

A photograph of an industrial manufacturing environment. In the foreground, a large orange robotic arm is welding a metal car chassis. Bright sparks are flying from the welding point. In the background, other robotic arms and a white car are visible on an assembly line.

# Corporate responses to energy management: 2012 and now

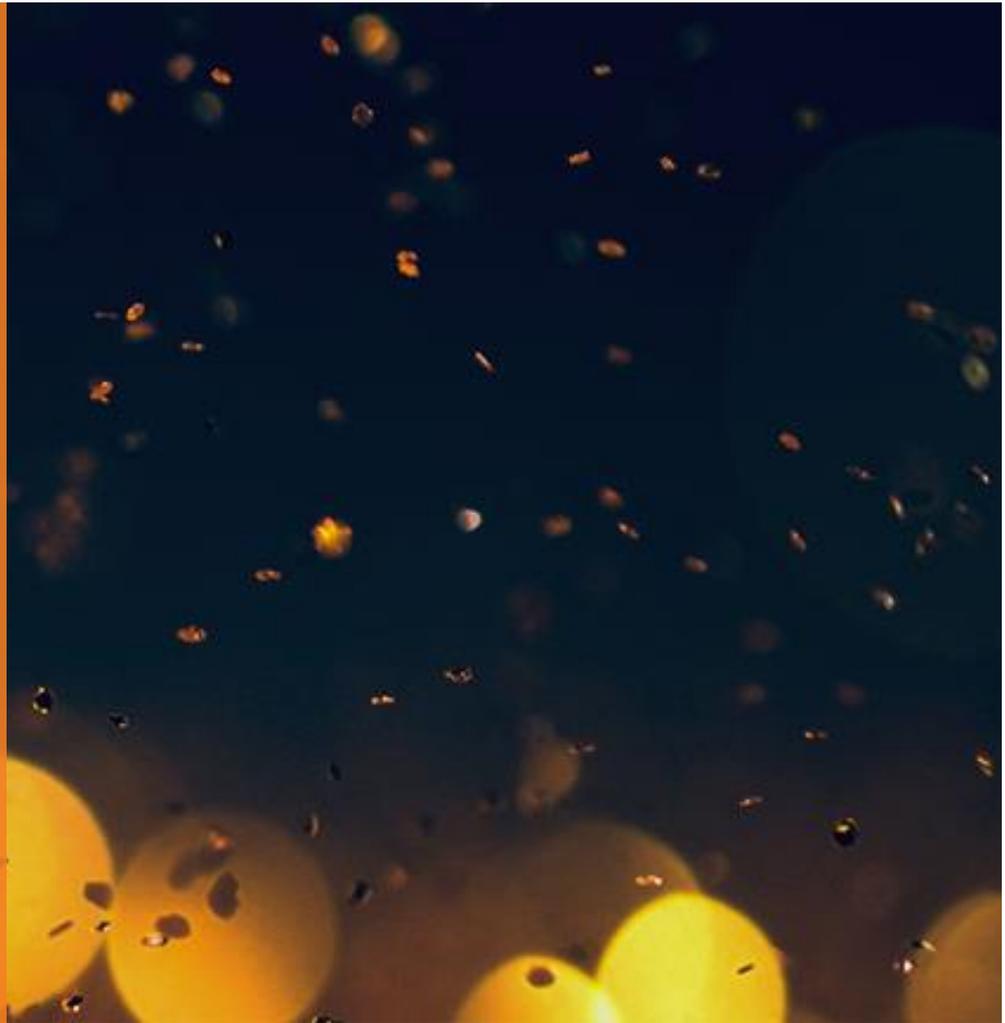
EEC National Conference, Melbourne, November 2017

Dr Mary Stewart | COO and Executive Director – Energetics

energetics<sup>®</sup>

# Who we are

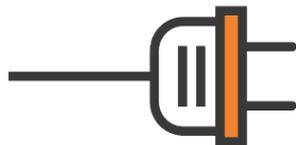
Energetics works with Australia's governments and ASX200 businesses on strategies to address climate change and achieve significant improvements in energy management



# About Energetics



We have been creating value for ASX200 firms for more than 30 years



We procure more than \$1b in electricity and more than \$250m in gas annually for our clients



We are energy managers or advisors to more than 200 of Australia's largest energy users



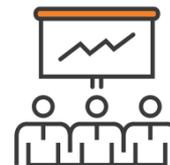
We employ over 50 specialists with technical, commercial and regulatory insights



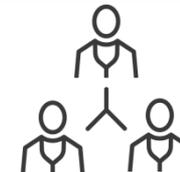
Our experts support more than 75 companies with NGER and NPI compliance



We have nine Certified Energy Managers (CEM) and three Energy Managers In Training (EMITs)



We have nine Certified Measurement and Verification Professionals (CMVP) and one awaiting final certification



Our energy accountants support 27 businesses, 6500 sites, 18500 utility accounts, \$910 million annual utility spend



