



**National Farmers'**  
F E D E R A T I O N

**National Farmers' Federation**

**Submission in response to the  
Energy Green Paper**

4 November 2014

NFF Member Organisations



CANEGROWERS



CORPORATE AGRICULTURAL GROUP



COTTON AUSTRALIA



Goat Industry Council of Australia inc.



*The Pastoralists' Association of West Darling*



RICEGROWERS' ASSOCIATION OF AUSTRALIA INC



*Ruralco*  
HOLDINGS LIMITED



WOOLPRODUCERS AUSTRALIA



## National Farmers' FEDERATION

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. Following a restructure of the organisation in 2009, a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

NFF has for 35 years consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment, innovation to name a few. The NFF seeks to represent the agriculture industry and provide high-level advice and guidance on issues of critical importance to the future of the Australian farm and agribusiness sector.

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## Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission responding to the Australian Government's Energy Green Paper (the "Green Paper"). The NFF notes that the Energy White Paper process is being undertaken in parallel with a number of other key policy initiatives by the Australian government, including the Agriculture Competitiveness White Paper and the Northern Australia White Paper. In light of this, whilst the NFF's submission will deal with only those issues pertinent to agriculture, it is critical that these respective policy development processes align and take into consideration the large synergies and relationships between the issues of energy, agriculture, and Northern Australia. Doing this will ensure that a "whole of government" approach is taken to each of these key policy development areas. As outlined in the NFF's submission to the Agriculture Competitiveness Issues Paper, a strategic approach is required to ensure that public policies deliver positive outcomes for the agriculture sector. As part of this, industry support measures must be simple and easy to access, and unencumbered by unnecessary red tape.

Whilst energy use is variable across agriculture depending on the industry, intensification of operations, location and structure of the business, Australian agriculture as a whole has become increasingly energy dependent in order to sustain its international competitiveness. Whether it is for fuelling tractors and farm machinery, energy to run more water efficient irrigation systems or electricity to power food processing facilities, Australian farmers and their supply chain members need secure and affordable energy to continue to produce food and fibre for the nation and our export markets. Whilst these issues impact our intensive production industries hardest, such as pork producers, and irrigation industries including dairy, cotton and rice producers, as stated these issues are felt throughout Agriculture, and as such warrant an NFF - whole of sector - response.

The NFF notes that the Energy White Paper process will review the supply and use of energy, security of supply, increases in new energy sources to ease demand/supply constraints and the appropriate role for government including opportunities to drive the more productive and efficient use of energy<sup>1</sup>. It is then crucial in this regard that associated sectors directly influenced by the energy sector such as agriculture, are also examined as part of this process with particular consideration given to the significant impact energy has on the competitiveness of such dependent sectors.

This submission has been compiled with input from NFF member organisations. It is structured according to the four areas of energy analysis contained in the Green Paper. Within these sections, those government goals and actions that relate to agriculture have been responded to. The submission makes both comments on proposed government actions to achieve the outlined goals, as well as flagging a number of initiatives that NFF believes will assist in meeting these goals in the best interests of Australian farmers. Whilst the following section of this submission outlines the key points NFF wishes to communicate, broadly speaking this submission has the following four recurring themes:

- The need for reduced energy costs for Australian farmers;
- Greater transparency in energy pricing, regulation and development of resource projects;
- The assurance that energy sector expansion occurs in a manner that compliments, not compromises, Australian agriculture; and
- Australian agriculture's need for secure energy supplies.

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<sup>1</sup> Energy White Paper, Issue Paper, p.i.

## 1. Key Points

### **Chapter 1 - Attracting energy resources investment**

- Scientific information and monitoring should underpin exploration and development. Investment in robust scientific information and pre and post impact monitoring are critical to the protection of the natural resources on which farmers' rely.
- Governments have a clear responsibility to invest in information and monitoring to help inform the regulation of the mining and petroleum sector, including the issue of development approval and the assessment of cumulative impacts.
- Ongoing monitoring of resource projects should be the responsibility of the developer and should form part of the condition set of development approval.
- The NFF supports reform of workplace relations laws, the VET system as well as changes to skilled migration programmes to assist employers in meeting their workforce needs.
- The NFF maintains support for the important role that the Independent Expert Scientific Committee and Bioregional Assessments play in providing evidence-based information to support government decision making of new resource developments.
- Public confidence in state and commonwealth regulatory processes is essential, and further effort is required to build stakeholder confidence in many jurisdictions.

### **Chapter 2 - Electricity prices**

- The profitability and competitiveness of farming businesses are being jeopardized by increases in electricity costs, network charges and geographic pricing inequality.
- Networks should provide tariff structures that are tailored to the unique needs of farmers.
- The NFF is calling for improved transparency in both the setting of electricity prices and the composition of individual customer bills.
- The NFF encourages improvements in the reliability standards for those areas and businesses that require increases in electricity flow reliability, particularly during times such as peak irrigation. However, we urge the government to ensure that no unnecessary investment in networks occurs, as this results in higher electricity costs for our members beyond that of agreed service levels.
- The NFF seeks support from government to provide programs aimed at increasing the efficiency of electricity use by farm businesses.

- The NFF does not support emissions reduction actions that simply add costs to producer's electricity bills.
- Improving energy efficiency is a key opportunity in the Emissions Reduction Fund, however the government needs to ensure that emissions reduction methodologies, the additionality test and the aggregator mechanism facilitate rather than create a barrier to agricultural energy efficiency projects.
- There needs to be appropriate consumer protections embedded in the aggregator mechanism.
- Privatisation of government assets should be done in a way that will not result in increased energy costs for Australian farmers or reduced service provision.

### **Chapter 3 - Building gas supply and improving market operation**

- Upfront planning and impact assessments need to be undertaken on all new energy developments to ensure considered decisions on altering land use.
- The NFF urges government to consider NFF's key Mining and CSG principles (outlined on p.22) when developing policy.
- The NFF supports proposed actions aimed at increasing transparency and competition within the gas market in order to reduce energy costs for Australian farmers.
- The NFF supports the proposal to improve the coordination, transparency and accountability of both offshore and onshore gas exploration licence approval processes.

