



Australian Government
Department of Industry
Tourism and Resources

Energy Efficiency Opportunities

Transcript of Energy Efficiency Opportunities DVD

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An Important message for and from CEOs, Boards and senior managers on energy efficiency (10 mins)

Hello, I'm Ali Moore

Energy Efficiency Opportunities is an Australian Government initiative to help our largest energy using businesses meet the challenge of more efficient energy use. It's based on three good reasons:

1. Energy efficiency is good for the business bottom line and so for the Australian economy;
2. Energy efficiency is good for the environment – it's one of the most cost-effective ways to reduce greenhouse gas emissions; and
3. Energy efficiency helps with energy security – it reduces unnecessary demand on our energy infrastructure.

It's a rare win-win-win opportunity.

We spoke to a number of senior industry leaders in Australia and overseas about how they make energy efficiency work for their organisations, and how they're responding to the Energy Efficiency Opportunities program. But before focussing on the benefits, let's take a quick look at what got us to this point in the journey.

Energy demand is growing in Australia and globally, putting pressure on energy prices and energy infrastructure. At the same time, it's becoming clear we need to reduce greenhouse gas emissions globally.

The International Energy Agency estimates that by 2030, global energy needs will be 50 per cent higher than today, with ABARE [the Australia Bureau of Agricultural and Resource Economics] estimating a 60 per cent increase in Australia. In China, India, everywhere – the picture tells us we need to be more efficient with our energy use, while reducing the carbon content of energy supply.

There's no simple solution, no silver bullet. The answer lies in using a multi-pronged approach, including energy efficiency, low emissions technology, renewables and fuel switching.

So how do we get there? We know that we have around 1.2 million companies in Australia and we estimate that 60 per cent of business energy use – that's 40 per cent of our country's total energy – is consumed by as few as 250 large corporations.

Historically, there are systemic reasons why energy efficiency is not part of the core business plan for most companies. Now the Australian Government has introduced legislation requiring the largest energy users to look for cost effective opportunities to reduce their energy needs.

In theory, the potential for energy efficiency has always been high; the trick has been how to unlock that potential. Energy Efficiency Opportunities aims to contribute to this unlocking in two ways: firstly, using assessments to get smarter about understanding our energy use and the opportunities we have to make it more efficient; and secondly, using reporting to ensure the board and the public are aware of, and give due consideration to, assessment outcomes.

So what are the implications to your business of taking a closer look at energy use? To help us find an answer, we spoke to several industry leaders. We started with a straightforward question: 'Why is energy efficiency important for your business?'

Charlie Lenegan, Managing Director, Rio Tinto – When you take a look at Rio Tinto we have a lot of large operations spread around the country and we are obviously very major users of electricity. Essentially it makes very, very good business sense: if we can use energy more effectively it saves dollars and actually helps us improve our efficiency and our production.

Hutch Ranck, Managing Director, Dupont Ltd, Australia/New Zealand – As a total organisation, you'll find that by focussing on energy savings you can't help but improve first pass quality and also uptime of your facilities, so you get a more efficient operation and you get better quality.

Lou Lachal, Managing Director, Amcor Australia – Energy can be up to 20 per cent of our manufacturing costs. If you look at it historically – how we have managed our cost base – we have tended to treat that as a fixed cost. We always talk about 'we have been able to reduce our labour' or 'we have reduced our raw material inputs by x, y or z'. I don't think we have measured our energy cost. Now that as a cost is not going to decrease, so we recognise that energy as a percentage of our manufacturing, if we don't manage it, will continue to increase.

Russell Caplan, Chairman, Shell Australia – Well energy efficiency is simply good business; it's good for profitability. Energy represents a very significant cost, so anything that can get that cost down goes basically straight to our bottom line.

(Ali) So what are the barriers and strategies to implementing energy efficiency?

Charlie Lenegan, Managing Director, Rio Tinto – Rather than look at the barriers, let's actually look at the characteristics that have made it work. In the first instance we find that the successful programs have had management very clearly committed, prioritising and providing the resources required. You then have committed multidisciplinary teams working on identifying and developing opportunities. They in turn must have access to skilled engineering expertise so that they can help develop solutions. And of course, through all of that, you do indeed have to have programs that set targets, measure progress and celebrate success.

