Media Release

13th October 2014
Attention: General and Political
1/2

Keep assets in public hands and save consumers $310 per year off power bills: ETU tells Government
LNP steals part of ETU electricity pricing policy

The Electrical Trades Union says Queenslanders can have sustainable electricity price relief and public ownership.

ETU State Secretary Peter Simpson said yesterday's backflip by the LNP was a short term political solution but did open up an important debate about the future of the SBS and Uniform Tariff Policy under privatisation.

"The backflip on funding for the Solar Bonus Scheme picks up part of our policy (Attached: ETU 30 year strategy submission 2013) which included "ring fencing" the profits and dividends generated by public electricity assets and using the funds to provide price relief for Queenslanders, the important difference is that the capacity to provide that relief goes well beyond the five years outlined by the Government, our policy is sustainable into the future"

> **4) Ring-fence all future dividends from publically owned energy businesses and rather than returning funds to consolidated revenue use those funds for:**
>
> - **Consumer price relief in the form of subsidies and rebates.**
> - **Fully fund renewable schemes such as solar feed-in tariff.**
> - **Maintain the Uniform Tariff Policy.**
> - **Invest in development and research of emerging energy technologies.**

"The LNP as usual have tried to cherry pick sort term political solutions rather than actually dealing with the facts, the fact is under public ownership dividends generated by public owned electricity companies can and have for some time been able to more than pay for both the SBS and UTP and have money left over. This fact was laid out quite clearly in the Orion Report released earlier this year" (Attached)

"That report showed that even after the SBS and the UTP had been paid for, there would be enough left over from dividend payments to provide further relief to the tune of $167 per household in 2015, making a minimum saving to the average Queensland household of **$310 per year with that figure projected to increase year on year**. All achieved without the privatisation of public electricity assets".

Continues...

Authorised by P.J Simpson, ETU Divisional Branch Secretary

"What the report revealed was the true worth to every household of public ownership if the profits are put back into combating price increases which are having a massive impact on families http://www.abc.net.au/news/2014-10-13/1-in-8-australians-cant-pay-electricity-bill/5805886 The more profits that public owned businesses earn, the bigger the rebate will be. All that's needed is for the Government to have the fortitude to implement this policy." Simpson said.

"When we released the report in February this year the Government dismissed it as over simplifying the situation and that funding the SBS and UTP out of dividends would force public transport fares up, what has changed"?

"Public opinion has changed, the Government has been found out telling lies about combatting cost of living pressures and now they are trying to bribe voters with a promise of lower electricity prices, but only if you sell off the family silver, it's cynical attempt to buy votes and while we welcome the debate it should never be done with a privatisation gun to the head"

Links
Orion Report in full
http://www.etu.org.au/document/orion-report-queenslands-power-industry-0
Attached

- Orion Report Media Release 13 Feb 2014
- ETU 30 year strategy submission 2013

...Ends

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Media Release

13 February 2014

Attention: General and Political reporters **1/2**

CIRCUIT BREAKER - Power prices could be reduced by more than $310... without sell off

New report shows public ownership pays

The Electrical Trades Union has seized on the findings of a new independent report which shows the Government could reduce skyrocketing power prices by more than $310 per year with the stroke of a pen without selling off the family silver.

The report which provides a detailed analysis of the Queensland Government Electricity Sector Cash Flows since 2007 and projected outcomes for 2015 reveals how much could be saved on electricity bills if all profits from State owned energy companies were kept specifically for policies to combat rising electricity prices.

ETU State Secretary Peter Simpson said the report findings were "pretty much what we have been saying for some time, our public owned power entities are profitable and efficient when managed properly and the dividends generated by them can and should be used to reduce the cost of power for Queensland households"

"The figures are clear. Based on their own budget papers, State Government is getting $614 in revenue for every Queensland household this financial year. What we are saying is that the money should be used to ease rising energy costs."

The report shows that the Government could directly fund the cost of the Solar Feed In Tariff from the dividends provided by the GOC's to general revenue rather than allowing the cost to be shared by all consumers. This alone would reduce power bills for every Queensland household by $143 in 2015.

Further the report shows there would be enough money left over from the dividend payments to continue the Uniform Tariff Policy which is currently on the chopping block, due to be scrapped by the LNP from 2015. The UTP is crucial for providing equitable access for rural and remote communities to electricity supplies at the same price paid in the larger cities and without it, people that live in regional areas would pay an additional $847 based on this financial years figures'.

In a real win for Queensland households, the report shows that even after the Solar Feed In Tariff and the UTP have been paid for, there would be enough left over from dividend payments to provide further relief to the tune of $167 per household in 2015**, making a minimum saving to the average Queensland household of $310 per year** with that figure projected to increase year on year. All achieved without the sale, equity partnership or divestment of any public electricity assets.

"What this reveals is the true worth to every household of public ownership if the profits are put back into combating price increases. The more profits that State owned businesses earn, the bigger the rebate will be. All that's needed is for the Government to have the fortitude to implement this policy." Mr Simpson said.

