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CABINET DECISION

NO. 657

Submission No.: 574

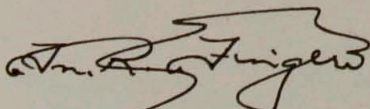
Title: NORTHERN TERRITORY ENERGY COUNCIL

Cabinet endorsed the establishment of a Northern Territory Energy Council to be as broadly based as possible with the following terms of reference -

"to provide advice to the Northern Territory Government on measures to ensure energy reserves consumption and production patterns that are best suited to the Northern Territory's needs and resources, consistent with other Government policy initiatives and Government's overall objectives".

Cabinet agreed that the establishment of the Council including the appointment of the Chairman be determined by the Minister for Mines and Energy.

Cabinet asked for a progress report on the establishment of the Council to be submitted to the Cabinet meeting on 2 May.



(M.B. FINGER),
Secretary to Cabinet.

10 April, 1979.

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THE NORTHERN TERRITORY OF AUSTRALIA

Copy No. 1

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FOR CABINET

SUBMISSION NO. 574

Title:	NORTHERN TERRITORY ENERGY COUNCIL
Cabinet Member:	Chief Minister, Hon. P.A.E. Everingham, M.L.A.
Purpose:	To seek approval for the establishment of a Northern Territory Energy Council, its composition, terms of reference and associated administrative arrangements.
Relation to existing policy:	Within the framework of overall Government objectives.
Timing/ legislative priority:	In view of the potentially serious risk of a deteriorating energy situation, there is a need for the Council to commence at an early date.
Announcement of decision, tabling, etc.:	Public announcement at the discretion of the Chief Minister. Draft press release at Annexure "C".
Action required before announcement:	N/A
Staffing implications, numbers and costs, etc.:	No additional staff or costs.
Total cost:	N/A

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Comment by
Director of
Finance:

See minute attached at Annexure "A".

Approved/Not Approved

Signed:

Date:

Comment by
Public Service
Commissioner:

See minute attached at Annexure "B".

Approved/Not Approved

Signed:

Date:

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THE ISSUE

1. To seek approval for the establishment of a Northern Territory Energy Council, its composition, terms of reference and associated administrative arrangements.

BACKGROUND

2. Public concern over energy suppliers is based on three visions of a future energy "crisis". These are:-
 - (a) Shortage of crude oil in world markets may develop through an inability of suppliers to continue to match the growth in demand.

The evidence does not suggest that the world will soon run out of oil. Most geologists estimate the total volume of naturally occurring oil ultimately recoverable from the earth's crust as close to 2,000 billion barrels, compared with current estimates of proven reserves of the order of 600 billion barrels, with an annual world consumption (outside Communist areas) running at a rate of about 22 billion barrels. It is, of course, true that in the absence of technological changes additional quantities of oil will only be brought onto world markets at an increasing cost, as the marginal supply sources move from Alaska and the North Sea to deep water and ultimately perhaps to polar regions.

Long before the world market price reaches the high level needed to produce the world's last barrel of recoverable oil, alternative energy forms will become commercial and replace naturally-occurring crude oil in the world's energy mix. In the interim, advanced technologies for extracting oil from tar sands and oil shale and for the

liquefaction of coal along with the development of alcohol fuels will directly supplement crude oil supplies. Additionally, we can expect the eventual commercial development of new transport technologies based on alternative fuels for the internal combustion engine (e.g. hydrogen) and alternatives to the internal combustion engine itself (e.g. the electric engine). Prior to these developments, however, the expected high cost of oil from shale and coal will give rise to significant replacement of oil by alternative energy forms (e.g. coal and gas) in almost all other applications. This substitution will ensure that in the long-term oil is preserved for the uses such as transport, for which it is highly valued.

- (b) The OPEC countries may set "exorbitantly" high prices for their oil, which Australia may not be able to afford for balance of payments reasons.

Whilst rapid and unanticipated increases in prices cause both external (balance of payments) and internal (inflation and reduced economic activity) problems for economic management, adjustments to exchange rates, taxation rates, levels of Government expenditure, etc., could be made which would reduce the short-term impact of these price changes. In addition, Australia, as a net energy producer, appears to be in a particularly favoured position to meet rapidly rising energy import prices. Oil price rises will lead to increases in the prices of alternative energy forms such as coal and uranium and thus will bring increased export revenues to balance the increased oil import costs.

