

Session Topic: Investing in energy and industrial development: challenges and opportunities

Comments from Australia, Friday 5 May, 10:00-1:00

In Australia, our demand for stationary energy services is projected to grow by at least 50 per cent over the period to 2020. To meet this challenge, it is estimated that at least AU\$37 billion in energy investments will be required by 2020 to meet Australia's future energy needs.

Servicing these levels of demand will require significant investment in generation and transmission capacity, as well as the likely refurbishment of existing networks and older plants.

How efficiently and effectively Australia meets this demand will play a key role in determining our future prosperity, security and sustainability of energy production and use.

Energy market reforms based on sound national governance arrangements are important for attracting investment in energy infrastructure. Australia's energy market reforms have focused on delivering open and competitive markets to reduce inefficiencies and promote appropriate investment.

Obstacles

Despite good progress in reforming our energy markets, substantial work remains. Our challenge is to bring 17 regional electricity markets under a consistent national framework and on developing a mature and transparent national gas market. Recently announced reforms will improve price signals for energy investors and consumers through the introduction of effective demand response mechanisms.

A recent review of Australia's energy policy by the International Energy Agency noted that our energy market reforms provide useful experiences for other countries. We welcome the opportunity to share our experiences and ongoing challenges in implementing energy market reform.

Lessons learned

To add to Mr Birol's comments on subsidies, our experience is that if a subsidy is to be used, it needs to be targeted and transparent, and have a specific timeframe for its end so that the appropriate signals are sent to the market.

As the World Bank and other commentators have noted, the energy sector is particularly susceptible to corruption because of the significant investment involved. Mr Birol's figure of \$17 trillion of investment shows us that there is a significant challenge ahead of us to ensure investment happens with as little interference as possible.

Australia recognises this challenge and works with partner countries to provide assistance to strengthen political governance, but ultimately all countries must

address these issues themselves to ensure the confidence of investors and donors, particularly in the energy markets.