...more

Authorised by PJ Simpson, ETU Divisional Branch Secretary

Mr Simpson also warned the $310 savings will disappear into private company coffers if the Government continued with its intention to "invite" private investment into Energex, Ergon and Powerlink to the tune of $14B.

"Queenslanders should be extremely concerned because going down the path of private equity partnerships will ultimately see the Government locked into paying millions of dollars of our money that should be used to reduce cost of living pressures on Queensland families as dividends to private companies, many from overseas, for many years into the future.

"Future energy infrastructure doesn't come out of general State revenue, the companies fund it from their existing budgets and even then the investment is a recoverable cost under the national market. In fact, the analysis clearly shows that for every billion invested in assets, the State receives an average of $41.6 million annually over a 50 year period.

"Put simply inviting the private sector to invest in the network is not needed. It is simply a proposal to allow privatisation by stealth, without a mandate, and is yet another clear breach of the LNPs election commitments"

"The figures are mind blowing and refute the misinformation being peddled by Premier Newman, Treasurer Nicholls and Minister McArdle, who continue to blame everyone from federal regulators to the Carbon Tax and everything in between. This report clearly shows the Government could reduce the spiraling cost of living pressures on Queenslanders, if it wants to"

"Instead they have continued to push an ideologically flawed privatisation agenda that has failed in every State and country where it has been implemented"

"It is time for the Government to admit it is taking the wrong policy direction and commit to keeping our assets in public hands and share the vast profits it collects on behalf of taxpayers and provide some much needed cost of living relief to struggling Queensland households"

For further information please contact

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SUBMISSION

'Powering Queensland's Future'
Queensland Government 30 Year Electricity Strategy
Discussion Paper

Electrical Trades Union Queensland Branch
41 Peel Street
South Brisbane 4101

Executive Summary

The Queensland Branch of the Electrical Trades Union (ETU) welcomes the opportunity to participate in mature and informed dialogue on the future of Queensland's energy sector over the next 30 years.

Energy is essential to the modern standard of living in Queensland and without a safe, sustainable and secure supply of affordable energy we cannot fuel our cars, ride busses or trains, cook dinner, cool drinks, wash our clothes, surf the internet, watch television, recharge mobile phones, laptops or use our computers.

We agree that careful long term planning is required for the Queensland energy sector given its critical importance to our state's social, economic and environmental future. However, we do not agree with some of the government's proposed or implied policy directions as contained in the 'Powering Queensland's Future' 30 Year Electricity Strategy Discussion Paper.

We do not agree that privatisation of the energy sector is the best way forward, not least of which is because privatisation does not lead to lower retail energy prices.

Evidence drawn from other jurisdictions clearly shows that privatisation involves reduced operational staff levels, large scale redundancies, discourages timely large scale investment in generation, transmission and distribution and leads to high electricity prices as private companies profit gouge and maximise returns to shareholders – usually foreign shareholders.

The ETU believes that the supply of energy should be a part of the core business of government and an essential service, and as such should never be under consideration to retire government debt through privatisation.

RECOMMENDATIONS

1) **Guarantee transmission and distribution remain under public ownership in a 'regulated business model' for the next 30 years.**
2) **Commit to ensuring that the current ratio of public to private generation capacity in Queensland is maintained.**
3) **Reject private sector equity investment in future transmission and distribution capital expenditure, which in essence, is nothing more than privatisation by stealth.**
4) **Ring-fence all future dividends from publically owned energy businesses and rather than returning funds to consolidated revenue use those funds for:**
    - **Consumer price relief in the form of subsidies and rebates.**
    - **Fully fund renewable schemes such as solar feed-in tariff.**
    - **Maintain the Uniform Tariff Policy.**
    - **Invest in development and research of emerging energy technologies.**

5) **Significantly increase funding levels for current and developing renewable generation technologies.**
6) **Establish the Electricity Outlook Expert Panel inclusive of membership of the Electrical Trades Union.**
7) **Task the Expert Panel with finding synergies between ENERGEX, Ergon Energy and Powerlink, with a view to eliminating duplication. Such a review should investigate whether or not the government needs three separate Government Owned Corporations to do the work that one single entity could clearly do.**
8) **Task the Expert Panel with finding synergies between CS Energy and Stanwell Corporation. Such a review should investigate whether or not the Government needs two generation entities when one could clearly manage Queensland's generation needs.**
9) **Guarantee retail electricity price equity for regional and remote communities, as is provided currently through Uniform Tariff Policy.**
10) **A priority be placed immediately on investigations into the feasibility of transitioning to de-centralised distribution systems.**
11) **Ensure safe and reliable future networks through a whole of life maintenance plan to ensure adequate resourcing for the continuation of a safe and reliable electricity network.**
12) **Review current regulatory and market arrangements with a view to reducing duplication and increasing efficiency in the both the interface between state and federal jurisdictions and individually within each jurisdiction respectively.**
13) **Rule out nuclear energy as a generation source and immediately re-instate the pre-existing ban on uranium mining in Queensland.**
14) **Immediately recommence an aggressive research and development agenda in Carbon Capture and Storage technology for fossil fuel generation emissions.**
15) **Commit to a goal of carbon neutral electricity generation in Queensland by 2034.**

1. PRIVATISATION

In considering the next 30 years for the Queensland energy sector one of the most important issues that must be addressed is the best model of ownership of energy assets.

