



Energy Policy

Introduction / Background

Energy management including its generation, procurement and use, are important for primary producers and the agricultural sector more broadly.

While energy is only one input into the farming sector, it impacts every farmer. The cost of inputs for Australian agricultural production are rising. This increasing cost base, which includes various sources of energy, is contributing to the reduction of the country's agricultural productivity.

The AIA, which represents advisors, scientists and specialists across Australian agriculture, has a stake in the productivity of Australian primary producers and has an important role in influencing the farm sector.

The AIA recognises that its members provide an important interface between primary producers and the energy supply chain. AIA members are expected to be informed on matters of energy management and be able to broker advice on this important production system input.

Problem Statement

As identified by ATSE, for more than two decades, Australia has ranked at or below the OECD average for energy productivity. Furthermore, Australia's electricity prices have more than doubled in the past 10 years and gas prices have continued to increase rapidly. The combination of poor energy productivity and high energy prices means increasing competitive disadvantage for Australian businesses and falling affordability (of energy) for consumers.

As price-takers, the majority of farmers, landowners and primary producers cannot readily pass these rising costs from energy use on into their supply chains. The consequence of this is that Australian farmers and primary producers are being forced to find ways of reducing these costs, procuring or renegotiating supply contracts, and in some instances slowing or cutting back on production because of this rising cost.

The opportunity associated with this is that in many instances, given the long-term proposition that is Australian farming, renewable energy sources are and will be a contributor to enhancing productivity throughout the primary production supply chain. This is because renewable energy sources are becoming the lowest cost forms of energy.

Policy Objectives

Ag Institute Australia (AIA) recognises that reliable, secure and cost-effective energy, and its management, is an essential component for a strong, national primary production sector. It is therefore important for members of the AIA that are supporting and advising the primary production sector, to have an appreciation of the underlying principles of sound energy procurement, energy management, energy efficiency and related considerations, that will impact the sector and its supply chains.



Considerations and Policy Recommendations

The AIA has a strong science-base and policy development within the organisation is informed by the scientific community on matters relevant to its members. This includes energy management.

This policy sets out elements of energy management as they relate to the AIA membership base which is comprised of advisors, educators, scientists, natural resource managers, policy makers, suppliers, vendors and others working in the field of agriculture and supporting the primary production sector.

The specific policy elements of the AIA's energy policy that are recognised as core to primary producers, and therefore of relevance to AIA members, are as follows:

- As price-takers, primary producers cannot readily pass these costs on into the supply chain. This is a key aspect of energy policy for primary producers and we see evidence of this across all sub sectors and markets in Australian agriculture.
- Primary producers require a least-cost source of energy and, just as other energy consumers, they expect energy reliability.
- Primary producers are generally agnostic about energy sources but recognise that its generation and supply should be sustainable into the future.
- Primary producers are concerned about the lack of transparency in pricing and seek competitive market reform. Advisors and suppliers to the sector, as well as policy makers, should be aware of this need for ongoing reform, which includes the need to enhance the affordability, reliability and sustainability of energy supply for primary producers.
- Primary producers are concerned about under investment in the power distribution system given that they are often located at the end, or towards the edge, of the electricity distribution networks.
- Primary producers also expect government support for on-farm energy efficiency investments as is available in other sectors outside of agriculture. Access to government energy efficiency, affordability and productivity programs are as important for primary producers as any other business sector. In many instances the need for support is greater given the higher variability of costs and revenues in primary production businesses.

With the large- and small-scale renewable energy sector in Australia experiencing unprecedented levels of investment, there is and will continue to be an opportunity for the national economy, including for the communities in regional Australia where the infrastructure building and spending occurs. This investment will stimulate new industry sectors and encourage new avenues for trades and employment, many of which will enhance the viability of regional cities, towns and farms. Policy considerations in relation to renewable energy include the following:

- Primary producers recognise that energy security is vital for agricultural production. However, they also expect productive, or strategically important farming land, to remain

productive in an agricultural sense. With the right balance of development conditions and government requirements, large-scale solar or wind farms installed in rural areas, can achieve both ends.

- Primary producers recognise that leases or sub leases, with renewable energy developers (including those with energy generation companies), that are fair and equitable, mean new revenue streams from on-farm activity.
- Primary producers recognise that investment in new (alternative or renewable) energy sources is encouraging local and regional investment. Primary producer participation in the renewable energy value chain also gives primary producers an opportunity to be agents of change in contributing to new, non-fossil fuel-based energy generation infrastructure.
- Primary producers are concerned about the security of supply of liquid fuels for operations including for on-farm machinery. Therefore, they expect sufficient investment in liquid fuel infrastructure as well as bioenergy sources to be invested in, and ultimately incorporated into a broader renewable and conventional energy mix offering.
- Primary producers also realise the commercial application and viability of biofuels and other sources of bioenergy will be limited to regions where it makes sense commercially to generate energy from these on-farm or off-farm (e.g. forestry) sources. They do not want governments to prop up energy generation and distribution systems that require unnecessary subsidies. The AIA therefore supports energy sources and services that have minimal requirements for, or no, subsidies.

AIA members should be informed of the principles of sound energy management. Members need to be prepared to provide or broker advice based on science and technology applications that are currently available and emerging in the agricultural sectors.

Through an awareness of the importance of energy as an input into agricultural production, AIA members will help ensure primary producers have the opportunity to improve energy productivity in their production systems, that is, the agricultural output per unit of energy input.

Related AIA Policies

Climate Change - Agriculture's Adaptation and Resilience to Climatic Change and Variability. AIA Policy Paper (February 2018)

References

Doubling Australia's Energy Productivity by 2030: An Energy Position Statement by the Australian Academy of Technological Sciences and Engineering (ATSE)
<https://www.atse.org.au/atse/content/publications/policy/doubling-australias-energy-productivity.aspx>