- (c) Due to political conflict in the Middle East, the Arab members of OPEC may once again interrupt supplies of crude oil to world markets to further their political aims - the "supplies embargo". Similar consequences might follow from the social and economic disruptions associated with political upheaval in one or more of the volatile Middle Eastern countries.

Although the existence of OPEC does mean that oil prices may be somewhat above those prices which would prevail in a fully competitive market, it is in OPEC's own interest to continue to trade oil. It is by trading oil that the OPEC countries have improved their standard of living and have been able to pay for the rapidly increasing volume of goods and services which they import. Furthermore, the recycling of a significant amount of their oil export revenues by OPEC countries, together with the attempts to develop an industrial base, have resulted in a number of them becoming firmly "committed" to the economic health of the West since 1973. Thus, although economic factors, in particular the growing scarcity of oil together with the market power of OPEC, are likely to give rise to increased prices, they should not be expected to give rise to a situation in which crude oil is not available.

Recent troubles in Iran, however, have emphasised the risk of limitations to crude oil imports due to political problems in the Middle East. Nobody yet

knows what Iran's new Government will do with its oil production. So far its attitude has been one of "take it at our price or leave it" - which already has New Zealand and Japan in trouble. The true dimension of the threat from further political upheaval in the Middle East cannot be clearly identified. The risk of Marxist inspired revolution across Arabia with the situation in Saudi Arabia threatening the kind of chaos which brought about the downfall of the Shah should not be underestimated. Yet, while a world oil shortage may not cause total internal disruption for Australia in the immediate future due to local production, the effects of a world-wide oil shortage cannot help but be devastating. It will create an international recession, affecting our major trading partners and dealing a severe blow to the Australian economy. Thus there is a need to avoid complacency over real hardship in the community which could be caused by a severe supply disruption.

3. Various responses to these difficulties have been proposed. They include calls for energy self-sufficiency; for energy conservation; for an expanded programme of R & D in new energy technologies; for more or less Government involvement in energy activities; for cheaper public transport and other steps to discourage use of private motor vehicles; and for a whole host of other, sometimes contradictory, responses. All this is confusing to the individual consumer (who only wants assurance that he will continue to be able to buy energy for his household and transport needs) and to the industrial consumer (who wants to invest in new plant but must choose today the fuel he will use in the 1980's). The debate on energy policy needs to be

carried on in a less emotional, more objective and rational manner.

CONSIDERATION OF THE ISSUE

4. There seems little doubt that the world is going to have to adjust to more expensive energy in general, and in particular to more expensive aviation and automotive liquid fuels, at least until practical substitutes, such as oil from coal, shale and tar sands, become available through technological change. Much of the argument concerns the role of Government controls and intervention to facilitate this transition process. The proper role of the Government in this period of adjustment is to provide the pre-conditions that will encourage energy producers and consumers to make the appropriate changes. This will involve:-
- . Stability of policies - to enable long term investment decisions to be made with confidence that the rules will not change.
 - . Assessment of the need for a mix of energy resources - whether policies should be geared to provide for a wide range of energy sources so as to avoid over dependence on a limited number of sources.
 - . Determination of the level of direct Government involvement - creating the balance between the market outcome on the one hand and the socially desirable outcome on the other.
5. These considerations point to the need for a comprehensive energy policy in the Northern Territory, particularly in view of the Territory's almost total dependence on liquid petroleum fuels. Specific matters requiring consideration include identification and encouragement of energy use and production patterns best

suited to the Northern Territory's needs and resources, means of maximising consumption efficiency, and consideration of the implications of the Northern Territory being denied access to liquid petroleum fuels for any considerable period, and possible protective moves.