The government has paved the way for a fire sale of some of Queensland taxpayers most essential and profitable infrastructure assets by considering privatising our public owned generators and refusing to guarantee

Privatisation is often justified on, among other grounds, that it will create greater efficiencies through competition and help retire current levels of debt or ameliorate

future debt and lead to lower prices. However, the ETU rejects these assertions completely.

Privatisation of Queensland's electricity assets such as power generators, high voltage transmission line and distribution lines are not in the short or long term economic interests of Queensland and will have a detrimental effect on service standards and higher prices.

The ETU believes that both transmission and distribution as well as generation assets should remain in Government hands where they still are in Government hands.

As natural monopolies these companies will continually deliver profits to government in the long term. Consideration of the future of such assets should not through the prism of a short term, one time economic 'sugar-hit' that privatisation allegedly provides. Once sold, these profitable assets are never recovered.

There are good reasons for government owned and operated services and enterprises, particularly those that are essential services. Government is not hampered by having to make a return to shareholders as a priority. Government is more likely to better look after the needs of consumers in remote areas as the less profitable areas of the business can be cross subsidised by the more profitable areas in higher population areas. Once Government sells its stake in the business, its ability to influence outcomes in the public interest is severely reduced as is its capacity to regulate market behaviour.

Privatisation as policy in government goes far beyond that of misplaced confidence in a particular ideology, there are numerous independent reports that have analysed privatisation parts of Australia's energy sector and shown that in almost every case it has failed to deliver on its promises and led to worse economic and social outcomes compared to public ownership.

In its 2013 paper titled *'Electricity and Privatisation – what happened to the Promises?'* the Australia Institute[1] found that:

"The advocates of electricity reforms in the 1990s and since have argued for privatisation, corporatisation and competition with the promise of a more efficient industry and lower costs. The pervasive nature of this advocacy suggests there should be some solid evidence by now, especially with two decades of experience of these 'reforms' behind us. Despite the promise of lower prices and a more efficient industry, electricity prices instead have been a major cause for concern on the part of Australian consumers. Over the period since March 1995 electricity prices have outpaced the CPI with an increase of 170 per cent compared with an increase of 60 per cent for the CPI."

[1] Richardson, D, *Electricity and Privatisation – What happened to the promises?*, Technical Brief 22, The Australia Institute, Canberra, Australia, 2013, p11.

Further to failing to deliver on one of the most critically important consumer outcomes, a 2012 report into electricity privatisation in Australia by Dr Philip Toner[2] found that:

"The global and Australian experience of privatised electricity markets is not a textbook model of competition, instead, there is an oligopolistic market dominated by 2-4 principal regional players, each exercising considerable market power.

Households are in no position to bargain with oligopolistic suppliers. Moreover, as occurs in many other highly concentrated industries such as insurance, financial services and telecommunications, offers to consumers from suppliers are difficult to compare and intended to obfuscate."

These excerpts represent key highlights of a larger body of evidence that clearly and rationally demonstrates that privatisation of energy is not in Queensland's interest. Essentially the question of public ownership comes down to whether or not the supply of energy should be part of the core business of government, and given how essential it is to daily life in Queensland for communities and businesses alike, the answer is a resounding 'yes'.

1.1 Privatisation does not solve public debt problems

Contrary to claims made in the course of privatisation campaigns such as the one being currently undertaken by the Queensland Government, that public enterprises represented a burden on the public, these enterprises have been consistently profitable.

Although the relative profitability of generation, distribution and retail components has fluctuated, the profitability of the industry as a whole has increased steadily in all Australian states.

In fact, in all instances of privatisation thus far it can be shown that continued public ownership in the long-term returns are as good as, or better than, the option of selling assets and using the proceeds to repay debt.

Victoria

Following the privatisation of the energy industry in the 1990s by the Kennett Liberal Government an analysis by Professor John Quiggin (2003) involved projecting the earnings of the State Electricity Commission of Victoria (SECV) under continued public ownership based on its published business plan for the first ten years after privatisation, and constant earnings thereafter. The discounted value of earnings was estimated at between $20 billion and $30 billion, compared with a sale price of

[2] Toner, P, *Electricity in Australia – A Briefing Note*, Department of Political Economy, University of Sydney, Australia, 2012, p3.

$20 billion. At a real discount rate of 4 per cent, the present value of the earnings of the SECV under the business plan scenario would have been around $30 billion. At a discount rate of 6 per cent, the present value falls to $21 billion.

