

ENERGY AND RESOURCES MINISTERS' MEETING

Communiqué

Perth, 10 June 2011

Australian, State and Territory Energy and Resources met in Perth today for a joint meeting of the Ministerial Council on Energy (MCE) and the Ministerial Council on Mineral and Petroleum Resources (MCMPR).

Following a decision by the Council of Australian Governments (COAG) to reform the system of Ministerial Councils, these two ministerial councils are amalgamating from 1 July 2011 to become the Standing Council on Energy and Resources.

This meeting provided Ministers with an opportunity to discuss the strategic issues and challenges that are facing the energy and resources sectors.

The key strategic issues Ministers discussed included:

- the impact of the introduction of a carbon price on Australia's electricity generation sector and the importance of maintaining energy security as this reform is pursued;
- investment in Australia's energy and resources sectors;
- recent increases in electricity prices, and the drivers of electricity price movements in coming years;
- petroleum regulatory reform, particularly the plan to introduce a national offshore petroleum regulator; and
- employment and skills in the resources sector.

Ministers received briefings from the three energy market agencies – the Australian Energy Market Commission (AEMC), the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) – and the National Offshore Petroleum Safety Authority (NOPSA).

The Commonwealth provided Ministers with an update on progress to introduce a carbon price and the work being undertaken to ensure that energy security and market stability are maintained as a carbon price is introduced. This work builds on the 2009 Morgan Stanley report and includes the public report from the Investment Reference Group, as well as work undertaken by consultants Lazard, KPMG and Mallesons.

In the context of the Commonwealth Government's planned introduction of a carbon price, Ministers also noted that the AEMC and AEMO had recently briefed members of the Multi Party Climate Change Committee (MPCCC) on the complexities of Australia's electricity market and the need to ensure energy security and market stability as a carbon price is introduced, while also providing an environment that encourages necessary investment in new generation capacity.

Ministers noted the significant impact that the introduction of a carbon price will have on Australia's electricity generation sector and agreed to closely monitor developments. Ministers further agreed to convene, as necessary, further special meetings of the Council to specifically consider energy security implications arising from the introduction of a carbon price.

Ministers also:

- Noted the release of the *Strategic Framework for Managing Abandoned Mines*;
- Agreed to a revised schedule of energy market competition reviews;
- Welcomed the National Resources Sector Employment Taskforce's comprehensive workforce strategy to address the skills and labour needs of the resources sector - *Resourcing the Future*;
- Noted the commencement of important work on a gas appliances safety strategy;
- Reviewed the current state of progress of the various National Mine Safety Framework strategies;
- Endorsed a strengthened work program around the issues of land access;
- Agreed to direct the AEMC to conduct a review of distribution reliability standards in the National Electricity Market;
- Noted the release of the AEMC's report into *Future Possible Retail Electricity Price Movements: 1 July 2010 to 30 June 2013*; and
- Agreed to modifications to Minimum Energy Performance Standards for certain air conditioner products, subject to approval by the Office of Best Practice Regulation of necessary amendments to the Regulatory Impact Statement.

Strategic Framework for Managing Abandoned Mines

Resources Ministers noted the *Strategic Framework for Managing Abandoned Mines* had been published and commended the report as a valuable resource for all mining jurisdictions. The Framework aims to promote a strategic approach to managing abandoned mines so that risks are minimised, sites are managed efficiently and sustainably and the values associated with these sites are recognised.

Australian Energy Market Commission (AEMC) Competition Reviews Schedule

Energy Ministers agreed to the following schedule of retail energy market competition reviews by the AEMC, whereby: New South Wales (NSW) is reviewed in 2012, Queensland in 2013, no review is conducted in 2014, South Australia is reviewed in 2015 and the Australian Capital Territory (ACT) is reviewed in 2016 (unless the ACT Government removes retail price regulation in response to the 2010 review). The timetable for NSW is subject to further consideration of the implications of recent changes in retail ownership in that jurisdiction. Once Tasmania has implemented full retail contestability (FRC), a review will be conducted no sooner than 18 months after implementation of FRC.

National Resources Sector Employment Task Force

Ministers welcomed the Australian Government's response to the National Resources Sector Employment Taskforce report *Resourcing the Future*, and noted implementation has commenced on the report's 31 recommendations. Ministers look forward to working together and with industry and other stakeholders, to implement the report's recommendations.

Gas Appliances (Carbon Monoxide) Safety Strategy

Ministers noted the commencement of important work on a gas appliances safety strategy to explore options to mitigate the risk of carbon monoxide poisoning from domestic gas appliances. The Gas Technical Regulators Committee (GTRC) has commenced developing a Gas Appliances (Carbon Monoxide) Safety Strategy. The GTRC will present a draft of the Strategy to Ministers by 30 June 2011, after which time there will be opportunity for public consultation.

National Mine Safety Framework

Ministers reviewed the substantial progress on legislative and regulatory reform that continues to be made under the National Mine Safety Framework.

Land Access

Resources Ministers endorsed a strengthened work program around the issues of land access, including consideration of: a National Multiple Land Use Framework; a National Communications Strategy for policy makers; and Code of Practice on Community Engagement for governments. Ministers also noted the *Minerals and Petroleum Exploration* report recommendations to the Australian Government in relation to improving the regulatory environment faced by explorers.

Distribution Reliability Standards Review

Energy Ministers considered the drivers of recent electricity price increases and noted that distribution network investment is a large contributor to these rises. Energy Ministers agreed to direct the AEMC to conduct a review of the distribution reliability standards framework in the National Electricity Market, subject to the finalisation of the terms of reference. The MCE is currently finalising its policy position in relation to the AEMC Transmission Reliability Standards Review.

Australian Energy Market Commission (AEMC) report on forecast trends in electricity prices

Ministers noted the release of a report prepared by the AEMC, *Future Possible Retail Electricity Price Movements: 1 July 2010 to 30 June 2013*, on the AEMC's website at www.aemc.gov.au. Since the report has been finalised, a number of price determinations and policy announcements have occurred and, as a result, some of the data in the report is outdated. Nevertheless the report is a useful contribution to public understanding of the drivers of residential electricity price rises.

Modification of Minimum Energy Performance Standards for Air Conditioners

Energy Ministers agreed to amend the timing and application of standards to apply to certain air conditioner products as agreed with industry, subject to the approval by the Office of Best Practice Regulation of the necessary amendments to the Regulatory Impact Statement.