6. It is desirable that co-ordinatory and consultative machinery be established to ensure:-
- (a) that a balanced view is struck between the needs of energy consumers and the utilisation of the Territory's energy resources;
 - (b) that Northern Territory Government agencies act consistently in respect of the implementation of Territory Government programmes, and in the provision of submissions to the Commonwealth Government and national bodies such as A.T.A.C. and A.M.E.C. at which the Northern Territory Government is represented by the Ministers of Transport and Works and Mines and Energy respectively.
7. It is also desirable to ensure that policy initiatives and other actions in the energy field are not inconsistent with other Government policy initiatives (including other initiatives concerning energy matters) and are consistent with the Government's overall objectives.

Type of Co-ordination - A Need for a Northern Territory Energy Council

8. The Departments of Mines and Energy, Transport and Works, Industrial Development and the Northern Territory Electricity Commission have a direct interest in this matter. Consultation with these organisations has indicated a consensus view that it will be important to avoid a lop-sided approach in the

identification of energy policies best suited to the Northern Territory's needs and resources. It is recognised that a Department primarily interested in energy consumption problems might find it difficult to appear neutral or to be equally concerned about utilisation of the Territory's energy resources. Similarly, a Department whose main interests relate to primary energy sources (e.g. crude petroleum, uranium) or to secondary energy resources (e.g. electricity), may not be as concerned or may not appear to be as concerned about consumer interests as producer interests. Accordingly, because of this potential conflict between the proponent Departments and the need to ensure that policy initiatives and other actions in the energy field are internally consistent and consistent with the Government's overall objectives, it is proposed that the Department of the Chief Minister should be given the responsibility to convene a Northern Territory Energy Council.

9. Consideration has been given to the composition of the Council. It is considered that the most appropriate composition would be for the Council to comprise representatives of the Departments with the most interest - Mines and Energy, Transport and Works, Industrial Development and the Northern Territory Electricity Commission. Accordingly, it is recommended that these Departments should be represented at Senior Officer level on a Northern Territory Energy Council under the chairmanship of the Controller, Office of Policy and Planning, the Department of the Chief Minister.

10. At the initial stage, it is not proposed that the Council should comprise members of the private sector. However, membership could be widened following initial assessment by the Council of the likely dimension of the problems and the evolving work plan. Alternatively, the private sector could, in due course, be involved as part of sub-committees established by the Council to look at specific problems.

Terms of Reference for the Northern Territory Energy Council

11. It is recommended that the Terms of Reference for the Council should be:-

"to provide advice to the Northern Territory Government on measures to ensure energy consumption and production patterns that are best suited to the Northern Territory's needs and resources, consistent with other Government policy initiatives and Government's overall objectives."

The Administrative Arrangements for the Council

12. Whilst the Controller, Office of Policy and Planning, Department of the Chief Minister, will chair the Council, it is proposed that the secretariat should be provided from within the Energy Division of the Department of Mines and Energy. This would allow the Council to draw on the expertise existing within the Energy Division.

STAFFING IMPLICATIONS

13. In view of the fact that initially the Council is going to operate within the existing departmental framework, at this stage it is not expected that there would be a requirement for extra staff. Since the secretariat would be provided by the Energy Division of the Department of Mines and Energy, it

is envisaged that any additional staff that might be required as a result of the work of the Council expanding, are likely to be confined to the Energy Division.

FINANCIAL IMPLICATIONS

14. Similarly it is not expected that the establishment of the Council would result in additional expenditure.

PUBLIC IMPACT

15. The public generally can be expected to welcome the establishment of the Council in view of the growing public awareness of the increasing seriousness of the energy situation. There might be some expectation that the Council should at the outset include representation from outside bodies. It will be necessary, therefore, to ensure that the intention behind the Council is fully explained and to point out that outside members might be brought in if and when the need arises. At this stage, it would be desirable to play the announcement of the Council in a low key. The latest round of fuel increases arising from the meeting of OPEC Ministers on 26 March will almost certainly begin to create further public anxiety. It will be important, therefore, to ensure that public announcement is not construed as a sign of a crisis which is greater than actually exists. A draft press announcement is at Annexure "C".

CO-ORDINATION AND CONSULTATION

16. Discussions concerning these proposals were held with the Northern Territory Electricity Commission and the Departments of Mines and Energy, Transport and Works and Industrial Development. Drafts of the submission were distributed to

those bodies for comment. They support this submission.