### **Chapter 4 - Security, innovation and energy productivity**

- The NFF is calling on the government to ensure electricity and transport fuel supplies are secure without driving up network costs due to unnecessary infrastructure. The NFF supports actions such as the NESR report as a means of assessing future fuel security.
- The NFF supports the development of renewable energy sources in regional areas as both a means of securing affordable energy supplies and driving economic development in regional areas. This should occur however in a way that avoids market distortion.
- The NFF supports actions aimed at increasing energy productivity that ultimately result in reduced energy costs for Australian farmers.
- The NFF supports coastal shipping reforms designed to restore competition in the Australian coastal trade.

## 2. Attracting energy resources investment

The NFF will respond to the following chapter 1 goals as outlined on p.5 of the Green Paper:

### **Streamline environmental and other approvals**

– Outcome: More certain, timely and accessible approvals. Better regulation will lower costs to business, boost productivity and enhance Australia’s international competitiveness.

### **Better skills and workforce productivity, including access to skilled migration**

– Outcome: Industry has access to the skills it needs for timely and cost-effective projects, which will encourage future investment.

### **Enhance pre-competitive geoscience and improve access to environmental data**

– Outcome: Lower costs and exploration risk. Reduced duplication and regulatory burden. Improved community engagement. Better-informed decision-making and environmental management.

### **Streamline environmental and other approvals**

The NFF supports the Green Paper’s and broader government’s push to streamline environmental and other approvals. Whilst in this context the streamlining is focused on energy sector developments, there is significant crossover with agricultural developments. As in the energy sector, cumbersome regulation impacts the development of agricultural projects that will provide real social and economic benefit for Australia. As noted on p.12 of the Green Paper, even minor areas of unnecessary regulation can add significant delays especially to developments in seasonally dependent regions such as Northern Australia, an area of which both the energy and agricultural sectors are heavily invested. In light of this, the NFF believes mutual benefits can be attained for both sectors via improvements to environmental and other associated regulation.

As it stands, current environmental regulation is riddled with duplication and inconsistencies. The *Environmental Protection and Biodiversity Conservation Act* (EPBC) is an example of such duplication. In addition to having to gain Commonwealth approval under the burdensome 1078 page *EPBC Act*, developments may then also be required to gain environmental approval through their State accreditation processes for the same actions. Each State has a separate (and often overlapping) set of protected matters, guidelines, rules and requirements which just add complexity. Additionally, in many instances the State approval processes have no set timeframe for a decision and response back to the farmer on whether they can proceed, and this further increases development uncertainty. This one piece of legislation is representative of the endemic duplication within the environmental approvals process, which severely limit the contributions that both the energy and agriculture sectors can make to the Australian economy.

On the above regulation, the Green Paper notes on p.12 the Commonwealth government’s push to streamline environmental approvals, especially those concerning the EPBC, via bilateral agreements with the State and Territory governments and the establishment of One-stop-shops. The NFF has long advocated for changes to the way that the EPBC Act regulates native vegetation management, to reduce the aforementioned duplication between

State & Commonwealth laws. The proposed One-stop-shops align with this call and would reduce green tape for not only the agricultural industry, but the resource sector as well.

The NFF is aware of recent developments indicating that this proposed transition to One-stop-shops may face some difficulties in implementation. Despite this, NFF encourages the government to continue to pursue its One-stop-shop agenda. Within this, a sustained focus on driving efficiency in the assessment and approval processes should be the priority. Recognising that legislative change to the EPBC Act may be difficult at the moment, the Government may need to continue pursue streamlining within the current framework of the Act.

It must be noted that within NFF's desire for streamlined environmental regulation is the assurance that this streamlining does not compromise the scientific basis and transparency of such regulation. Community and stakeholder confidence in the regulatory process is critical in providing a more efficient operating environment for energy companies. Indeed, a lack of confidence – particularly in state regulatory processes – has resulted in duplication for example by the creation of the “water trigger” in the EPBC Act or some states restricting access to energy resources.

Using the above-mentioned One-stop-shop example, the NFF worked with the Minister for the Environment to provide additional legislative safeguards in particular surrounding the impact of Coal Seam Gas (CSG) developments on water resources. In this we were successful in having requirements inserted into the proposed bill that required States to consider and show how they take into account the advice of the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development (IESC). Such additions are an example of NFF's push for regulatory efficiency, but not at the expense of scientific and transparent approval processes that safeguard our natural resources. Maintaining this assurance will ensure the energy and agriculture sectors can benefit from streamlined approvals without risk of a compromise of the natural resource base that both sectors ultimately rely on for their continued success.

To build confidence in the regulatory process, NFF's view is that Governments have a clear responsibility to invest in information and monitoring to help inform the regulation of the mining and petroleum sector, including the issue of development approvals and the assessment of cumulative impacts. Ongoing monitoring should be the responsibility of the developer and should form part of the condition set of development approval. Regulators need the resources to ensure adequate compliance programs are in place to ensure that observed impacts are within the bounds of the approval and that action is taken before any unintended long term impacts on water resources occur.

Key points:

- Scientific information and monitoring should underpin exploration and development. Investment in robust scientific information and pre and post impact monitoring are critical to the protection of the natural resources on which farmers' rely.
- Governments have a clear responsibility to invest in information and monitoring to help inform the regulation of the mining and petroleum sector, including the issue of development approval and the assessment of cumulative impacts.

## **Better skills and workforce productivity, including access to skilled migration**

The NFF supports measures to increase workforce productivity, including those outlined on p.14-16 of the Green Paper. Workplace relations, education and training each have a significant impact on the skill and ability of farm business managers and employees. This ultimately impacts on the competitiveness of their businesses and sector. Reforms aimed at improving farm sector skills and productivity will ultimately help to strengthen the competitive position of both the sector.

The NFF welcomed the introduction of the Fair Work Amendment Bill 2014 in the Senate. Measures contained in the Bill, including new rules for greenfields agreements, will reduce the potential for costly industrial disputes and make workplaces easier to manage.

