

BUSINESS NEWSLETTER

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Australia's White Paper on Energy

The Australian Government released an Energy White paper – Australia's Energy Transformation in November 2012. The strategic policy document sets out the Government's policy framework to shape Australia's energy transformation in the decades to come.

The policy framework is based on a clear vision of building a secure, resilient and efficient energy system that:

- provides accessible, reliable and competitively priced energy for all Australians
- enhances Australia's domestic and export growth potential
- delivers clean and sustainable energy.

The cornerstone of the Government's energy policy framework is a commitment to deliver Australia's energy needs through competitive and well-regulated markets that are operating in the long-term interests of consumers and the nation.

The Energy White Paper identifies four priority action areas to support energy transformation:

1. delivering better energy market outcomes for consumers
2. accelerating the clean energy transformation
3. developing Australia's critical energy resources, particularly gas resources
4. strengthening the resilience of Australia's energy policy framework.

The Energy White Paper features updated modelling of Australia's electricity sector and explore different scenarios of the potential range of the electricity generation profile out to 2050.

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Australia has abundant and diverse renewable and non-renewable energy resources.

- Its reserves of thermal coal and uranium can sustain current production levels beyond 2100. Demonstrated gas reserves are estimated to sustain current production levels for around 54 years, and there is good potential for further discoveries of new gas resources, particularly coal-seam gas and shale gas.
- In 2011 Australia was the third-largest energy producer in the world and one of only three OECD net energy exporting countries. Exports accounted for around 80% of Australia's total energy production (in energy content terms) in 2010-11.
- The Australian energy industry is a significant contributor to the national economy, providing over \$68 billion of gross value added and more than 100000 jobs. Indirectly, it supports many more.
- Fossil fuels accounted for around 96% of Australia's primary energy consumption and 90% of electricity generation in 2010-11.
- While renewable energy is a relatively small part of the overall energy mix, it is experiencing high rates of growth and is expected to play a much more significant role across the economy into the future.

Future energy trends and challenges

- Energy markets and systems around the world are entering a period of fundamental change. Energy security remains a key concern for many countries, as does responding to climate change. Together, those concerns will drive innovation and technological advancement and shape the future direction of markets.
- Global and national demand for energy will continue to grow, although rising prices and policies to reduce greenhouse gas emissions and encourage energy efficiency are expected to moderate the rate of growth.
- Fossil fuels are projected to underpin the country's energy security for several decades. However, Australia's energy base will become increasingly diverse with strong growth in clean energy technologies. By 2035 renewable energy could provide as much as 40% of Australia's electricity needs. Changes can also be expected in transport fuels and engine technologies. Rising energy prices will sharpen the focus on demand management and on the efficiency of market and policy settings.
- Key strategic policy and market challenges for Australia over the next decade include:
 - ✚ continuing to attract sustained investment in Australia's energy system in order to maintain secure and reliable energy supply and services for consumers
 - ✚ successfully developing, adapting and deploying new technologies to support clean energy objectives and to provide more options in managing energy use and costs
 - ✚ managing ongoing change and risk, including changing market dynamics introduced by new technologies, carbon pricing and growing links between national and international markets, as well as unforeseen shocks or natural events.
 - ✚ minimising energy prices and related cost-of-living pressures through more

efficient markets, policy and regulatory frameworks and greater energy productivity.

Energy security

Highlights

- Australia's energy system is meeting the economic and social needs of Australians, and expected to do so into the future. However, this will require a focus on challenges such as:
 - ✚ ensuring a smooth transition to a clean energy economy
 - ✚ securing timely investment in all aspects of our energy system
 - ✚ adjusting to the changing dynamics in key international and domestic energy markets.
- Energy security is best delivered through well-functioning markets supported by established and diversified supply chains
 - ✚ Australia's energy resource base underpins energy security, but access to global energy markets, such as open and well-functioning global oil markets, is also critical.
 - ✚ Self-sufficiency as an energy policy goal is costly and likely to be misplaced, given the proven ability of international markets to respond to changing circumstances.
 - ✚ Australia's emergency response arrangements also play an important role in ensuring effective and timely responses to unforeseen events.
- The Australian Government's energy policy framework is designed to improve Australia's energy security through:
 - ✚ continuing supply- and demand-side market reforms to maximise investment and improve the flexibility and resilience of energy markets
 - ✚ encouraging diversity of supply and infrastructure reliability for supply chain resilience
 - ✚ attracting the necessary capital investment and skilled labour to meet future energy demand
 - ✚ promoting long-term investment certainty through carbon pricing.