South Australia

In 1999, the then government announced the long term lease of its distribution company ETSA Utilities and the sale of retail company ETSA Power for a total of $3.5 billion (later increased to $3.55 billion when ETSA was resold by the leaseholders). The government argued that private investors would be willing to pay a price for ETSA that exceeded its value in continued public ownership. The remaining parts of the industry (the three generation companies) were leased or sold during 2000.

Given the multiple changes of ownership following privatisation, it is only possible to consider the distribution business, ETSA Utilities. By 2012, EBIT for ETSA Utilities (now renamed as SA Power Networks) had risen from $350 million in 20000 to $642 million, an annual rate of increase of 5 per cent. Adjusting for inflation of 2-3 per cent, this implies that earnings have risen at a real rate of 2-3 per cent per year. The observed outcome supports the conclusion that the privatisation of ETSA has cost the South Australian public between $1 billion and $2 billion, and that an outcome at the upper end of this range is likely.

In both cases it is shown that on conservative estimates it would have been financially advantageous for the states to have kept their energy infrastructure under public ownership. The perceived financial benefits of privatisation are completely illusionary.

One of the fundamental tenants of privatisation is that it will deliver increased competition through which consumers will benefit with more choice. What we find in sectors like energy that are a natural monopoly is that after privatisation, through mergers, acquisitions and vertical integration, there exists a few keys private entities that control the sector.

AGL a dominant supplier of electricity and gas throughout Easter Australia retail market said in 2002 "We want to be one of what we predict will be three or four national energy players." and this is basically what has happened. As an example, AGL, Origin and TRU dominate the Victorian electricity and gas markets, control almost all the electricity and gas markets in SA, QLD and ACT and AGL dominates the NSW gas market.

Governments have historically pursued competition policy and tried to create more competitive energy markets by separating generation, transmission, distribution and retail supply of electricity and either selling off or corporatizing the smaller units, barriers to new retailers or generators were reduced. Ironically this has simply led to public oligopolies being replaced by private.

1.2 Pricing

Electricity prices have been subject to hyper-inflation over the last 8-10 years right across the country. However the increases have been more significant in states where the whole, or majority, of the energy sector has been privatised. One has to question why energy costs have risen sharply in these states. Where is the money going? Supposedly the money is going to investment to upgrade and replace ageing assets. But where is the evidence of this investment; certainly not in fully privatised Victoria. Consumers being forced to pay more and more for their energy while routine preventative maintenance programs have all but stopped.

In 2012-13 Queenslanders have been subjected to an unprecedented 22.6% electricity price increase, and while there has been much debate about the underlying drivers of the increase (e.g. renewable schemes, government policy) the fact remains that cost of living, and power pricing in particular, remains one of the most important issues for consumers.

Price equity between metropolitan and regional areas in Queensland is also an issue of paramount importance. Currently the annual Community Service Obligation payment ensures price parity and this must maintained.

1.3 Price Manipulation

Unfortunate as it is, there are instances of price manipulation in energy markets around the globe[3]. Pricing in the national electricity market, of which Queensland is a part, is complex but there is general agreement that there is potential for price manipulation. A 2002 COAG report admitted that the system allows one or two generators to "effectively set the price at a level they choose" up to the market price cap and there is pressure to completely remove the price caps. A study by ABARE confirms that price manipulation occurs in the NEM.

Apart from being in breach of the market rules of the NEM, this behaviour has cost Queensland taxpayers through the millions reaped by unscrupulous private operators in the wholesale generation market. The experience in the Queensland[4] sector of the wholesale electricity market is that large profits are being made by charging very high prices when demand is high and reserve capacity low.

1.4 Network Safety

Privatisation of transmission and distribution businesses, or the 'poles and wires', in other Australian states has led to chronic under investment and low staffing levels that has resulted in unsafe and unreliable networks. The clearest example of this is

[3] http://www.theguardian.com/business/series/the-gas-game
[4] http://www.brisbanetimes.com.au/queensland/calls-for-inquiry-into-power-relationship-20130905-2t85r.html

Victoria and the part that privatised networks played in the tragic 'Black Saturday' Bushfires in 2010.

The Victorian Bushfires

In submissions to electricity pricing inquiries and consultations since the industry's privatisation in Victoria in 1994, the Electrical Trades Union Victorian Branch repeatedly warned of 'dangerously inadequate ageing infrastructure', of the 'maintenance unaccountability of distribution companies' and of a 'drastically reduced workforce to work on live lines'. A system that was maintained in the past by the State Electricity Commission prior to privatisation, was converted to a segmented, privatised industry with no dedicated form of maintenance and unreliable supply issues. The frailty of the system was highlighted tragically with the Victorian bush fires in February 2009.

The subsequent Bushfire Royal Commission made a number of recommendations regarding the replacement of the ageing electricity distribution network and changes to the regularity of inspections and maintenance.