The Productivity Commission Review of the *Fair Work Act 2009*, a key election commitment of the Government, has not yet been announced. The NFF looks forward to playing an active role in shaping the workplace relations landscape for a competitive Australia.

In our submission on the Industry Skills Fund, the NFF outlined its support for a focus on targeted skills development and on developing capacity to enter export markets, calling for a commitment to promote government programmes and how they can help Australian businesses to innovate and grow. We supported the continuing role for Australian Apprenticeships (including School Based), and noted that regional projects must be flexible and align industry priorities with regional needs. Finally, we proposed that the government give consideration to how work for the dole and indigenous engagement strategies can be supported through the Industry Skills Fund to improve Australia's participation rate and provide new solutions to fill current gaps in the labour market, for example through partnerships with industry to deliver funded job ready' training.

The NFF's National Agriculture Workforce Development Plan<sup>2</sup>, released in June 2014, called for a five yearly Agriculture 'Labour Market Force Profile' based on accurate, authoritative data on labour and skills shortages in the agriculture sector. In addition, the NFF supported changes in the current regulatory settings to, among other things:

- Develop a more responsive VET model which produces immediacy of skills for the agriculture sector, as well as a firmer qualification base through:
  - Publically funded and delivered units of competency;
  - Nationally recognised Skill Sets; and
  - Consistent and appropriate VET funding models across jurisdictions.

Changes to the current skilled migration programme settings cannot come soon enough for the agriculture sector. Like the mining sector, many farmers rely on overseas labour to fill essential on-farm roles that cannot be filled by the domestic labour force. The NFF has long called for changes to the 457 visa programme, including to comprehensively review the ANZSCO system, broadening visa eligibility for skilled and semi-skilled farm sector workers, abolition of labour market testing and a reintroduction of concessions for regional employers in relation to the TSMIT and minimum skills requirements.

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<sup>2</sup> National Farmers' Federation, National Agriculture Workforce Development Plan, 2014

In September this year, the NFF welcomed the release and findings of the independent review into 457 visa integrity<sup>3</sup>. In particular we were pleased with recommendations to fast track labour agreement negotiation times, reverse onerous labour market testing requirements and facilitate access to a wider range of skilled workers, with the prospect of new concessions to address acute skills shortages in regional areas. The Government's initial response to the report, including in relation to the provision of greater flexibility in relation to English language testing and skill requirements for 457 applicants, was a positive first step.

The NFF looks forward to a further government response and concrete action on this issue in the near future.

Key points:

- The NFF supports reforms to workplace relations laws, the VET system and skilled migration programmes, to assist employers in meeting their workforce needs.

### **Enhance pre-competitive geoscience and improve access to environmental data**

From NFF's perspective, public access to environmental and development data is critical in ensuring effective community engagement in relation to new energy developments. P.20 of the Green Paper reveals the government also holds such a perspective:

*“Community engagement on the relative merits of resources projects, particularly those involving CSG and large coal mining developments, would also benefit from improved environmental and scientific data”*

This need is all the more pertinent when this engagement involves landholders whose lives and business can be significantly affected by such developments. The NFF represents many such landholders.

On this issue, the NFF supports the role of the IESC in assessing the impact of mining and CSG development on water resources, and the requirement that it publish its recommendations publically within 10 working days of providing it to the relevant regulators. However, the government can do more to improve community access to IESC data. For example, the NFF believes that *how IESC advice has been taken into account* by the appropriate regulators, including the Minister for the Environment, should also be made available to the community.

Additionally, the NFF supports the government's decision to fund a program of bioregional assessments. The community, and in particular affected landholders, need to have data made available to them that outlines potential cumulative water-related impacts of CSG and large coal mining developments. However beyond just the bioregional assessments program, the community needs access to data concerning the post-construction impacts of developments and their continued (non) compliance with the conditions of development

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<sup>3</sup> <http://www.immi.gov.au/pub-res/Documents/reviews/streamlined-responsive-457-programme.pdf>

approval. Transparency from regulators will help to build a comprehensive understanding of the ongoing impact of developments on water and land resources.

In summary, it is vitally important that the Australian agricultural sector understands the ongoing impact of developments on areas such as the quality and quantity of ground and surface water sources. Transparency will build confidence that State or Commonwealth regulatory systems are working and this in turn will facilitate more constructive community engagement around future developments. This benefits both the energy and agriculture sectors, as well as government.

Key points:

- The NFF maintains support for the important role that the Independent Expert Scientific Committee and Bioregional Assessments play in providing evidence-based information to support government decision making of new resource developments.
- Public confidence in state and commonwealth regulatory processes is essential, and further effort is required to build stakeholder confidence in many jurisdictions.

### 3. Electricity prices

The NFF will respond to the following chapter 2 goals as outlined on p.25 of the Green Paper:

#### **Pursue tariff reform and improved consumer access (including controlled third party) to energy use data, including electricity network tariff reform to limit cross-subsidies**

– Outcome: Consumers are better informed, have tariff choice and know how to manage energy use and cost. Energy users pay their fair share of the costs of the poles and wires that supply electricity.

#### **Ensure reliability standards do not encourage unnecessary investment in electricity networks**

– Outcome: Consumers do not receive higher reliability standards than they would be willing to pay for if they understood the impact on electricity prices.

#### **Improve the efficiency of electricity use**

– Outcome: Electricity cost savings for consumers.

#### **Rationalise emissions reductions actions to reduce unnecessary costs**

– Outcome: Consumers do not pay more due to market distortion.

#### **Remove unnecessary regulatory barriers and market interventions, and encourage further privatisation**

– Outcome: Better prices and services for consumers through more competition, efficiency and innovation.

#### *Overview of electricity costs for farmers*

The cost of electricity for farmers has risen in the last five years disproportionately to any increases in energy consumption. Figure 1, compiled by NFF members New South Wales Irrigators Council (NSWIC) and Cotton Australia (CA) charts this increase. For all of Australian agriculture, but especially intensive irrigation industries, such dramatic increases in energy prices are significantly driving down sector competitiveness.

