

25 July 2022

CEO
Energy Security Board

Dear Ms Harris,

Chemistry Australia - Response to Capacity Mechanism Project High-level Design Paper

Chemistry Australia welcomes the opportunity to provide this submission to the capacity mechanism project high-level design paper.

The \$38B chemistry industry plays a vital role in the Australian economy, underpinning more than 212k jobs and supplying products, technologies, and innovations to 108 of Australia's 114 industry sectors. It is essential to healthcare, mining, agriculture, construction, infrastructure, transport, and manufacturing. In addition, the products of the chemistry industry support urban and regional communities and the daily lives of all Australians, including providing clean and safe drinking water and keeping food fresh from farm to plate.

Chemistry will play a critical role in supplying the technologies, products and solutions that enable Australia to transition to carbon neutrality and leverage the benefits of a circular economy. However, our capacity to drive and support these ambitious outcomes relies on our continuing viability and global competitiveness. Access to globally competitive and reliable gas and electricity is vital to ensuring our long-term viability and competitiveness.

Chemistry Australia supports the efforts by ESB to design a capacity mechanism that will facilitate a smooth and effective transition to carbon neutrality.

In terms of the Design Paper, the role of demand side response in the design of the capacity mechanism is of particular interest to Chemistry Australia and its members. Demand response or demand shifting by large industrial electricity consumers offers the opportunity to use industrial production as a virtual battery by aligning electricity consumption to match demand and supply peaks. The capacity mechanism design should facilitate and encourage the use of industrial production as a virtual battery to improve energy and market efficiency and reduce GHG emissions.

I would be happy to discuss this submission in more detail. If you have any questions, please contact me by email at blee@chemistryaustralia.org.au or on 03 9611 5411.

Yours sincerely,



Bernard Lee
Director - Policy and Regulation