# Overview

1

**Previous  
experience  
with energy  
price rises**

2

**Current  
responses to  
energy price  
increases**

3

**Policy  
implications**

4

**Practical next  
steps**



Previous experience with energy price  
increases



# What we have seen before?



1

Price shock



2

Review contracts



3

Reduce energy use



4

Ongoing management



# What we have seen before?



**1** Policy implemented



**2** Address requirements

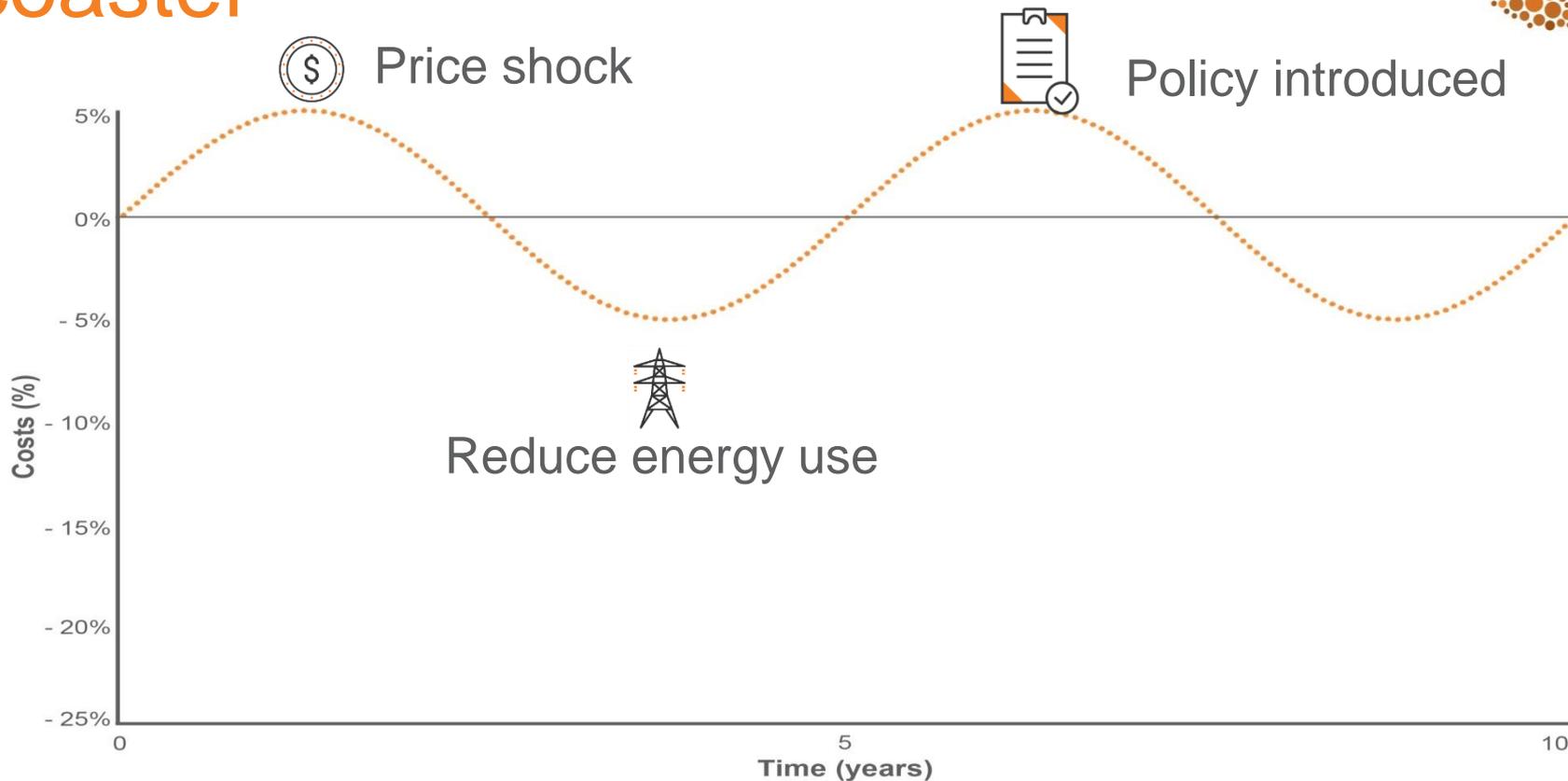


**3** Reduce energy use

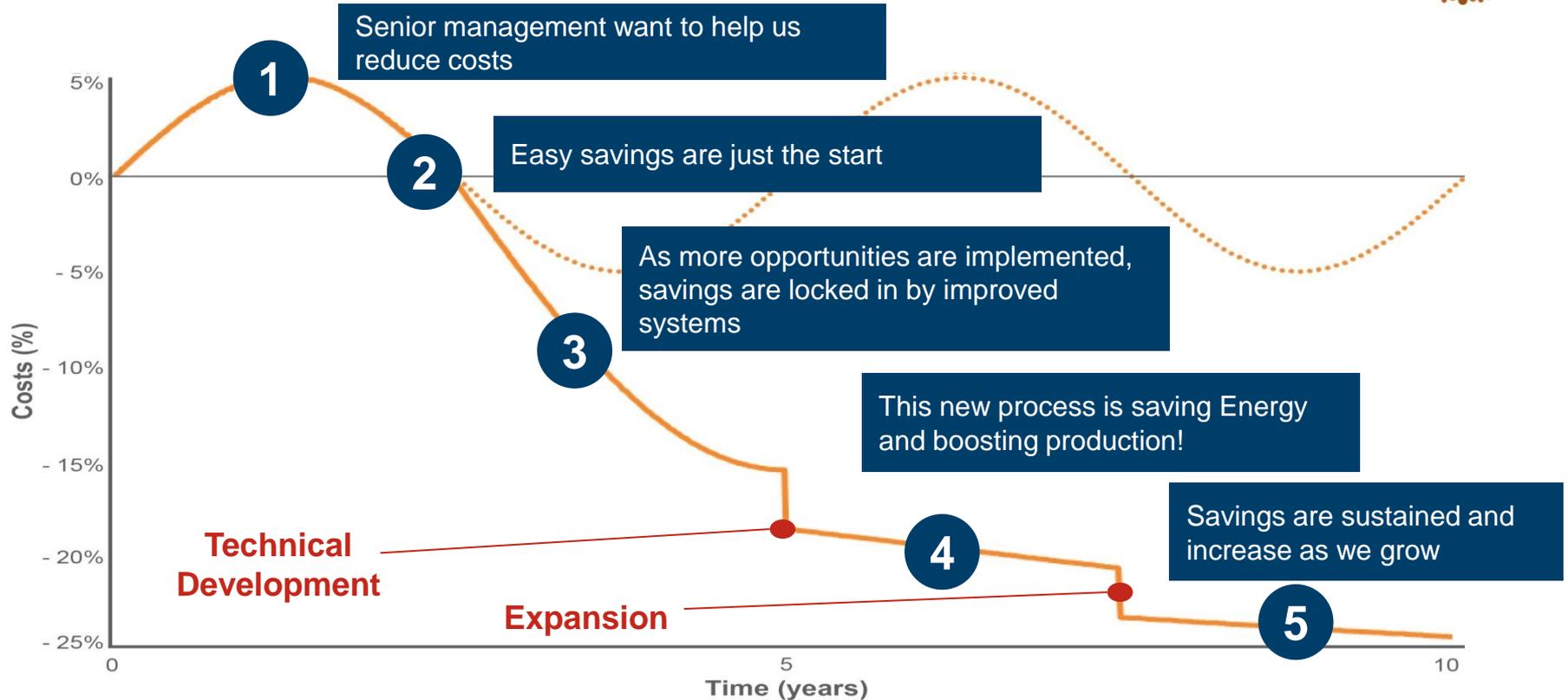


**4** Ongoing management

# The energy management roller coaster



# Our recommended response





Current responses to energy price increases



# What we are seeing now?



1

Price shock



2

Review  
procurement



3

Energy becomes a  
CFO concern



4

Strategic energy  
cost reduction  
programs



# Typical program structures

## Assessment of the status quo

- Energy spend
- Contracts
- Opportunities to address costs
- Some aspects of an efficiency audit
- Constraints and challenges

## Building the business case for change

- Detailed NPV for the program alternatives
- Timing of implementation
- Board level financial information

## Capital approval and planning

- Selection of a preferred program
- Allocation of capital and resources
- Allocation of responsibility

## Delivering

- Implementation and review
- Executive scrutiny
- Performance in KPIs

# Program attributes



## Executive backing and focus

- CFO management and oversight
- Resourcing (people, money, commitment)



## Plans and budgets

- Bundling of projects into larger programs to better access third party funding