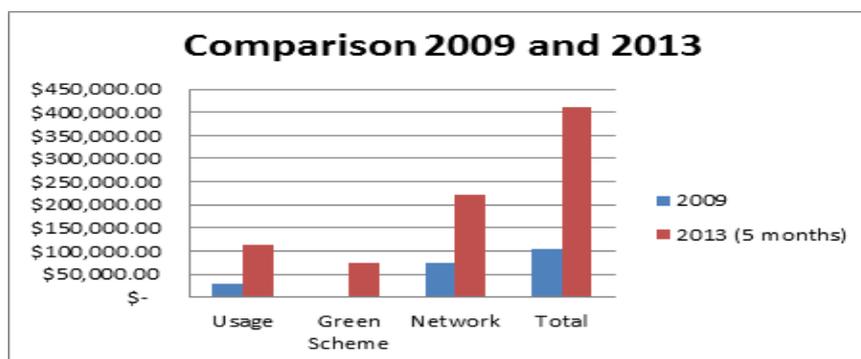


Figure 1: Electricity charges have increased nearly 300% over 5 years, NSWIC and Cotton Australia 2013

Within the broader issue of rising electricity costs, the NFF holds reservations over the impact of network charges on electricity prices. Trial data gathered by NSWIC and CA has shown that the network costs have been the most significant cost driver of recent electricity price increases. The Agricultural Industries Electricity Taskforce (AIET)<sup>4</sup>, supports this claim, noting that network costs make up 50% of farmer’s electricity bills. In some cases, the already high network component can actually be much higher, with one instance reporting that the network component of the electricity bill has increased 110% even when the irrigator’s electricity use has remained stable. In another trial by NSWIC and CA, participants have experienced a tripling of network costs since 2009 (Figure 2).

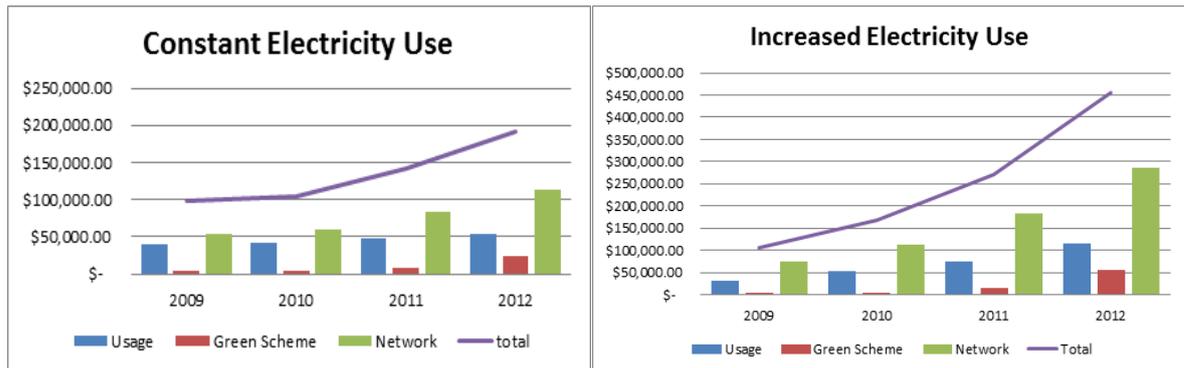


Figure 2: Electricity bill increases 2008 to 2012: constant electricity use and increased electricity use, NSWIC and Cotton Australia 2013.

These figures cast considerable doubt over the claim “recent determinations have pointed towards network costs being less of a cause for price increases”, as is presented on p.32 of the Green Paper.

NFF is also concerned that modelling by Carbon and Energy Markets shows a clear imbalance in network charges between the regional and urban areas. The network charge for regional Queensland and NSW is around 30% more than the network charge for urban areas of those states (Figure 3).

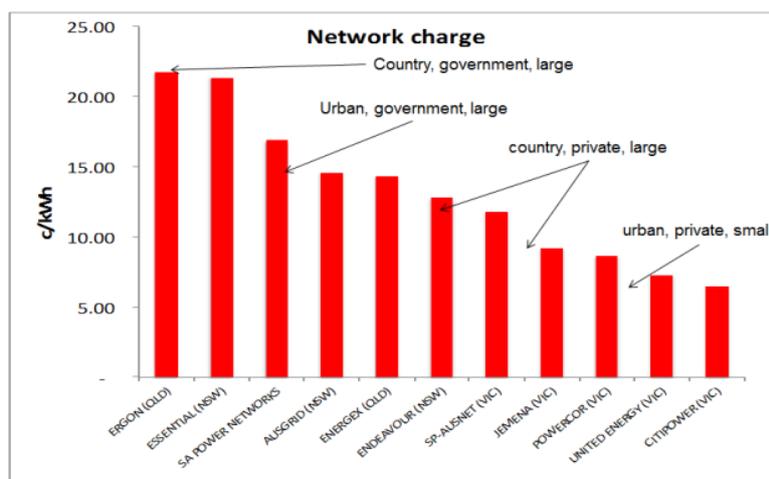


Figure 3: Network Charges: by provider, Carbon and Energy Markets 2013

<sup>4</sup> Agricultural Industries Electricity Taskforce, Communiqué, September 2014

Key points:

- The profitability and competitiveness of farming businesses are being jeopardized by increases in electricity costs, network charges and geographic pricing inequality.

**Pursue tariff reform and improved consumer access (including controlled third party) to energy use data, including electricity network tariff reform to limit cross-subsidies**

*Energy cost – Tariff rate and design*

Farmers should have access to electricity tariffs that are designed to suit the energy demand of their industry. Ideally a farm business tariff would be volume based (not network demand driven) and would include an option for a weekend tariff rate, to benefit from on-peak demand prices.