- Ensuring that we have a resilient policy framework is critical in managing challenges, particularly in a rapidly changing world. This requires regular monitoring and assessment.
- Policy objective consistent with the core objective of the Australian Government's energy policy, Australia's energy security framework aims to ensure an adequate, reliable and competitively priced supply of energy and energy services to support the ongoing economic and social needs.

Principles

The framework is guided by the following principles:

- Australia's energy security policies should be implemented where they are rigorously assessed as delivering net positive benefits to the economy and consumers.
- Energy security does not equate to energy independence or self-sufficiency in any particular energy source.
- Energy security is generally enhanced through a diverse set of fuel options and multiple points of supply.
- Efficient, transparent and open domestic, regional and global markets that create clear incentives for timely investment and efficient operation and end use are the best means for ensuring energy security at least cost.
- Government intervention to manage disruptions should be as a last resort. Decisions to intervene should be based on an agreed, transparent and objective emergency management framework that ensures cooperation between industry and government to minimize market distortion.
- In the event of a disruption, energy market participants should be able to make independent decisions in response to price signals and existing or revised contractual arrangements. Those decisions are likely to provide the most effective, flexible and timely responses to minimise the impact of disruptions at least cost.

- Australia should continue to promote energy supply chains and market efficiencies (including demand-side management and end-use energy efficiency), reduce barriers and improve regulatory transparency and consistency across jurisdictions.
- Australia's energy security policies should take into account the country's national security needs and objectives, including building critical infrastructure resilience.

Framework elements

The key elements of the government's energy security policy are:

- maintaining and supporting well-functioning and efficient energy markets
- maintaining responsive and effective energy emergency response arrangements
- building critical energy infrastructure resilience.

To view the list of all Australian

Government Tenders, visit

<https://www.tenders.gov.au/>

Useful Links

These are links to procurement policy documents, guidelines and general information that will assist in understanding the Australian Government procurement environment.

Selling to the Australian Government – A guide for business

<http://www.finance.gov.au/publications/selling-to-the-australian-government/index.html>

Australian Government Procurement Policies

<http://www.finance.gov.au/procurement/>

Commonwealth Procurement Rules

<http://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/index.html>

Business Opportunities

Australian dairy plant scouting for buyers

Western Australia's leading dairy plant, Rosmerta Pvt. Ltd located in the southwest of Western Australia near Scott River is looking for potential buyers. The plant which produced 1,293,500kg of milk in 2011-12 is the biggest single producer of milk and a major supplier to Brownes. The asset is valued at about \$40 million.

Western Australia farming company looking to be acquired

WA's biggest farming company Connemara Holdings went in to receivership with a debt of \$70 million. According to the President of WA Farmers, it was a question of survival for struggling small businesses in farming sector. The company is available for acquisition.

Suncorp Insurance to outsource back office operations to India

It has been reported that Suncorp insurance plans to outsource its back office work to an Indian firm World Network Services. Suncorp feels that back office work will be done more efficiently in India.

Western Australia allows exploration in Canning Basin

WA Government signed a Canning Basin Natural Gas Joint Venture Agreement with JV partners Buru Energy Limited and Mitsubishi Corporation. Government is expected to pass a law to facilitate continued exploration in Canning Basin, construction of a gas pipeline and right of first use of gas by the State. The unconventional gas resources in Canning Basin are estimated to be about 229 trillion cubic feet.

Western Australia releases 2013 State Growth Report

The Chamber of Minerals and Energy of WA released its 2013 State Growth report which outlined future development of State resource sector and growth prospects for the next decade. The report presented a positive outlook with almost \$200 billion of new or expanding projects offering opportunities. It underlined the need for industry, government and the community to work in partnership to capitalise on opportunities and ensure future investment.