Victoria's electricity distribution network was long overdue for major investment, in fact one of the main arguments for privatising the assets is so that this investment could occur. However the assets were sold off, the promised investment did not occur and the ageing infrastructure was a major contributor to the bushfire devastation. The Royal Commission into the Victorian Bushfires stated:

"The distribution businesses and the State of Victoria submitted there is a large financial cost associated with any recommendation to replace Victoria's ageing electricity distribution network with technology that delivers a reduced bushfire risk. In the Commission's view, the cost of not renewing the network could be far greater. The costs of major bushfires fall on the entire community, and the Kilmore East fire alone demonstrates, in terms of loss of both life and assets, the potential magnitude of those costs."

The Commission made its recommendations for the benefit of the entire community however for reasons it considered it inappropriate that electricity consumers bear the entire cost of implementing those recommendations and since the scale of the investment required is so large, governments are having to step in and provide the investment funding necessary to upgrade and replace the destroyed and damaged network.

The supposed efficiency gains to be made by private competitive companies are made through short term costs savings which included cutting the quality or level of services and mass job losses. For example in the employment in the electricity sector fell from 83,000 in the mid-1990s to 33,000 workers in 2003 following privatisation. The flow on effect of this is enormous, especially in rural communities.

The government bears the economic burden of the lost jobs while the community bears the social cost.

Government can privatise the ownership of essential community infrastructure such as electricity generation and distribution assets but it will never be able to privatise the risk or responsibility for consequences such as poor private sector maintenance, investment or safety practices and it ends up costing taxpayers more in the long term.

1.5 Job Losses

Privatisation will cost more in the long term and multiple other negative consequences be they social, environmental or economic.

In 2012 the newly elected Queensland Government established a Commission of Audit to report on and make recommendations to improve the state's financial position[5]. In Queensland energy GOCs alone since March 2012 there have been significant job cuts across energy government corporations of approximately 1500 staff with a majority being of a technical and operational nature.

In states that have been privatised the supposed efficiency gains to be made by private competitive companies have been made through short term costs savings which included cutting the quality or level of services. Cost savings have been made by both placing downward pressure on rates of pay and conditions for workers and making thousands of workers redundant. In Australia employment in the electricity sector fell from 83,000 in the mid-1990s to 33,000 workers in 2003.

The flow on effect of this is enormous especially in rural communities. The cost savings made by the private sector are in effect subsidised by the public sector footing the ongoing social security bill as thousands of people cannot find alternative work. The government bears the economic burden of the lost jobs while the community bears the social cost and the private companies pocket the profit.

1.6 Training

Private companies also fail to train apprentices in the numbers previously trained when those same assets were in government hands. Training is an investment in the future and is generally not profitable, so if your first priority is a return to shareholders, training is one of the first areas dispensed with.

To supplement the skills required, companies lobby the government to allow them to import more and more labour from overseas complaining there is a lack of available skilled labour. If there is a lack of skilled local labour, it is the fault of these companies who no longer invest in training local labour.

[5] http://www.commissionofaudit.qld.gov.au/terms-of-reference/index.php

1.7 Contracting and Outsourcing

A consequence of privatisation has been an increased use of contracting out. So-called efficiencies are gained by shedding labour and then calling in contractors on an as needs basis.

A backlog in infrastructure maintenance was clearly in evidence with respect to the Victorian bush fires. In a tragically prescient prediction, the ETU Victorian Branch Submission to an Essential Services Commission 2006 Pricing Review, stated:

"The ETU contends that existing distribution infrastructure is dangerously inadequate for current and future needs and that the privatisation process undertaken by the Kennett Government has left private distribution companies unaccountable for their responsibility to maintain the infrastructure of the electricity distribution sector."

The poorly maintained power infrastructure in Victoria was an accident in waiting. Privatisation had created another master for the power companies, namely their shareholders. The pressure for a return of investment clearly outweighed the responsibility to maintain the infrastructure. The circumstances leading to the contribution poor maintenance made to the Victorian bush fires were not just predictable but had been predicted by the union for many years before.

The Union noted that:

"The Victorian electricity overhead and underground system has not been effectively maintained by a strategic preventative maintenance program since 1985. Under pre-privatisation conditions a major review would have been undertaken by at least 1995."

The fragmentation of the network into a series of privately owned companies by the Kennett government removed any formal obligation for such a program or strategy to be undertaken. The absence of a coordinated approach to maintenance for more than 15 years makes Victoria's distribution system inherently unreliable.

Queensland must avoid going down the same path at all costs.

1.8 Dividends

Traditionally the dividends earned from government owned enterprises have been used as a source of revenue to support other government services. Once the asset is sold to private interests, that dividend is no longer available for use to moderate price increases or for distribution to support other government services.

In 2012-13 Queensland government owned energy businesses deliver a combined total of approximately $1 billion[6] in dividends to its government shareholders,

[6] Energex, Ergon, Powerlink, Stanwell and CS Energy Annual 2013 Annual Reports.

including the federal government. Obviously if this assets are privatised the government will cease to be a beneficiary, instead dividends will go to the private sector and/or benefit entities owned by foreign interests as has been the case following privatisation of energy assets in Victoria and South Australia.

It makes no economic sense to privatise a profitable entity that is contributing hundreds of millions of dollars annual into government coffers.