NSWIC has identified the following principles for consideration in the design of tariff structures to suit the needs of farmers and irrigators, which could potentially be applied to across the agricultural sector:

- Tariffs and the associated charges must be positively correlated to the usage patterns of an individual farmer. If there is a decrease in use or a modification in the usage pattern towards ‘shoulder’ and ‘off-peak’, this must trigger a decrease in overall prices for electricity.
- The tariff and the associated charges must be at levels that do not discourage farmers from participating in national and state water efficiency and land care programs and/or utilising technologies and infrastructure that contribute to the national goal of increased food and fibre production.
- The tariffs must allow for an efficient use of energy-related equipment. This includes wires, poles and meters.
- The tariffs must allow for optimal water application that best assists plant growth.
- The tariffs must avoid perverse pricing outcomes, especially in the context of demand charges. Such demand charges must be tailored to the specific farm operation and the equipment used on farm.

Any tariff reform analysis that considers the removal of current cross-subsidies must consider the ability of users to pay non-subsidised electricity prices. The price impacts on rural and regional electricity users must be considered and the capacity of these users to pay higher electricity prices arising from the removal of subsidies. The basic principle that needs to be adhered to is that farmers should not pay significantly more than those in metropolitan areas for the same level of service for basic infrastructure provision, such as electricity.

For Australian farmers the removal of subsidies are likely to result in higher operating costs and act to significantly dampen sector efforts to increase productivity and competitiveness. NFF calls on the Federal Government to ensure that any agenda to pursue cross-subsidy tariff reform includes robust analysis of capacity to pay and the

implementation of effective Community Service Obligations (CSO) to ensure the providers supply affordable electricity to regional users.

Key Points:

- Networks should provide tariff structures that are tailored to the unique needs of farmers.

#### *Transparency in price setting*

Comparable to the actual costs of electricity is the issue of transparency in the setting of electricity prices. There is significant room for increased transparency in the setting of prices by electricity providers. The NFF notes the acknowledgement of this need in the Green Paper. As the Green Paper states, the government's intended outcome is for all electricity users to have access to clear and transparent information detailing the exact composition of their electricity bills.

In the first instance, the NFF supports the measures called for by the AIET to review the regulator and price setting processes. These measures include:

- Closer examination of the Australian Energy Regulator (AER) network price determination process; and
- Closer examination of performance of networks in relation to global benchmarks and actual service delivered.

Once such examinations have occurred, the NFF urges the government to take action ensuring Australian farmers are provided with information that clearly explains the composition of their bills. From this increased transparency farmers will be in a stronger position to both take actions to manage their current bills and make more informed decisions concerning future development that may require alterations to electricity consumption.

Key points:

- The NFF is calling for improved transparency in both the setting of electricity prices and the composition of individual farmer's bills.

#### **Ensure reliability standards do not encourage unnecessary investment in electricity networks**

As noted throughout this submission, many of NFF member organisations represent industries that are highly dependent on electricity. The success of many of these industries rests heavily on having reliable access to electricity at specific times such as peak irrigation and harvest periods. Access issues during such periods can result in severe losses of production. To this point, the NFF urges government and privately owned electricity companies to take appropriate actions to ensure reliability of energy supply to regional businesses.

However, as explained, network charges already make up large components of growing electricity bills for farmers. The NFF does not support unnecessary investment, disguised as efforts to increase reliability, as an excuse for price increases. Within this issue, is the continued need for transparency of the investment programs of Australian electricity companies. Transparency supports a more constructive discussion between energy suppliers and their customers on desired service levels and the associated costs associated with delivering any improvements.

With regards to the Green Paper, taking such action will help to ensure the government meets its stated goal (p.25) of having customers completely aware of the impacts of increased reliability on the cost of electricity.

On this issue, the NFF supports calls from the AIET to:

- Revalue the regulated asset base to remove the impact of historic over investment from the underlying cost base;
- Linking capital expenditure (and regulated asset base) to network tariff customer classes; and
- Introducing separate formulas for calculating the weighted average cost of capital (WACC) for private and state-owned networks.

Key points:

- The NFF encourages improvements in the reliability standards for those areas and businesses that require increases in electricity flow reliability, particularly during times such as peak irrigation season, but urges the government to ensure that no unnecessary investment in networks occurs, as this results in higher electricity costs for our members beyond agreed service levels.

### **Improve the efficiency of electricity use**

NFF would like to see the entire agriculture sector provided with measures that facilitate and drive on farm investment to improve energy efficiency. Identifying energy improvements, such as upgrades to pumps or the installation of power factor correcting capacitors has the potential to make significant savings in electricity costs for farmers, as well as decreasing greenhouse gas emissions. This will help assist with on-farm competitiveness, contribute to growing food and fibre exports and provide much needed support for farmers facing declines in their terms of trade.

Additionally, NFF seeks support for an energy efficiency program aimed at farmers including education and extension services similar to the Farm Energy Innovation Program administered by New South Wales Farmers<sup>5</sup>. The program should include rebates for on-farm energy efficiency audits, support in accessing the services of agronomists and irrigation designers and online farm energy use calculators. As stated, encouraging active demand side participation by farmers would have the dual benefit of increasing farm

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<sup>5</sup> <http://www.nswfarmers.org.au/r-and-d/farm-energy-innovation-program>

profitability and competitiveness by offsetting rising electricity costs and reducing emissions.

Key points:

- NFF seeks support from government concerning measures aimed at increasing the efficiency of electricity use by farm businesses.

### **Rationalise emissions reductions actions to reduce unnecessary costs**

As outlined throughout this submission, energy and fuel are among the largest costs for Australian farmers and have a significant impact on our competitiveness. The ongoing increases in electricity prices, combined with the major increase in fuel prices over the last decade continue to hit the agricultural sector hard. Accordingly, NFF is of the view that any policy, even in the name of climate action, that simply adds additional costs back into farm businesses should be removed. In addition, whilst renewable energy sources should be investigated and pursued, the impact of those policies and programs that subsidise the development of these sources should be examined to ensure there are not significant negative impacts on sectors that have little or no capacity to pass on costs in what is a globally competitive market.

