Energy
	The Hon Paul Harriss MP Minister for Resources
Australian Capital Territory	Mr Simon Corbell MLA Minister for Environment
Northern Territory	The Hon David Tollner MLA Minister for Mines and Energy
New Zealand	Hon Simon Bridges MP Minister of Energy and Resources

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