1.9 Foreign Ownership

We do not believe it is in our long term interests for our energy industry to be owned by foreign interests. We lose control of an essential service. We cannot guarantee reliable supply, we lose control of the ability to control price and we cannot adequately plan our energy needs for the future as the development of and investment in the industry is out of our hands.

Privatisation policies in Victoria and South Australia has resulted in all electricity distribution networks and most generators are now being owned by entities controlled by foreign governments such as Singapore China.

Control over energy gives multinational corporations enormous social, political and economic power. Horizontal aggregation and vertical integration of the industry which has inevitably occurred post privatisation, replaces public monopolies with private ones but creates a system where national governments lose control of pricing, supply, security and reliability. A few dominant private players dictate what should be public energy policy

2. GENERATION

Queensland's electricity generators are owned by a mixture of private and government bodies. While government ownership is still significant the trend has been towards privatisation. The reforms in the electricity and gas markets have resulted in the move away from state owned vertically integrated energy utilities to the formation of allegedly competitive national market structures and institutions with significant private sector participation and investment – including significant foreign investment.

2.1 Security of Supply

Electricity shortages has the potential to cripple our economy and many policy makers and regulators have come to place energy security alongside food and water security, and even military security, in terms of importance[7]. The economic consequences of an unsecure supply of energy are increasingly geometrically as we rely more and more based on digital technologies.

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[7] http://www.theguardian.com/business/2013/dec/01/cameron-energy-market-lack-confidence?CMP=twt_fd

The fact is that energy infrastructure is of vital strategic importance to Queensland and it would be against the public interest to allow private interests control a majority or total control.

Currently in in the Queensland generation sector public owned generators account for approximately half of the power generation needs of the state.

2.2 Investment

The discussion paper[8] states "*the Queensland Government is also examining the potential costs, risks and benefits of selling the government-owned generation businesses, Stanwell and CS Energy*" and recent comments made in the media by both the Premier and the Treasurer signal a clear policy intention to allow the private sector to purchase equity in state owned transmission and distribution businesses as recommended by the Queensland Commission of Audit.

We acknowledge that investment is required to accommodate our future energy needs but do not agree that the private sector is necessarily the best placed to undertake this investment. We are also not confident that the private sector will take on the investment required as it is risky and large scale investment. In many respects it is against the interests of the private sector to create more capacity as this should lead to prices coming down.

Indeed, to ensure that the investment climate is sufficient to meet investment conditions energy prices will need to provide an adequate return on these outlays. There is no doubt this means even higher energy prices. In fact, prices need to be *very* high to provide an incentive to invest in new generation plant or transmission and distribution networks and we have already canvassed the lack of investment in networks in Victoria and South Australia that has run in parallel to 'super profits' from record high retail electricity prices.

The withdrawal of the Queensland Government from the market means the private sector will be called upon to deliver future investment that the market is largely untested at delivering in Queensland, and in other states where it has, has left a legacy of high prices and unreliable and in efficient networks.

3. Distributed Systems

Distributed energy systems are technologies and systems which provide local generation of electrical power and energy efficiency and smart management of when and how energy is utilised. Examples of distributed energy are things such as recovering wasted energy for heating or cooling and powering commercial building using a combination of solar panels, fuel cells and power from the main grid[9].

Existing technologies such as solar photovoltaic, solar hot water and small-scale wind are some examples of renewable technologies servicing the individual

[8] Powering Queensland's Future Discussion Paper, p21.
[9] CSIRO. *Intelligent Grid: A value proposition for distributed energy in Australia*. Commonwealth of Australia 2009, p35.

household or building level, while geothermal energy and co/tri-generation are examples of technologies that can provide alternative base load decentralised electricity at the neighbourhood or large building level.

A challenge to the uptake of distributed energy systems is that the regulatory and policy environment from governments and agencies are all focused on traditional centralised systems as is current the status quo. One way of addressing this is to offer incentive schemes to new participants in the energy markets so there is a level playing field between the established centralised system participants and any new participants that are offering decentralised systems.

We believe that distributed systems will form an important part of Queensland's energy future and government should be giving careful consideration to policies, programs and investment to examine how distributed systems can be established and integrated into the current system.

4. Sustainability

Any long term plan for the future of Queensland's energy sector must focus not only on economic sustainability of the industry but also on environmental sustainability.

Over the last decade climate change and the potential consequences that humanity faces should we not collectively take action to address climate change has gained acceptance globally from governments, regulatory agencies and the private sector. Traditionally conservative bodies such as the World Bank and the International Energy Agency have joined with governments the world over in accepting that climate change is real and that action must be taken to avoid the economic and environmental disaster that would result from the consequences.

Global warming of our climate is now scientifically proven beyond any reasonable doubt and the world is acting to address climate change, with around 90 countries globally (both developed and developing) that represent over 80 per cent of global emissions and 90 per cent of the global economy pledging to reduce greenhouse gas emissions by a various respective percentages by 2020.