The NFF supported the Federal Government's decision to repeal the carbon tax. Whilst the agricultural sector itself was excluded from directly paying the tax, costs imposed on other businesses were passed on to agriculture and impacted the bottom line of farm businesses. These carbon tax flow-on costs impacted Australian farmers every time they paid for essential electricity, fertiliser, chemical and fuel supplies. These flow on effects significantly dampened the sector's efforts to increase productivity.

NFF membership is divided concerning Renewable Energy Targets. Many of our members in intensive production industries including Cotton and Dairy hold deep reservations over this policy as it seen to drive up energy prices via market distortion. With evidence such as that presented in this report revealing already significant energy cost increases, their concerns are certainly valid.

However, other sections of our membership have benefited significantly though the Renewable Energy Targets policy due to an increase in demand for land to support wind farms and solar panels. They have received significant funding to house such renewable energy production systems on their land and as a consequence support the continuation of the policy.

NFF is concerned that the agriculture sector will be squeezed out of participating in the Emissions Reduction Fund, as the lower cost abatement opportunities exist in other sectors of the economy. Improving energy efficiency is key opportunity in the ERF. The Government needs to ensure that emissions reduction methodologies, the additionality test and the aggregator mechanism facilitate rather than create a barrier to agricultural energy efficiency projects.

NFF is keen to see appropriate consumer protections embedded in the aggregator mechanism. NFF's view there is an opportunity to use the contractual process between Commonwealth and the aggregator (i.e. the seller), or some other enforceable mechanism,

to manage the risks associated with the aggregator model for both farmers and government. Sellers should be required to provide farmers and other land managers with independently prepared information about their rights and obligations and be required to demonstrate that this information has been provided. NFF's view is that Government should ensure that there is clear, accessible independent information available for farmers about the ERF and the aggregator model.

Additionally, aggregators should be required to include standard terms and conditions in their agreements with land managers that clearly specify the rights and obligations of farmers. In NFF's view, uniformity in contractual arrangements would provide certainty and transparency for both farmers and government. By providing such information, farmers would be better placed to verify the claim of an aggregator, and thus better understand the risks and benefits of participating in an aggregator's project.

In addition to the ERF, NFF is particularly keen to see the Government encourage farmers to take direct action to reduce their on-farm emissions through energy efficiency audits and upgrades to farming equipment.

Key points:

- The NFF does not support emissions reduction actions that simply add costs to producer's electricity bills.
- Improving energy efficiency is a key opportunity in the Emissions Reduction Fund, however the government needs to ensure that emissions reduction methodologies, the additionality test and the aggregator mechanism facilitate rather than create a barrier to agricultural energy efficiency projects.
- There needs to be appropriate consumer protections embedded in the aggregator mechanism.

### **Remove unnecessary regulatory barriers and market interventions, and encourage further privatisation**

Whilst not wanting to pass comment on specific energy sector regulation, the NFF supports regulatory reform aimed at removing unnecessary red tape and which as consequence results in better energy prices for Australian farmers. This support extends to the government's broader pledge to remove unnecessary regulation across Australian industries. This drive is indicative of the 'whole of government' approach the NFF is urging the government to pursue when developing White Papers such as this one.

The NFF urges government to consider the impact of privatisation on end users energy costs, particularly farmers and users in regional areas. These concerns should ultimately drive privatisation decisions by government, and be reflected in terms of sale that protect users from increased energy prices and maintain levels of service.

Key points:

- Privatisation of government assets should be done in a way that will not result in increased energy costs for Australian farmers or reductions in service provision.

#### 4. Building gas supply and improving market operation

*The NFF will respond to the following chapter 3 goals as outlined on p.37 of the Green Paper:*

##### **Bring on new gas supply as quickly as possible**

– Outcome: Avoid potential supply shortages so that domestic gas users do not pay higher prices than necessary.

##### **Improve the availability and quality of market information to improve market transparency and competition**

– Outcome: Gas sellers and buyers have more certainty about the availability of supply and pricing, and the market is more transparent and competitive.

##### **Bring on new gas supply as quickly as possible**

The NFF recognises that potential gas shortages and forecasted increased demand (alluded to on p.38) are driving gas developments and associated government policy at an increasingly fast speed. In light of this, the NFF is calling for certain principles to guide the development of ALL types of gas production. These principles are consistent with those addressed throughout this submission; Transparency is regulation, development and pricing; a focus on the need for reduced energy costs; and the overall assurance that gas production expansion is done in a manner that compliments, not compromises, Australian agriculture.

The emergence of new sources of energy and the development of new energy technologies have generated fresh challenges and sometimes passionate debate over their social acceptance and multiple resource use. Regarding the development of new gas supply, Coal Seam Gas (CSG) has given rise to significant challenges between the energy sector, Australian agriculture and the wider community. Challenges faced include concern around competing land or resource use associated with development, groundwater and agriculture, the preservation of prime agricultural land and broader property rights for Australian farmers. One only needs to look at the development of CSG in, or near, agricultural and residential areas of northern New South Wales and Queensland to see these challenges in existence. It is important that these issues are worked through in an integrated and balanced way to ensure efficient and effective development of our natural resources and to meet our economic, social and environmental goals.

In the context of this Green Paper, the NFF does acknowledge that much regulation in this area is state based. However, at a federal government level, there is clearly a need to promote nationally consistent and mutually beneficial outcomes that provide for responsible and sensible development and coexistence (where appropriate) based on transparent regulatory approaches that safely manage risk and are informed by the best available science.

It is important to note that the Federal government does have some legislative powers in areas that influence new CSG developments. The commonwealth EPBC Act protects matters of national environmental significance listed under the Act – this includes any of the activities undertaken by the agricultural and resources sectors. There is also clearly a

role for the Australian Government in the approval for use of chemicals that might be used by the coal seam gas and broader gas and mining industries.