Environmental clearance to Browse LNG project in Western Australia

WA State Government accorded a full environmental approval to Browse LNG project at James Price Point on the Kimberley coast near Broome in Western Australia. A \$30 billion project was opposed by some local environmental groups and traditional land owners expressing concern over damage to marine life while processing gas. WA Environment Minister Bill Marmion said that Woodside Petroleum and its joint venture partners who plan to build the project has to follow strict environmental conditions around the area.

IBM to set up Asia Pacific (APAC) Center of Excellence for Software Testing in Ballarat, Victoria

IT giant IBM is set to create 150 new highly skilled technical jobs as part of their expansion plans at Victoria's Ballarat Technology Park. The new investment will lead to the establishment of an IBM Asia-Pacific Centre of Excellence for Software Testing in Victoria. This is a strategically important investment for the Ballarat region which is an hour and a half drive from Melbourne. IBM had already an office in Ballarat which was set up 15 years ago.

Chinese delegation visits Victoria to inspect Australian designed and manufactured aircraft

A Chinese aviation delegation visited Gippsland in first week of November 2012 to inspect the locally designed and manufactured GippsAEROGA8 Airvan, Australia's only locally manufactured aircraft for sale in China. The visit comes just weeks after the Victoria Government's super trade mission to China. According to Aviation Industry Minister Gordon Rich-Phillips the Victorian Coalition Government has opened doors for Victorian aviation firms to "connect with Chinese market to bring Australian innovation to one of the world's largest and fastest growing economies". The delegation also visited a Melbourne aircraft maintenance training academy to discuss plans to train Chinese aircraft engineers to main the GA8 Airvans in their country.

Nestle Australia opens liquid manufacturing unit in Victoria

Nestle Australia has officially opened a \$17 million state of the art liquid manufacturing unit at its Tongala factory near Echuca, a port city on the Murray River. The factory has been transformed into a brand new export facility for Nestle's health business and becomes a manufacturing hub for Oceania, Asia, Middle East and Africa. The products manufactured at Tongala are specialised nutritional formulation designed to meet the requirements of people suffering from medical conditions such as malnutrition, renal disorders and diabetes.

Business related events in Australia

Delegation led by CMD of BPCL visits Perth to review the Arrow Smith unconventional gas project

Shri RK Singh, CMD of Bharat Petroleum Corporation Ltd led a delegation to Perth to review the Arrow Smith unconventional gas project with Norwest Energy Company. BPCL's subsidiary Bharat Petro Resources Ltd (BPRL) has a 27.8% share in the EP 413/Arrow Smith joint venture project in Western Australia. Shri RK Singh has been reported to have expressed interest to invest in Arrow Smith 2 in the northern Perth Basin.

NMDC delegation attends AGM of Legacy Iron Ore

A 5-member NMDC delegation led by Shri NK Nanda, Director (Technical) and Shri S Thiagarajan Director (Finance) visited Perth to attend an Annual General Meeting of Legacy on 22 November 2012. This was the first AGM of Legacy Iron Ore Limited after NMDC acquired 50% stakes in the exploration company focused on development of iron ore, coal and gold deposits in Australia. Shri Nanda is also non-executive Chairman of Legacy Iron Ore Limited, while Shri Thiagarajan is a non-executive Director. The company plans to pursue its flagship Mt Bevan project for iron ore mining.

University of Western Australia organizes conference on opportunities for cooperation

A 2-day conference "In the Zone" organised by University of Western Australia (UWA) on 26-27 November focused on opportunities for cooperation with countries in the zone, including India. A number of speakers shared views on the economic future of Australia and Asia, natural resources development, capacity building, capital markets, trade in services, innovation, education and culture in the region. WA Premier Colin Barnett termed India as part of WA's future and relations with China as fundamental. He complained the Asian Century White Paper released by Australian Government as "underwhelming" lacking in analysis and objectivity. CG attended the Conference as a speaker and spoke about opportunities for cultural collaboration with India. There were participants from IT (Infosys) and some consultancy firms with Indian connection.