

SUBMISSION TO PRODUCTIVITY COMMISSION

BY AWE (WESTERN REGION)

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On The ENERGY EFFICIENCIES OPPORTUNITY ACT 2006

WHAT IS IT?

- Legislation to force businesses to look for and implement energy saving opportunities

WHO DOES IT APPLY TO?

- Businesses that use >0.5 PJ of energy per annum

WHEN DID IT COME INTO EFFECT?

- The first trigger year is 2005/06
- Required to assess and report for 5 years following a trigger year

WHAT DO BUSINESSES HAVE TO DO TO COMPLY?

- Register
- Assess opportunities
- Implement feasible and cost effective opportunities
- Report on the process
- Communicate process throughout the organization

PARTICIPATION DETERMINATION

- 2005/06 0.607 PJ
- 2006/07 0.624 PJ
- ARC(now AWE Western Region) required to register as usage is > 0.5 PJ

REGISTRATION

- ARC(now AWE Western Region) registered 11th April 2007 (prior to the 30th June deadline)

PREPARING AN ASSESSMENT & REPORTING SCHEDULE

- ARC submitted an assessment and reporting schedule 14th December 2007 (prior to the 31st December deadline), with revisions being sent 20th March 2008 and 16th June 2008.
- Department of Resources, Energy and Tourism accepted ARC's assessment and reporting schedule 16th June 2008.

CONDUCT ASSESSMENTS

- First Assessment to be completed by 30th June 2009
- Second Assessment to be completed by 30th June 2010

WHAT DOES AN ASSESSMENT INVOLVE?

- Document key site processes and activities that use energy.
- Collect energy consumption and cost data for each energy source.
- Record production data
- Identify the impact of the operating profile on energy use
- Data collection assumptions and measure taken to ensure the accuracy of energy data
- Undertake energy analysis process to identify energy efficiency opportunities
- Investigate the feasibility of energy efficiency opportunities
- Communicate outcomes of energy efficiency opportunities analysis and decisions made.

Comment All of the above already undertaken in the normal course of business, the Act requires existing data to be transcribed to conform with Act requirements, also requires an additional set of reports to comply with the Act

REPORT ON ASSESSMENTS

- First Report to Public due 31st December 2008
- First Report to Government due 31st December 2008
- Second Report to Public due 31st December 2009
- Third Report to Public due 31st December 2010
- Fourth Report to Public due 31st December 2011
- Second Report to Government 31st December 2011

WHAT WILL THE REPORT CONTAIN?

- Energy use by fuel type
- Energy use relative to production (GJ/boe)
- Outcomes of assessments and business response including energy savings and net financial benefit

Comment The above data already collected and reported in different format in reports to State and Commonwealth Authorities under different regulations eg NGER, Carbon Accounting and Royalty reporting for production.

NEW RESPONSIBILITIES defined under the Act

- The legislation requires boards to ensure that the company is assessing and implementing energy efficiency opportunities

Comment The oil and gas industry is very focused on this and the board of each oil and gas company would examine this as a matter of course.

PROCESS required under the Act

- The legislation outlines a process that is to be followed when assessing and implementing energy efficiency opportunities

Comment The process outlined is a variant on a management system that is defined in any of ISO 9000, ISO 14001 or AS 4801.

NEW DOCUMENTATION REQUIREMENT required under the Act

- The legislation requires that the energy efficiency opportunities process is well documented
- The legislation requires new reporting to government and to the public on the energy efficiency opportunities process

Comment Another set of statutory reports that duplicate information already collected by companies.

LEADERSHIP - required under the Act

- Companies required to establish an Energy Efficiency Opportunities Policy which outlines the company energy use and energy assessment objectives (Policy Document)
- Company to put together a plan that documents the proposed people time and costs to be allocated to Energy Efficiency Opportunities (AFE)

Comment These would be considered a normal part of business activities that should not require a legal mandate, especially in the oil and gas industry.

PEOPLE, INFORMATION, DATA & ANALYSIS required under the Act

- Document all the streams of energy use in the business (1 engineer for 10 days) (Energy usage report for DPF and HPF)
- Conduct two one day workshops with representatives from across the business to identify energy efficiency opportunities (10 people for 2 days) (Workshop report for DPF and HPF)
- Further investigate identified energy efficiency opportunities (1 engineer for 15 days) (Opportunity Investigation Report)
- Calculate the payback period for identified opportunities (Opportunity Investigation Report)
- Implement any feasible, cost effective energy efficiency opportunities (Drawings, Photographs, etc)
- Document reasons for not pursuing specific opportunity areas (Government Report)

Cost to AWE Western Region - Estimated time and cost to date to comply 45 man days (senior professional) plus time for meetings and workshops. Estimated dollar cost to date \$18,000.

COMMUNICATING OUTCOMES required under the Act

- Communicate outcomes of the assessment to personnel (email correspondence, Public Report)

Comment Another legal constraint on public reporting by companies.

SUMMARY The Energy Efficiencies Opportunities Act does not help the oil and gas industry, because the industry is a net energy producer. The Act seems to have as a focus net energy consumers. The reality is that the oil and gas industry is at its most efficient when it brings on line new oil and gas wells. As the wells age the energy consumed to extract the well fluids increases, due to the increased energy cost of enhanced recovery techniques that are employed towards the end of a field's life. The consequence of the Act on the oil and gas industry has been the creation of yet another set of data collection requirements on data that is already collected and examined in detail as a matter of course by the industry.

AWE recommends that the Productivity examine other data collection requirements and seek a unification of data collection and a separation of reporting to recognise that the Oil and Gas Production Industry will generally distort the data and needs to be separately reported. Alternative is to exclude Oil and gas and use existing data sets as a separate report base.

The EEO has a very prescriptive approach to it, and whilst it is recognised that there are plans to combine the data collection with other legislative requirements, the net result is still an unnecessary overhead that adds little value in the grand scheme of things.

Any integration with CPRS or ETS schemes legislation should be designed to allow innovative and individual company tailored responses to allow highest economic efficiency