

28 July 2022

Energy Security Board

(via e-mail to: info@esb.org.au)**RE: ENERGY SECURITY BOARD CAPACITY MECHANISM HIGH-LEVEL DESIGN PAPER: APPEA COMMENTS**

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing upstream oil and gas explorers and producers active in Australia. APPEA's member companies account for more than 95 per cent of Australia's petroleum production. Further information about APPEA can be found on our website, at [Energy for a Better Australia | APPEA](#).

The Australian oil and gas industry

The Australian oil and gas industry has invested over \$470 billion in the Australian economy developing natural gas production, transport, liquefaction and export facilities over the last decade. This investment will deliver returns for Australia for decades to come, through increased gas supply for Australian customers, export revenue, jobs, royalties and taxes.

Liquefied natural gas (LNG) is now Australia's second largest export commodity after iron ore, with export revenue of \$70 billion in 2021-22, expected to rise to over \$84 billion in 2022-23¹. The oil and gas industry supports 80,000 jobs directly and indirectly in Australia and hundreds of thousands more in the manufacturing industry.

Capacity Mechanism High-level Design Paper

APPEA welcomes the opportunity to make general comments on the Energy Security Board's *Capacity Mechanism High-level Design Paper*. APPEA's comments do not directly address the questions put forward to stakeholders, our comments are general and are more focused on the themes of the paper. The comments should be read in conjunction with any comments received from our member companies.

APPEA is encouraged by the five assessment criteria the ESB is using to reach the National Electricity Objective, in particular, the technological neutrality criteria. APPEA strongly considers that the Capacity Mechanism should not be too prescriptive in detailing and nominating technology paths that should be adopted.

APPEA agrees that procuring capacity on a whole-of-system basis will allow for new and existing capacity to compete on a technical basis. Additionally, it is encouraging that the ESB notes that the purpose of the capacity mechanism is not to extend the lifespan of ageing coal generators.

¹ See [Resources and Energy Quarterly: June 2022 | Department of Industry, Science and Resources](#).

APPEA notes that the ESB is progressing a capacity mechanism that includes both new and existing capacity and reviewing if there are any barriers for new participants. It is important that the capacity mechanism design adheres to its technology neutral premise as set out in its assessment criteria.

APPEA agrees that the compliance regime should be simple and clear and reduce the overall regulatory burden facing market participants.

APPEA notes that the design paper refers to resources that are ineligible to participate in the capacity mechanism. It would be useful to have details of what resources are likely to be ineligible, bearing in mind that the technological neutrality of the assessment criteria.

APPEA applauds the tenet that the proposed capacity mechanism design will be technology neutral. Furthermore, it would be advantageous to have a nationally consistent treatment of which technologies are included and excluded in the mechanism. All technologies should be eligible for inclusion in the system, particularly if they contribute to Australia's emissions reduction objective to reach net zero emissions by 2050.

We look forward to further consultation with the Energy Security Board on these issues.

Yours sincerely



DAMIAN DWYER
Acting Chief Executive