



GE

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Major Project Development Assessment Processes
Productivity Commission
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RE: Major Project Development Assessment Processes Issues Paper

General Electric (GE) welcomes the opportunity to respond to the Productivity Commission Issues Paper for its Major Project Development Assessment Processes study.

As a technology and services supplier and financier with 117 years' experience in Australia, GE employs more than 5000 staff across its Capital, Oil and Gas, Power and Water, Energy Management, Healthcare, Aviation, Transportation and Mining businesses.

GE agrees with the Business Council of Australia's recommendation for this study in a bid to redress "inefficient and duplicative regulatory arrangements are imposing unnecessary costs" associated with development assessment and approval processes and commends the Government on making this reference to the Commission.

More fundamentally, GE believes the delivery of infrastructure and major development projects require a partnership between government and industry with clear and consistent public policy underpinnings.

Based on GE's experience, this partnership and approach to policy should provide:

- a clear and durable political commitment, such as infrastructure master plan detailing an economic development strategy as well as informing and assuring the private sector;
- talented workforces available for the staged development of major projects through skilled migration and development of skilled local labour pool through registered training organisations;
- transparent government procurement processes with trained professionals with familiarity in areas such as project delivering and auditing; and
- regulation that is transparent, reasonable and speedy, recognising that infrastructure intersects with core governmental interests like productivity, safety, security, environmental impact, and its economics are going to be regulated.

In terms of transparent, reasonable and speedy regulation, GE believes the Commission's proposed assessment criteria for the Commission's study are comprehensive. These criteria include:

- clear, justifiable regulatory objectives
- consistency with other regulations
- cost-effectiveness
- proportionate and flexible regulatory requirements
- clear and predictable processes
- open and transparent processes
- appropriate opportunities for public participation and review of decisions
- clarity in roles and responsibilities
- accountable decision-makers
- appropriately skilled and resourced institutions
- regulatory outcomes consistent with objectives
- regular review and evaluation.

Similarly, GE believes the possible measures identified by the Commission to improve the efficiency and effectiveness of DAA processes are appropriate. These are:

- measures to coordinate and streamline regulatory processes through Major Projects Offices and Offices of Coordinators-General;
- measures to improve timeliness through initiatives such as the case management of "significant projects";
- risk-based regulation through the classification of project, such as by size; and
- reducing duplication between levels of government including the operation of bilateral agreements.

In addition, GE believes the Commission needs to consider:

- the ability of DAA processes to assess and accommodate the adoption of new technologies, including first-of-a-kind, by major development proponents particularly where this equipment or processes could enhance the project's sustainable delivery and operation; and
- the interface between the assessment and approval processes with the project financing decision-making that proponents are also undertaking.

With reference to new technologies, the Australian Government is actively encouraging the development and deployment of these technologies through programs and organisations such as the Australian Renewable Energy Agency, Clean Technology Investment Program and Global Carbon Capture and Storage Institute.

The Government's 2012 Energy White Paper identified "*bringing new technologies to market*" as one of the Key challenges for the nation's energy sector. The experience in deploying and operation of new and first-of-a-kind technologies through these programs and organisations as well as from proponents, their advisers and their prospective technology suppliers needs to be accessible as knowledge sharing for the DAA process.

In terms of project financing, the then Minister for Resources and Energy The Honourable Martin Ferguson AM MP stated in his introduction to the Energy White Paper:

"We must also work together to minimise project costs and to attract future investment by improving our productivity and streamlining the regulation and approval processes that apply to energy resource development. This will create new wealth and jobs, especially in many areas in regional Australia."

While the financing and assessment/approval of projects are separate processes for project proponents to complete, the stability and timeliness of the DAA process or lack thereof may impact on a project's financing "*by heightening perceptions of risk*".

In its Issues Paper, the Commission has highlighted the resources sector accounts for a significant share of the major development projects citing "*the Bureau of Resources and Energy Economics estimates an investment 'pipeline' of around \$660 billion, the bulk of which is LNG projects*".

GE is a major supplier to the offshore and onshore unconventional gas industries in Australia, supplying projects through extraction, management of associated water-brine, and conversion into LNG for export and domestic use.

In 2009, the Productivity Commission released its final Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector found:

“Significant regulatory costs are associated with approval delays that potentially lead to increased project expenditures, reduced flexibility for responding to market conditions, inflated capital costs, increased difficulty of financing projects, and reduced present value from resource development. Expediting the average approval process by one year could increase the net present value of projects by 10–20 per cent simply by bringing forward income streams. Given the sector contributes 2 per cent to GDP, the potential income gains for Australian residents could be in the billions of dollars each year.”

Therefore, GE recommends to the Commission note in context of the LNG projects that:

- the Standing Council on Energy and Resources process for preparing the Draft National Harmonised Regulatory Framework for Coal Seam Gas, focussing on issues impacting on investment in resources exploration and development, including land access, community, infrastructure and labour is preferable to developing new regulatory processes for the Australian Government or State/Territory Governments to implement;
- the establishment of the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development to provide project advice to the Federal Minister and participating States and Territories, within a statutory timeframe, is preferable rather than imposing conditions that may duplicate requirements by State-Territory have imposed; and
- assessment and approval bodies should continue to inform their decisions based on the merits of projects against DAA criteria as well as have sufficient resources and access to advice particularly in determining the capability of technology, including first-of-a-kind applications, that may be proposed for the project.

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