



13 November 2015

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Examining the future task of Victoria's Environment Protection Authority – Discussion Paper

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Ministerial Advisory Committee's Examining the future task of Victoria's Environment Protection Authority (EPA) Discussion Paper.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 34 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

Given new and emerging environmental challenges and evolving expectations from businesses, the community and government about best practice regulation, the esaa is supportive of examining whether the EPA's role remains fit-for-purpose in the future. But in undertaking such an assessment, it is important to be mindful of the nature of different environmental issues and their relevance within the broader national framework. This is particularly important in the context of the EPA's ongoing air quality management role.

The EPA has a key role to play in providing a level of accountability and assurance that the risks and potential environmental impacts of business activities are being appropriately managed. The EPA's role as a technical expert in monitoring air quality and contributing to national standard-setting is highly relevant in this regard. But it is essential that air quality limits adopted in Victoria do not exceed national standards and goals established through the National Environment Protection Council (NEPC) and National Environment Protection Measures (NEPM's).

Regulations imposed on business can, and often are intended, to distort market outcomes. This issue is particularly acute for the electricity generation sector. As participants in the National Electricity Market (NEM), inconsistencies in emissions limits imposed across different jurisdictions can adversely affect the competitiveness of electricity generators in one jurisdiction relative to others. There is little environmental benefit to forcing electricity generation from one jurisdiction to another unless the generator is forced into a jurisdiction with higher environmental standards.

The esaa cautions against increasing environmental regulations without consideration of the substitution effect which can occur in national markets, therefore resulting in higher electricity prices without an improvement in environmental outcomes.

The Victorian Government has announced it will 'reposition Victoria as a national climate change leader'. Reducing emissions of CO2 and other greenhouse gas emissions is a task of national and international importance. Electricity businesses are governed by Australian Government legislation that requires quarterly reporting and imposes a cap on the sectors emissions.

The most efficient and equitable approach to reducing carbon emissions is through a least cost, national carbon abatement policy/s with deep international linkages. State-based schemes are more likely to distort investment incentives between different regions and result in sub-optimal outcomes economy wide, through either carbon leakage to other jurisdictions on higher cost abatement.

The EPA does have an ongoing role in regulating pollutants from industrial processes. Introducing CO2 as a pollutant to be regulated at the jurisdictional level is a significant change in this scope. It is even more challenging given the current debate at the national level about the most efficient and effective climate policy to deliver Australia's emissions reduction targets to 2030.

Consideration of the appropriateness of state based regulation of CO2 would need to be assessed against all other national policy options. Further, as national climate policy evolves, it will be impacted by any existing state based regulations. This risks disadvantaging the Victorian economy unnecessarily.

Any questions about our submission should be addressed to [REDACTED], by email to [REDACTED] or by telephone on [REDACTED].

Yours sincerely

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