  - Better integration across typical “silos”
- Budget allocations and timing of capital
- Programs are three to five years



## Regular review and reporting

- Performance of program in KPIs



# Policy implications



# Policy implications

## **Be clear about desired program outcomes**

- Be holistic not prescriptive

## **Be flexible to enable companies to formulate their best response**

- Industrial solutions are often bespoke and site specific

## **Harmonise across the state schemes**

- Just another “silo”

## **If funding is made available make it easy to access and easy to spend**



Practical next steps



# What to do now

## Understand the external environment

- Near term reality of energy prices, ensure business planning includes energy planning
- Medium term reality of carbon prices and the true implications of a 2° trajectory
- The rise of the activist investor

## Work out if you need to be proactive and take a leadership role or get ready to react to policy when it comes

- This is a cost benefit analysis and a risk assessment, not a discussion on whether climate change exists



# Summary

**Our previous experiences with rising energy markets**

A focus on procurement followed by operational responses

**What we are seeing now**

Cost out responses are corporate, planned and budgeted

**Policy implications**

Outcomes based, not prescriptive, enabling

**Practical next steps**

Understand your cost and risk exposures



Questions

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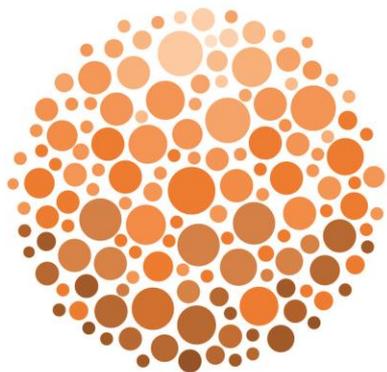
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