

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006-07

Melbourne — 7 July 2006

Members

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Witnesses

Mr. T. Theophanous, Minister for Energy Industries;

Mr H. Ronaldson, secretary;

Mr B. McDonald, executive director, corporate services; and

Mr R. Bolt, executive director, energy and security, Department of Infrastructure.

The CHAIR — I now welcome Mr Howard Ronaldson, secretary, Department of Infrastructure; Mr Bob McDonald, executive director, corporate services; and Mr Richard Bolt, executive director, energy and security, from the Department of Infrastructure. To the departmental officers who have just joined us, welcome also. Minister, one hour has been allocated for the energy industry portfolio, and I now call on you to give a brief presentation of the portfolio.

Slides shown.

Mr THEOPHANOUS — Thank you. This is the other half of my portfolio area and the two sections are in many respects connected as well in some projects that we are involved in. This is a very important part of my portfolio. Energy is a major issue which will continue to be a major issue in the community as we face further and further challenges to deliver power at an affordable price and to do so in the context of looking after the environment.

I will try to get through the slides as quickly as I can. This overview slide talks about the work program of the energy industries portfolio and the major challenges that we have, one of which is attracting investment in power generation. I have mentioned this before but we need to do this and in order to do that we need to address a number of issues. I have mentioned some of those issues but one of the most important involves greenhouse gas abatement and how will we are going to deal with CO₂ emissions in future.

The second large area in the work program has involved the national energy market reform process, of which Victoria took a lead. We are moving slowly through that national energy market reform process. We now have the Australian energy regulator situated in Victoria and the Australian energy market commission, and those bodies are regulating the transmission of wholesale elements of the electricity industry and will move towards regulating other elements of the distribution and retail aspects of the industry in the coming years.

The third area I mention here is ensuring that consumers are adequately protected in what is an increasingly competitive retail market. Again we have taken a number of initiatives that I will talk about shortly.

Last but not least is responding to security threats to critical energy infrastructure and improving safety in the electricity industry. We have a budget of \$11.7 million to do this. It is not a huge budget but it is a significant one.

In the next slide I mention investment and sustainability. We are addressing this through the Greenhouse Challenge for Energy, and we are doing that on several fronts. We are looking at a national emissions trading task force. This task force has been set up and includes representatives from all of the states. It is working on a green paper in relation to the introduction of a possible national emissions trading scheme. That is being considered by the states and will be released when there is agreement between all of the states in relation to what should be put in the green paper for discussion by the general community. Again I would say, as I have said many times before, that we would prefer there was national leadership on this issue and that the national government was prepared to include itself in this discussion so that we can move forward in a much better way.

The Energy Technology Innovation Strategy I have mentioned before. Again this is a very important program. It involves \$103.5 million of government funds, and that program is proceeding to look at various demonstration-type plants that may be able to be funded under that program.

The CHAIR — Minister, you have one minute.

Mr THEOPHANOUS — Have I? I will go on to the next slide and come back to some of these other issues.

National energy market reform I mentioned before, and I have gone through the process of saying that the Australian energy regulator in Victoria is the most important bit on that slide to mention. We have managed to get that in Melbourne. It will create 150 jobs, and it puts Melbourne right at the centre of regulation.

The next slide is about consumer protection — again I will come back to this during the course of questions — but we have been able to set in place one of the best consumer protection systems in this state, despite the fact that we have a privatised system, and we have new initiatives arising out of the hardship inquiry to put in place as well.

The next slide is about energy safety and amenity. Safety is of the highest priority to us. We have established Energy Safe Victoria by amalgamating the former electricity and gas bodies that looked after safety. That is

proceeding well. We are also investing in improving visual amenities in Victoria through the power line relocation scheme.

This slide shows an outline of which areas have benefited under the powerline relocation scheme. You can see that a number of places in the metropolitan area have benefited, but also a large number of places in regional Victoria have benefited by our putting power underground and assisting in the visual amenity.

Finally, supply security is an important and major issue for us. We have facilitated 1725 megawatts of new capacity since 1999, and that includes the extra capacity from Basslink and from the reserve trader tender. It includes a range of facilities in Bairnsdale, the Valley Power facility, the Somerton facility, the increased capacity at Loy Yang A, the wind farms that have now come on stream and so on. It includes the Snovic upgrade of 400 megawatts and the Basslink one of 600 megawatts.

Finally, one of our big priorities is to ensure that the terrorist threat for critical infrastructure is managed, and for that reason I am part of the government's cabinet committee on security. We have put in place a number of actions to ensure sure that security is strengthened in these major energy infrastructure areas.

Ms GREEN — One of your slides listed the Victorian renewable strategy. Could you advise us how the federal government's failure to expand the mandatory renewable energy target has impacted on investment in renewable energy in Victoria?

Mr THEOPHANOUS — I think it is important, because there have been some press reports, and I have noticed some reports in the press about the government moving away from its target and so forth of getting to 10 per cent of Victoria's electricity consumption being provided from renewable energy sources.

You should understand that the current level of renewable energy in this state is 4 per cent of total consumption. It is one of the lowest levels anywhere in the world. It is lower than the Australian average. The Australian average is 10 per cent. So we sit right at the bottom end of renewable energy in an Australian sense and in an international sense.