The NFF is mindful that the current CSG debate is drawing issues to the surface that have led to conflict and mixed outcomes for many farmers. The NFF has been keen to emphasise that in order for the two sectors to coexist, solid assurances need to be provided that natural resource will not be adversely affected and that mining and CSG companies will appropriately rehabilitate agricultural sites. The NFF has been keen to emphasise the need for upfront planning and impact assessments to be undertaken on new energy developments to ensure considered decisions on altering land use. To this end, we would like to see the consistent application of the guiding principles of the Standing Council's Multiple Land Use Framework Land (agreed in December 2013). The principles are designed to resolve apparent or real conflicts of land use.

The current community debate about CSG and non-conventional gas development highlights to NFF the importance of community confidence in the regulatory system and open, transparent and strong community engagement by the gas industry.

NFF's key policy principles to manage the interface between agriculture and the mining and gas sector are

- The profitability and sustainability of food and fibre production must not be compromised;
- Australia's reputation for safe, clean quality food must not be compromised;
- There should be no net decline in water quality or water quantity;
- Water management must be National Water Initiative consistent;
- Social, economic and environmental outcomes must not be compromised;
- The key to productive relationships between agriculture and mineral petroleum industries is relationships built on genuine trust and goodwill and appropriate community engagement;
- Landholder rights that may be impacted by mineral and petroleum licences must be protected by strong, scientifically based regulatory frameworks; and
- Land access agreements should recognise landholder and occupier property rights, and the negotiations must be respectful of farmers.

The NFF urges the federal government to consider these principles in future policy development. In particular we would encourage government to take them into consideration in the development of the proposed "strategy to support the responsible development of the CSG industry and other unconventional gas resources" as stated on p.44 of the Green Paper. The NFF would support such a strategy and awaits opportunities for consultation on its development.

P.44 of the Green Paper contains the government's proposal to work with States and Territories to "improve the coordination, transparency and accountability of both offshore and onshore gas exploration licence approval processes". If correctly operationalised, this would align with NFF calls throughout this submission for improved transparency in not only CSG developments, but broader energy sectors operations.

Finally, NFF recognises that land access agreements may be the only time where landholders can actually seek to positively influence the development process, and receive

some protections and assurances from the mineral and petroleum industries. However, it is worthwhile noting that farmers may be overwhelmed, confused and under stress and therefore should seek legal advice. Access agreements should be activities based, and subject to renegotiation should the schedule of activities change.

Concerning land access agreements, resource companies must undertake best practice during and in finalising land access negotiations, and that such agreements must include among others:

- Appropriate recompense for the full range of costs including the use of assets and access;
- Clear agreements with landholders regarding the disposal and acquisition of any exploration/extraction licence;
- Mining practices including complying with drilling legislation, and the use of chemicals;
- Biosecurity arrangements;
- OH&S requirements;
- Rehabilitation of land;
- Appropriate insurance and bond arrangements;
- Clear specification of responsibility for, and insurance arrangements to cover, accidental damage to mining infrastructure as a result of farming operations
- Arrangements for normal agricultural operations; and
- Any and all conduct whilst operating within the landscape.
- Protocols regarding notification prior to access

Key Points:

- Upfront planning and impact assessments need to be undertaken on all new energy developments to ensure considered decisions on altering land use.
- The NFF supports the proposal to improve the coordination, transparency and accountability of both off and onshore gas exploration licence approval processes.
- The NFF urges government to consider NFF's key Mining and CSG principles along with the recommended land access agreement principles when developing policy.

### **Improve the availability and quality of market information to improve market transparency and competition**

The NFF supports initiatives aimed at increasing gas market transparency and competition. We see these as important steps in a broader strategy in reducing energy costs, in particular electricity prices, for our members. Whilst gas is not a major input to farm production systems, we would encourage increased competition in the market as a means to which to increase the overall mix of energy supply. This may then result in other industries reducing their reliance on electricity due to improved gas options and subsequently this may put downward pressure on electricity prices for farmers, due to overall reduced demand.

Specifically, the NFF supports the proposed action (p.45) of:

- An ACCC Price Inquiry into the Eastern Australian wholesale gas market or a Productivity Commission review, to examine the levels of competition in the eastern gas market.
- The Australian Government publishing of increased information through the Bureau of Resources and Energy Economics (BREE) to improve market information and efficiency of outcomes.
- The Australian Government working with AEMO to enhance the National Gas Market Bulletin Board and improve projections on reserves, production, storage and adequacy of supply in the GSOO.

Key Points:

- The NFF supports proposed actions aimed at increasing transparency and competition of the gas market in order to reduce energy costs for Australian farmers.

## 5. Security, innovation and energy productivity

*The NFF will respond to the following chapter 4 goals as outlined on p.48 of the Green Paper:*

### **Maintain secure, competitively-priced and reliable energy supplies**

– Outcome: Consumers have access to adequate and reliable energy.

### **Improve energy productivity**

– Outcome: Cost savings to Australian households and businesses, improved domestic security and reduced greenhouse gas emissions intensity.

### **Maintain secure, competitively-priced and reliable energy supplies**

#### *Electricity and transport fuel supply*

The consistent supply of energy is critically important to Australian farmers. Within this broader need for energy is the sectors particular reliance on electricity and transport fuels as vital inputs into many farm production systems. As will be discussed below, certain periods in the farming cycle dictate higher inputs of both of these energy types, and failure to supply this demand can have catastrophic impacts on farming business. As farms are in the business of making food and fibre, the take home message from this section should be a recognition that fuel security issues can quickly become food supply issues.

Electricity supplies are vital to much of Australian agriculture, and particularly to more intensive and irrigated industries. As has been addressed in chapter 3 of this submission, the NFF is calling on the government to ensure electricity supply is secure without driving up network costs due to unnecessary infrastructure development.

Transport fuel supplies are vital for most farmers throughout the year, but particularly important during times such as harvest. Whilst for the most part Australian fuel supplies have remained secure, there have been periods where shortages have occurred. The 2012 Shell diesel refinery breakdown is an example of where Australian fuel supply can be compromised. The refinery, located in Geelong, produced 50% of the Victoria's diesel and its temporary closure risked the successful harvest for many farmers. If situations such as this occurred more frequently and supply shortages last longer, there is potential for significant impacts to Australian farm businesses.

