

19 August 2011

Mr Blair Comley
The Secretary
Department of Climate Change and Energy Efficiency
GPO Box 854
CANBERRA ACT 2601

Dear Mr Comley

The Australian Environment Business Network (**AEBN**) welcomes the opportunity to comment on the exposure draft of the *Clean Energy Bill 2011* (**Draft Clean Energy Bill**) released on 28 July 2011.

The AEBN is Australia's peak body that represents the interest of its members on environmental and energy issues likely to impact our member organisations and their business operations. Our member organisations consist of manufacturing and service industries, as well as local government across Australia. To date the AEBN represents over 350 member organisations.

AEBN accepts the need for a price on Carbon but is concerned that the proposed system may impose an unreasonable burden on Australian industry, particularly on manufacturing industry. The expected increase in energy costs, due to the price on carbon on top of the recent increases in energy costs due to increased network charges, may leave many businesses in an uncompetitive position compared with overseas competitors.

In the course of developing this submission, the AEBN consulted with our membership. We held an AEBN Forum on 29 July 2011, whereby The Hon Mark Dreyfus, Parliamentary Secretary for Climate Change, as well as a senior representative of the Federal Department of Climate Change and Energy Efficiency outlined details contained in the Draft Clean Energy Bill 2011. The Forum was attended by some 80 member organisations.

The AEBN provides the following comments on the Draft Clean Energy Bill:

1 **Division 3 – Natural Gas**

Section 35 Liable Entity – supply of natural gas to a person who quotes the person's OTN

- 1.1 Section 35(1)(b) provides that the preliminary emissions number is that of the OTN holder for the eligible financial year if the natural gas is withdrawn from a distribution pipeline.
- 1.2 Section 5 of the Draft Clean Energy Bill provides that the term "distribution pipeline" has the same meaning as in the *National Greenhouse and Energy Regulations 2008* (**NGER Regulations**).
- 1.3 The NGER Regulations do not appear to define the term "distribution pipeline". This anomaly should be rectified.
- 1.4 In defining the term "distribution pipeline", it is submitted that it should include gas transmission pipelines which supply manufacturing plants.

1.5 At least one of our members has a manufacturing plant supplied through gas transmission pipelines, so it is important that this is included within the definition of “distribution pipeline” for clarity of reporting and obligation purposes.

2 Pass-through Energy Costs

2.1 Government representatives have given inconsistent reports as to the likely price increase of gas and electricity as a result of the pass-through of the carbon price.

2.2 Some comments have been made to the effect that the price increase for businesses as a result of pass-through would be in the order of 7-8% for gas and 10-14% for electricity.

2.3 In other comments, the Government indicated that the impact to business consumers would be in the order of approximately \$1.5/gigajoule for gas. This would equate to the passing-through of the full \$23 per tonne carbon price on the consumption of gas to businesses and would result in a price increase of approximately 25%. It is feared that the price increase for electricity has also been under-estimated.

2.4 These inconsistent reports reveal a lack of clarity as to the likely pass-through costs for electricity and gas.

2.5 Pass-through costs represent a particular challenge for businesses that are not eligible for assistance/compensation and compete with foreign entities that will not be affected by such pass-through costs.

2.6 It appears that with the pass-through costs for electricity and gas, the Carbon Pricing Mechanism affects more than the top 500 polluters.

2.7 Considerable uncertainty remains in respect of the application of the Carbon Pricing Mechanism in this area.

2.8 Although not strictly a legislative issue, we ask that further consideration be given to this issue and that communication of modelled price impacts from the pass through of costs is clear and consistent.

3 Sanctions

3.1 The Draft Clean Energy Bill provides for criminal sanctions, including jail sentences (e.g. section 62).

3.2 It is submitted that such provisions are not appropriate and that only civil penalties should be included in the Draft Clean Energy Bill.

The AEBN wishes to acknowledge Norton Rose Australia who has worked with the AEBN in summarising and collating submissions received from AEBN members.

Should you require further detail or explanation regarding AEBN’s submission, I can be contacted at the AEBN National Head Office on (03) 9397 2511 or at tina@aebn.com.au

Yours sincerely



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Australian Environment Business Network (AEBN)