When we put this policy objective up — that is what it was, it was an objective that we had — we relied on the continuation of the mandatory renewable energy target scheme which would fund the additional renewable energy in this state. It was a scheme that was used initially to fund the Portland wind energy facility and a number of other smaller facilities that have already come on stream. We now have a bit over 100 megawatts of installed wind power capacity in this state. We have not been able to reach our target of 1000 megawatts, and the principal reason for the failure to get to 1000 megawatts of wind, the principal reason why we have not been able to make big inroads into additional renewable energy for this state, is that the federal government decided a couple of years ago to do a review. The review came back and recommended the continuation and improvement of the mandatory renewable energy target.

The federal government decided to ignore the recommendations of their own review and instead took steps which have effectively resulted in the nobbling of that scheme. That scheme has a residual component still left in it but, so far as Victoria is concerned, no wind energy facility will take up the mandatory renewable energy scheme in future. It is now petering out. It is being taken up by a bit of solar hot water services that are being installed in individual houses. It is being taken up at that low level because it just does not provide the capacity to build large-scale wind farms or large-scale renewable energy facilities.

This abrogation of responsibility in this area is of huge concern to us as a government. Not only is it an abrogation of our international responsibilities in relation to the greenhouse question of the amount of renewable energy that this country has, but we as a state are put in a position where, no longer having the capacity to fund renewable energy, we are looking at — we have not made final decisions but we are looking at — whether we will have to introduce our own scheme in order to try and fill the gap that the federal government has created in renewable energy.

I get a bit peeved by some people who are playing politics with this on the green side of politics. Rather than coming out and congratulating the Victorian government for trying, for at least looking at a scheme that might deliver significant renewable energy, they have come out talking about whether the target will be achieved within a certain time frame. I did not see in any of the press coverings of this a criticism of the federal government for having dumped the scheme that was meant to provide this additional renewable energy.

Ms GREEN — And talking about nuclear energy.

Mr THEOPHANOUS — That is right. You have the Prime Minister going around talking about something which is highly unlikely. It is an absolute furphy, which is highly unlikely to provide power in this state or in this country, talking about nuclear.

Mr RICH-PHILLIPS — I would like to ask you about biofuels. We have the commonwealth government's two programs, the Biofuels Capital Grants program and the Ethanol Production Grants program, to promote investment in biofuels. We have seen in the last couple of years a number of investments either made or announced with respect to Victoria — announcements by biofuels producers in 2004 and by Axiom and Australian Ethanol this year — for proposed investments here in Victoria to produce biofuels.

Given the commonwealth money, which is quite substantial funding — \$35 billion for the capital grants — what is the purpose of the \$100 000 that you announced with the Treasurer last year to help develop the biofuel industry? Where does that minuscule amount of money fit in the context of the funding program that the commonwealth is obviously running successfully?

Mr THEOPHANOUS — Can I just say that this particular program and the expenditure of this \$100 000 is actually under the responsibility of the Treasurer and Minister Thwaites. It is not directly under my portfolio area. However, I want to make the point that I was in Geelong when we were announcing a facility that the state government certainly supported for new biomass in the Geelong region. We are very keen to see alternative fuel forms being brought into the system.

I might say that my own personal responsibility is much more in the area of using biomass for the production of electricity. In that regard, we have a number of companies that are interested, particularly Babcock and Brown, which has a number of facilities that it is looking at around the state, including one in Horsham, I think, Mr Baxter. They are looking at taking the biomass waste and using it to produce electricity.

Coming back to my answer to the first question, one of the problems is that in looking at trying to establish these facilities, they are classified as renewal energy and they would normally attract mandatory renewable energy certificates, but the fact that the federal government has nobbled the scheme has made it extremely difficult for these large-scale biomass facilities to be established around the state. I am not talking about small amounts of money. Some of the facilities being proposed by Babcock and Brown involve amounts like \$35 million for a single facility. It is not occurring because the mandatory renewable energy target scheme no longer supports those facilities.

You referred to \$35 million. It is all very well to have a capital assistance grant, but if you do not have an ongoing grant capability that supports an industry, then you are not going to get those investments up, and that is why if we introduce a Victorian-based scheme, then we would certainly include in that scheme the capacity for these biomass projects to access that scheme as well.

Mr RICH-PHILLIPS — Just to clarify, Minister, could you explain why the biofuel funding is with the Treasurer and the environment portfolio rather than with energy?

Mr BOLT — Traditionally the state's principal role in energy has been in the stationary sector and not the transport sector, and transport energy is normally a matter prosecuted by the federal government under its constitutional responsibilities. That explains why we do not tend to have a strong focus on that particular role because it is with them.

The CHAIR — Thank you. Minister, could you go to page 285 of budget paper 3 where under 'A Fairer Victoria' there is a heading 'Addressing financial hardship of energy consumers'. The paragraph states:

Funding has been provided to assist energy consumers experiencing difficulties in meeting their energy bills due to financial hardship.

I understand this comes within your portfolio?

