

24th October 2019

Attn: Grant King
Expert Panel Examining Opportunities for Further Abatement
Department of Environment and Energy
By Email: carbonexpertpanel@environment.gov.au

Dear Mr King,

RE: Comments on discussion paper examining opportunities for further abatement

Thankyou for the opportunity to comment on the above discussion paper.

Manufacturing Australia (MA) is led by the CEOs of some of Australia’s largest manufacturing companies: Adelaide Brighton, BlueScope, Brickworks, Capral, Cement Australia, CSR, DuluxGroup, Incitec Pivot, Orora, Rheem and Tomago Aluminium. MA’s members provide direct and indirect employment to more than 100,000 Australians and operate some 500 plants or smaller facilities around Australia, notably in outer suburban and regional Australia.

Several MA members are providing more detailed submissions to this paper either in their own right, or via industry-specific associations. This note does not seek to replicate those, but rather to establish and maintain MA as an interested stakeholder for future consultation, and to summarise the key themes raised by members of MA in relation to opportunities for future abatement.

MA favours a national approach to emission reduction: one which is based as far as is practicable on market measures, to achieve the lowest cost pathway. In particular:

- MA supports in principle using the safeguard mechanism to recognise abatement over and above BAU. Using improved and updated elements of existing mechanisms has potential to be more efficient than developing new measures. Substantive work on policy detail would be necessary to avoid damaging trade competitiveness and ensure the emissions profiles and abatement limits of specific industries or industrial processes are understood and appreciated.
- MA supports the approach described as “technology-focused co-funded opportunities.” Such an approach would be valuable to overcome potential investment hurdles and facilitate emissions reduction projects. Some additional comments include:
 - MA recommends greater focus on abatement through process changes. The current model emphasises support for abatement through efficiency. Process changes (where they are technically feasible) are likely to deliver greater step-changes in both real GHG reduction and add liquidity to the market.
 - Incentive options that should be examined include: changes in depreciation rules that allow immediate depreciation for demonstrable energy efficient/carbon abatement projects; changes to R&D incentives to offer greater incentive for carbon abatement projects; streamlined/fast tracked approval to trial innovative technologies or process changes; or, sectoral grant funding for specific, hard to abate, sectors.

- MA does not support reintroducing or building upon Energy Efficiency Opportunities Program. The EEO program focussed on opportunities, not implementation; was a compliance burden to manufacturers; and was not value adding. Significantly higher electricity and gas prices since the repeal of the EEO has removed the need for the EEO to encourage companies to consider energy efficiency programs.
- Any energy efficiency programs should provide support for intensity improvement when expanding production. Given the intent is to lower intensity and prevent leakage, the absence of this support is a major impediment.
- The criteria for ERF application dis-incentivises using improved (more expensive) technology in expansion projects, by requiring certification that the project would not go ahead without ERF funding. For highly capital-intensive expansion projects, ERF funding is only one consideration and the choice is typically which process technology or energy recovery equipment to use. Changing this certification requirement would remove this barrier.
- Applications under the Facilities Method in general may be limited by the fact that large projects are, by their nature, relatively scarce. The consideration of any major expansion must weigh up many important factors, all of which contribute to a final investment decision.
- Any changes to ERF methodologies should consider the methodologies (whether complementary or conflicting) used within the State schemes such as the NSW Energy Savings Scheme. These schemes provide a range of methodologies, some of which do not create an administrative burden and are easily understood by business. Minimising complexity and duplication, and adopting those processes already supported by industry, should be the approach in principle.

I would be very happy to discuss these views with you, should you find it useful.

Yours Faithfully,



Ben Eade
Chief Executive Officer