Kevin Ball, Director of Low Carbon Business Policy, BP International Ltd – In many parts of our business there was not a sufficient application of risk weighting in investments, so we tended to chase higher risk, higher return projects and overlook perhaps lower risk lower return projects – or projects that were perceived to be lower return.

The second thing we found was that energy efficiency as a prize, as an activity, is very disaggregated. We realised that the only way energy efficiency could be transformation was to create a strategic imperative for the whole corporation, and that means aggregating all successes and all activities to the highest level.

The third thing, which I now characterise as 'risk averseness to the unfamiliar', is when you haven't lived through a comprehensive deep energy management program you're not quite sure what it all means, and therefore you are risk averse to beginning one.

Dr Paul Tebo, former Vice President, Du Pont Ltd – In my experience, if you can get marketing, R&D, and business management in a room and say 'What does this look like from a business opportunity stand point?' – you get a much different dynamic.

(Ali) So if it's all about business opportunities and the strategies are working, what have you achieved?

Dr Paul Tebo, former Vice President, Du Pont – We flat out said 'No new net energy'. And we got to 2003 and we had reduced total energy in the company by seven per cent and production had grown 30 per cent. People said 'You can't do this – you just can't do this!' But it was done, and we looked back and said 'How much money did we save doing this?' It came up to be \$2.5 billion US dollars over the 13 year period.

Hutch Ranck, Managing Director, Dupont, Australia/New Zealand – Since Paul left, actually the saving is up to \$3 billion, so globally we've saved \$3 billion [US] dollars.

Kevin Ball, Director of Low Carbon Business Policy, BP International – From the beginning of 2002 to the end of 2005 – four years of activity across BP – we have managed to reduce, through projects, through interventions, around 5 million tonnes of greenhouse gases.

More impressive are the financial numbers: if we add up the total investment in those four years something like \$220 million Australian dollars has gone into all activities. The net present value of all the savings achieved are something in excess of \$1.3 billion.

(Ali) Given it's working that well for these companies, we asked the business leaders on our program for their key messages for you in responding to Energy Efficiency Opportunities.

Lou Lachal, Managing Director, AMCOR Australia – EEO is an opportunity – it's an opportunity to make the commitment to reduce your energy cost and be much more energy efficient. Secondly, the compliance part of it – don't wait until the compliance part of it hits you in five years time, so start now. And thirdly, you will need to resource it up front.

Russell Caplan, Chairman, Shell Australia – You could take a sort of minimalist compliance approach – get it out of the way and basically refer to what you're already doing. I think that's a wasted opportunity. If my thesis that energy efficiency is good business holds

– and I really believe it does – then I would suggest embrace this, and use the insights gained to improve your business.

Charlie Lenegan, Managing Director, Rio Tinto – What we have here is a very broad-based initiative that, OK, is mandated in the first instance, but if you really engage on that process it will drive the understanding of your underlying processes, the underlying measurement systems that you need. And once you have that, they in turn actually will drive the identification and implementation of improvement opportunities that provide direct benefits to the business as well as achieving the broader objectives of the nation.

(Ali) What might *your* approach be? We're talking about the chance to increase the productivity and competitiveness of industry and, at the same time, reducing demand on energy infrastructure and contributing to greenhouse gas reduction. Together, Australia's largest energy users can make a very real difference to our country's future.

Thank you for watching.

We asked our panel one final question: 'What is your vision for energy efficiency?' I'll leave you with their answers.

Charlie Lenegan, Managing Director, Rio Tinto – Really the vision is that there is an organisation where energy efficiency and the commitment to reduction in energy use is absolutely embedded in the culture, very similar to the way that safety is embedded in our culture now.

Kevin Ball, Director of Low Carbon Business Policy, BP International – You going to see energy efficiency becoming a way of life. It will have to become a core value of all corporations; it won't be optional, it won't be a program, it will be enduring.