The NFF is concerned with the impact of the closure of Australian transport fuel refineries as mentioned on p.52 of the Green Paper. In our view, having a limited number of domestic refineries makes the supply chain more sensitive to supply shortages due to having concentrated production facilities and an increased reliance on imported fuel. As mentioned in the Green Paper (p52) one-third of our point-in-time fuel supply is at sea, and increases to this will create potential supply issue caused by shipping delays, changing trade arrangements, etc. The NFF will eagerly await the release of the National Energy Security Assessment (NESA) report on the declining capacity of fuel supply and its potential impacts.

On this issue, the NFF will be making a detailed submission to the Senate inquiry into Australia's transport energy resilience and sustainability.

The Green Paper notes the potential use of alternative transport fuels as a means to secure transport fuel supply into the future. Fuel types addressed include LPG, CNG, Ethanol blends, LNG, Biodiesel and electricity. The Green Paper does not dedicate much time to addressing the potential for such alternative fuels, and as such this submission is limited in its ability to respond to the issue. However, in principle the NFF supports responsible government investment into alternative fuel sources that result in more secure and affordable transport fuel supplies for Australian farmers, but without resulting in any market distortion.

#### *Renewable energy as a means of securing energy supply*

There is a natural synergy between renewable energy and farming. The NFF believes that there is a pressing need for ongoing national dialogue about the potential for utility-scale renewable energy as both a new business sector in regional Australia and a means by which to secure energy supplies. While regional and remote towns are less efficient to supply with grid supplied electricity (because of transmission line costs and losses), they are also the easiest to supply with renewable energy. This is due to the availability of land for solar and wind generation facilities, as well as access to abundant natural fuel sources for bioenergy creation.

The NFF believes that it is in the national interest to provide policy incentives for utility-scale renewable power generation based in regional centres. Whilst avoiding creating market distortions, these facilities could be associated with manufacturing facilities for renewable technology, further increasing local employment, and co-location with intensive agriculture and processing that would also benefit from cheap renewable power, steam and desalinated water (a by-product of solar thermal plants).

To facilitate this dialogue about exploring renewable energy sources, the NFF requests that the federal government commission modelling of Australia's transmission line network and energy demand in regional centres so as to develop a robust integrated least-cost planning model for Australia's increasing bioenergy, solar, wind and other renewable energy supplies.

The NFF supports the stated actions of R&D investment and ARENA development support as means to drive renewable energy developments. In addition, we believe that other policy measures that government should consider in this field include loan guarantees for the builders of utility-scale renewable power stations and the strategy for investment in new transmission line infrastructure, targeted R&D for supporting partnership and synergies between farming, regional communities and the renewable sector.

#### *Coastal shipping reform*

Affordable shipping is an important issue for Australian agriculture and for the wider economy. All commercial produce is transported from the farm gate to market and approximately two-thirds of all Australian produce is exported. For many farmers, shipping is an essential link in the supply chain. Australian products must be able to move quickly from the farm gate into domestic and overseas markets at a price that delivers a return to the farmer.

Making shipping too expensive puts pressure on Australia's road and rail networks - ships around the Australian coast are sailing empty while trucks fill up our roads. Urgent reform of coastal shipping laws are required to ensure that Australia's infrastructure settings promote growth and prosperity for Australian businesses in the long term. Port pricing is a related issue which needs to be addressed so that calling at more than one port on a voyage around the Australian coast is not cost-prohibitive.

The NFF submission to the Review of Coastal Trading Regulation called for repeal of regulations that increase the cost of shipping. The NFF called on government to:

- repeal the Coastal Trading Act without disrupting current importation rules;
- repeal compulsory collective bargaining in connection with the Australian International Shipping Register;
- repeal Fair Work Regulations extending the Fair Work Act to temporary licensed ships and majority-Australian crewed ships; and
- make new regulations excluding ships engaged in the coasting trade from Fair Work Act coverage.

The NFF reiterates the call for these measures to bring shipping costs down and increase competition and efficiency in the Australian coastal trade.

Key points:

- The NFF is calling on the government to ensure electricity and transport fuel supplies are secure without driving up network costs due to unnecessary infrastructure. The NFF supports actions such as the NESR report as a means of assessing future fuel security.
- The NFF supports the development of renewable energy sources in regional areas as both a means of securing affordable energy supplies and driving economic development in regional areas. This should occur however in a way that avoids market distortion.
- The NFF supports coastal shipping reforms designed to restore competition in the Australian coastal trade.

### **Improve energy productivity**

The NFF supports continued increases in energy productivity. NFF is of the view that increased energy productivity means the energy bills of our members can be reduced, whilst still allowing for improved farm business productivity. In chapter 3, this submission outlined measures that government can take to improve electricity use efficiency and productivity. Many of those actions, such as efficiency audits and support for equipment upgrades and can be applied to all types of energy used by Australian farmers.

Concerning the proposed actions in this section of the Green Paper, whilst many are not directly related to agriculture the NFF would in principle support the National Productivity Plan (p.57), in particular actions aimed at improving appliance and equipment productivity, increased consumer access to information and improved efficiency. These actions could potentially reduce energy costs for Australian farm business and farm households.

Key points:

- The NFF supports actions aimed at increasing energy productivity that ultimately result in reduced energy costs for Australian farmers.

## Appendix 1. Publications detailing the impact of energy costs on agriculture

- Australian Dairy Farmers Energy Factsheet  
<http://www.dairyaustralia.com.au/~media/Documents/Environment%20and%20Resources/22072014-Australian%20Dairy%20Shed%20Energy%20Costs-Fact%20Sheet-July14.pdf>
- Australian Farm Institute (2011), 'The impact of a carbon price on Australian farm businesses: Grain production', Sydney: Australia, p. 1-16.
- New South Wales Irrigators Council & Cotton Australia Press release 30 July, 2014  
<http://us5.campaign-archive2.com/?u=c6e5c2d75b14461767c095feb&id=0ed2ece003&e=14de6a4013>
- Agricultural Industries Electricity Taskforce, Communiqué, September 2014