RECOMMENDATIONS

17. It is recommended that Cabinet approve
- (a) the establishment of a Northern Territory Energy Council at Senior Officer level under the chairmanship of the Controller, Office of Policy and Planning, Department of the Chief Minister or, from time to time, his nominee;
 - (b) that the Departments of the Chief Minister, Mines and Energy, Transport and Works, Industrial Development and the Northern Territory Electricity Commission be represented;
 - (c) establishment of a secretariat staffed by the Energy Division of the Department of Mines and Energy;
 - (d) the following terms of reference for the Council -
"to provide advice to the Northern Territory Government on measures to ensure energy consumption and production patterns that are best suited to the Northern Territory's needs and resources, consistent with other Government policy initiatives and the Government's overall objectives.";
 - (e) that membership of the Council be widened, if necessary, to include outside bodies as the need arises.

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Department/Authority DEPARTMENT OF THE TREASURY

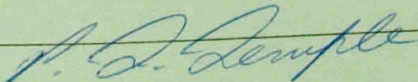
COMMENT ON CABINET SUBMISSION No.

TITLE: NORTHERN TERRITORY ENERGY COUNCIL

COMMENTS:

Submission supported.

In view of the potentially substantial direct and indirect financial implications of the proposed Council's work, it is surprising that Treasury is not recommended for inclusion on the Council. Recommended that the Treasury be included.


SIGNED:

DESIGNATION:

DATE: 2.4/79

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PUBLIC SERVICE COMMISSIONER FOR THE NORTHERN TERRITORY



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30 MARCH 1979

Mr. K. Willett,
Controller Policy and Planning,
Department of the Chief Minister,
P.O. Box 4396,
DARWIN. N.T. 5794

CABINET SUBMISSION : N.T. ENERGY COUNCIL
(Your Memorandum of 29 March 1979)

Following discussion with Gordon James, of your Office, in respect of employment considerations, which were not included in the draft submission received, I make the following comments :

- . No objection to setting up the N. T. Energy Council providing adequate consideration has been given to the Chief Minister's desire that a Commonwealth I.D.C. type system does not develop and responsible departments are agreeable.
- . If the role of the Council proceeds as outlined there could be some impact on the classification of the senior positions in the Energy Division of the Department of Mines and Energy. These positions were originally provided on the basis of their direct high level input to Energy and Resource Planning and the interposing of a Council could lead to a lowering of work value.

Note : the proposed terms of reference, in fact, mirror the basic reason for setting up the Energy Division.

- . The arrangements should be met without need for increased numbers or levels of staff in any Departments.

These comments could be included as the formal comments to the final submission in view of your imposed time scale for examination.

G. Gaskill

G. GASKILL
Assistant Commissioner

MEDIA RELEASE

ESTABLISHMENT OF A NORTHERN TERRITORY ENERGY COUNCIL

The Chief Minister, Mr. Paul Everingham, today announced the formation of a Northern Territory Energy Council.

Mr. Everingham said "At a time of growing concern about energy resources, it was desirable that co-ordinatory and consultative machinery be established to ensure that a balanced view is struck between the needs of energy consumers and the utilisation of the Territory's energy resources. Accordingly, the Government was setting up a Northern Territory Energy Council comprising Senior Officers of the principal Departments concerned. At this stage, it was intended that the Council should operate at the Official level but membership might be widened to include outside bodies as the need arose."

The Terms of Reference of the Council are

"to provide advice to the Northern Territory Government on measures to ensure energy consumption and production patterns that are best suited to the Northern Territory's needs and resources, consistent with other Government policy initiatives and the Government's overall objectives."

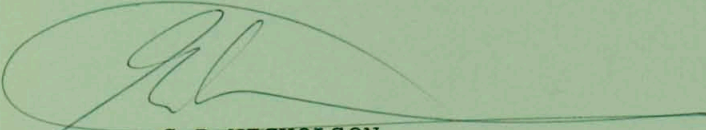
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CABINET SUBMISSION - NORTHERN TERRITORY ENERGY COUNCIL

DEPARTMENT OF LAW

There are no constitutional barriers to this proposal.

There appear to be no legal barriers to this proposal.



G R NICHOLSON
Crown Solicitor

30 March 1979