It is agreed that to mitigate the risks to economies, environment and society we must reduce our reliance on fossil fuels and increase our use of cleaner energies and more sustainable development and social behaviours. Every major country is acting to address climate change through solutions such as regulation, policy mechanisms such as carbon pricing and emission trading schemes and increased use of renewable energy along with greater investment in renewable and pollution reduction technologies.

The 30 year strategy must provide a blueprint on how the government plans to address these issues.

5. Renewable Energy

In order to secure the long term economic and environmental viability and sustainability of the energy sector specifically, and the federal economy more broadly, the ETU believes the Queensland Government must immediately invest funding and resources into the renewable energy sector.

Renewable energy globally has been growing rapidly in the last decade, reflecting efforts to reduce carbon-dioxide emissions. Queensland has access to abundant clean energy sources, solar in particular, and there are multiple benefits to establishing and supporting a world class renewable energy sector here.

For example, the use of small scale solar PV has increased dramatically in the past few years driven by increased availability and decreased cost of residential solar PV systems within the context of large increases to retail electricity costs over the same period. Between 2001 and 2009 in Australia, 86 000 solar panel systems were installed with a combined capacity of 123 megawatts[10] and that figure has continued to rise over the last 4 years. Given Australia has abundant world class renewable energy resources and as such we should concentrate in becoming a world leader in clean, renewable energy.

The discussion paper recognises that creating a sustainable energy future is a first order challenge but fails to identify anything significant as to how to address it.

The current government has taken several steps backward with regards to addressing climate change in general and the impacts of the energy sector in particular, abandoning previous commitments to proceed with carbon capture and storage projects and large and large and medium scale solar investments and removing the requirement for future coal fired generation investment to demonstrate best practice in emission reduction.

Although the discussion paper states "'*Sustainable' refers to the enduring capacity of the electricity system to meet the needs of customers over time, including mitigating the environmental impact of electricity use so that future generations have access to energy resources and infrastructure to meet their needs*." the recommended policies will not do that.

It is prudent investment in the renewable energy sector that will deliver significant long term economic and environmental benefits to the Queensland.

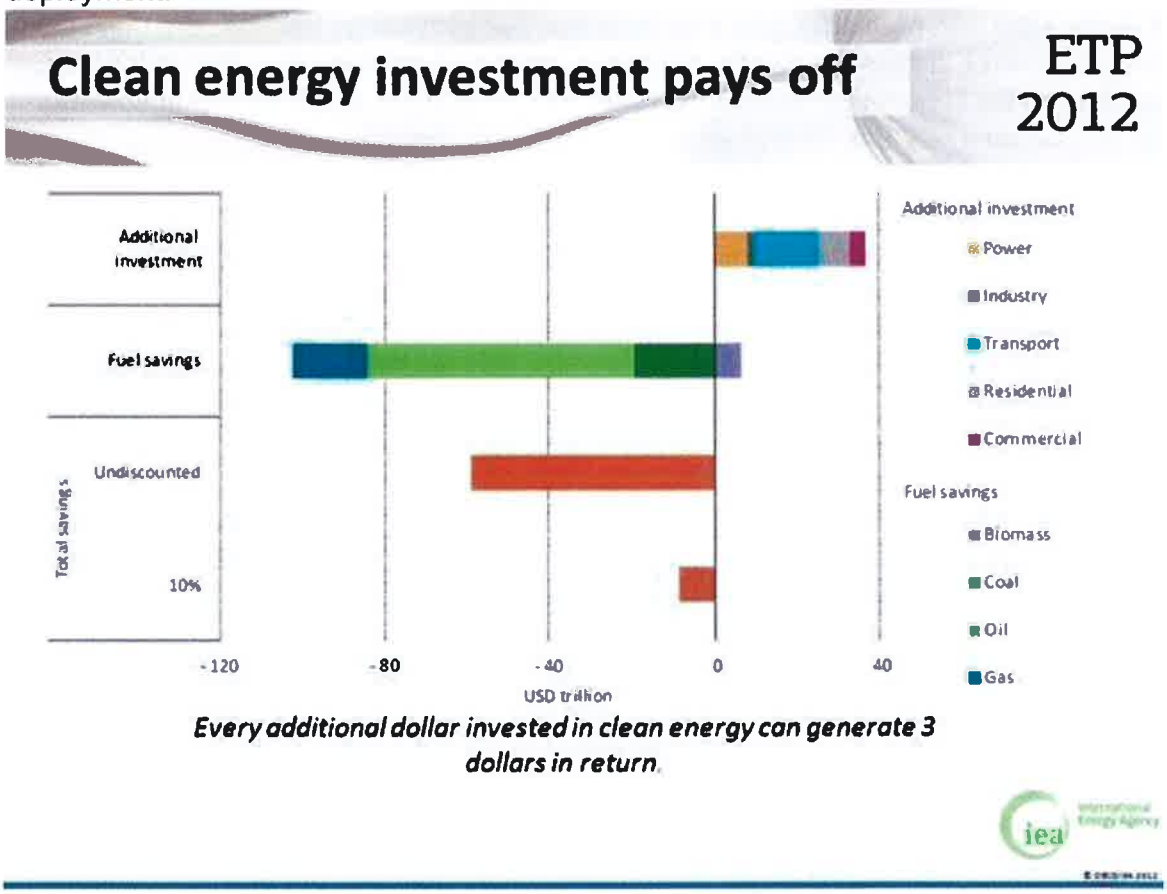
The International Energy Agency in its recent report titled 'Energy Technology Perspectives 2014' found that a 300% rate of return for investment in renewable energy, with 3 dollars returned for every dollar invested. This clearly shows that

[10] Bureau of Resources and Energy Economics, *Energy in Australia 201,* p49.

aggressively pursuing renewable energy generation is not only environmentally beneficial but also in Queensland's economic interest.

Renewables are also immune to the vagaries of greenhouse gas emission public policy.

Queensland must continue to capitalise on its abundant renewable energy sources and position itself as a global leader in renewable energy technology and deployment.



Source: International Energy Agency 'Energy Technology Perspectives 2014'

6. Nuclear

The ETU opposes nuclear reactors and uranium mining in Queensland and supports the discussion papers opposition to its establishment.

We do note the current state government's active support for uranium mining in Queensland despite its stated opposition before the last election. If a uranium mining industry is allowed to establish itself in Queensland, there is no doubt this will be the thin edge of the wedge and make the possibility of nuclear reactors more likely in Queensland. Powerful vested interests would no doubt advance that if Queensland

mines uranium, then the state should use it as an energy source and economically benefit from it despite this being demonstrably untrue.

If the state government is serious about opposing nuclear reactors in Queensland, then the final 30 year strategy will re-instate the long standing ban on uranium mining as per their pre-election commitment to safeguard Queensland workers, communities and existing industries from the impact of uranium and the resources it uses such as vast amounts of water.

It is our view that no matter how improved nuclear technology may be, the main risks of human error, natural disasters, terrorism and the unresolved question of long term nuclear waste storage condemns nuclear reactors and power as having unsolvable factors which make this form of energy as not worth the risk.

Prior to the tragic nuclear accident at Fukushima, we were concerned that nuclear energy appeared to be gaining greater acceptance as a "solution" to carbon emissions. And in some quarters it still does[11]. Even in Australia, the nuclear energy as an option was beginning to gain more acceptance. By ignoring the real costs of nuclear energy, proponents argued it is a quick and relatively cheap route to lower carbon emissions. However, as the world's second most severe nuclear accident, Fukushima was a timely reminder of the true costs of nuclear energy.

Of course, with the Fukushima accident came the memory of Chernobyl. While the Chernobyl incident occurred nearly a quarter of a century ago, an exclusion zone of approximately 30 kilometres still exists around the Chernobyl reactor due to radioactive contamination. It's estimated the area will not be safe for agricultural purposes for 200 years. Both these accidents highlight that the true cost of nuclear power is not able to be costed. Coupled with the costs of storing the waste for generations to come, it is impossible to truly put a figure on the human cost of an accident, particularly one of the scale at Fukushima. And it is simply not necessary to even go down that path in Queensland where we have an embarrassment of riches in safe alternatives be they renewable or traditional fuels.

7. Regulatory Environment

Further the relevant respective laws of the Commonwealth and Queensland parliament, regulation and operation of the Queensland energy sector is currently undertaken by several federal agencies such as the Australian Energy Regulator, Australian Energy Market Operator and the Australian Energy Market Commission. These agencies ultimately take direction from the Standing Council on Energy and Resources which is the peak policy body for the energy sector in Australia.

[11] Powering Queensland's Future Discussion Paper, p20.

Operating in parallel to these national regulatory agencies are state regulators such as the Queensland Competition Authority (QCA). In the case of the QCA it has been designated the responsibility for setting annual retail electricity prices under a delegation from the minister.

The system as it currently stands is designed for these regulators work in a complimentary way to ensure efficient and independent operation of the NEM wholesale generation market and to ensure integrity for the various components (generation, transmission, distribution and retail) of final retail electricity prices Queenslanders.

We believe that there is some duplication of roles and resources between state and federal regulatory agencies and recommend examining reform options at both levels.

8. Conclusion

The ETU disagrees fundamentally with the full steam ahead approach to energy privatisation advocated by the government and considered in the discussion paper. While it is too late to stop the privatisation juggernaut in other states, it is not too late in Queensland.

We must avoid making the same mistakes that Victoria, South Australia and New South Wales have. We should not compound the mistakes of the last few decades by also privatising our biggest market. We believe there is ample evidence that privatisation delivers higher prices, maintenance backlogs and labour force issues, without any pay off. The loss of control over an essential service is reason enough to discontinue going down this path.

We do believe that over the next 30 years there will be significant changes in the Queensland energy sector, particularly with reference to de-centralised networks, embedded generation and as yet unknown future developments and we support government taking a proactive and inclusive approach that enables Queensland to maximise opportunities.

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