Mr THEOPHANOUS — Yes, it certainly does.

The CHAIR — I would like you to outline in some detail for the committee the number of grants you are expecting to provide, what the package includes in summary in financial terms, and any detail that would assist to have us break that paragraph down into an estimates report.

Mr THEOPHANOUS — Financial hardship in the energy sector is an issue that we put a lot of time and energy into because as you know, we have a privatised energy system, and therefore we think it puts a greater responsibility on government to make sure within that privatised system that people are not left behind. This is an essential service. People need electricity, they need gas and they need energy in order to be able to live in our community, so access to that is very important and consumers facing energy hardship is therefore one of the important policy areas we have dealt with.

We established a committee to look at financial hardship under Professor John Nieuwenhuysen, who is very competent in this area. He came down with a report about what further we could do to assist consumers in relation to energy hardship. We broadly agreed with the inquiry's recommendations and following that we have responded in a number of ways. The first is to put out a hardship policy statement. Another is to allocate an additional \$4 million over two years for the Utility Relief Grant Scheme. This is a scheme which is actually administered out of DHS, but the recommendation came through from the inquiry which I had established.

That is an additional \$4 million which will go towards utility relief grants. That means we can target people in energy hardship even beyond some of the people that might have been purely people who were on social security benefits and so forth. We might even be able to go one step further, to people suffering what is called energy poverty. So it is exciting to get this additional \$4 million.

We have allocated \$600 000 over two years for the training of financial counsellors on energy hardship issues, because a lot of this is about making sure that people understand their rights and how they can access them.

We will be introducing new legislation to require the adoption by retailers of a best-practice hardship policy, which will include programs and the prevention of consumer disconnection. In fact, we will be enshrining the principle that a consumer will not be able to be disconnected on the grounds of incapacity to pay. Once a consumer is in one of these best-practice hardship policies — and remember it will be mandatory that these best-practice policies be produced — they cannot be disconnected; once they have been dealt with within that framework, they cannot be disconnected.

But there is one other element of this. The sting in the tail here is that it is the responsibility of the retailer to make sure that it is offered and that people who should be in their best-practice programs are actually in those programs, and if they are not, again the ombudsman can penalise fairly severely the retailers for failure to put people on to that program.

This is very, very important. It is important that we look after people. We should not have families in this state who do not have access to power because of incapacity to pay.

The CHAIR — So I am clear, we have \$4 million over two years and we have \$600 000 for training of financial counsellors, leaving \$3.4 million for grants?

Mr THEOPHANOUS — No, that \$600 000 is in addition to the \$4 million, so it is \$4 600 000. I might also add to this that we have been able to negotiate an outcome with the retailers, where they will put money into financial hardship as well. That money will go in the form of a variety of programs. I think it is — do you remember the figure, Richard?

Mr BOLT — It is \$8 per customer over two years.

Mr THEOPHANOUS — What's the aggregate?

Mr BOLT — The aggregate is in the vicinity of — —

Mr THEOPHANOUS — It is \$9.6 million over two years, which the retailers are putting into the same hardship program, so it is a significant amount of money.

The CHAIR — And have you got a KPI for the number of people whom you would be aiming to cover with that \$4 million over two years from the state and the \$9.6 million from the retailers?

Mr THEOPHANOUS — I think these are figures that we certainly do not have available right through. We can make them available, if we have got them, to the committee.

The CHAIR — If you have them, good. Thank you.

Mr BAXTER — Bearing in mind the \$9.6 million you just mentioned as coming from the retailers is in fact coming from other consumers, what measures are going to be in place in the program that you are establishing to stop the system being rorted if disconnection is no longer the ultimate sanction? If people know they will not be disconnected, what measures are substituted to ensure that it is not unfairly taken advantage of and therefore imposing greater costs on fellow consumers?

Mr THEOPHANOUS — You know, Mr Baxter, I really thought you were going to ask me a question about the accountability of the \$9.6 million and making sure that the retailers actually spend the \$9.6 million on hardship customers.

Mr BAXTER — I am representing the consumers who are paying the \$9.6 million, who are happy to pay it provided they believe the system is fair.

Mr THEOPHANOUS — To answer your question, I think both issues are important. It is important that the \$9.6 million is actually spent and not just pocketed by the retailers. We would not want a circumstance where they take this money and do not actually spend it on hardship customers. I can tell you that there will be significant processes in place to ensure that they have satisfied both us and the Essential Services Commission. Not only that, Mr Baxter, some of them already spend significant amounts of money in this area.

Mr BAXTER — They do, indeed.

Mr THEOPHANOUS — We have told them as a result of this negotiation that every single dollar of that \$9.6 million has to be additional to what they already do. We are not interested in them using what they are already doing and getting credit for that. We have to have a rigorous process in place to make sure that the \$9.6 million is an additional, new benefit for consumers in hardship.

In relation to your other question, to get onto a hardship program a consumer has to pass hurdles, just like the retailer has to offer things. The hurdles obviously are that the consumer has to show that they have a genuine incapacity to pay. That could be a short-term incapacity to pay or it could be a structured, long-term incapacity to pay. But once they get onto this program the retailer can at any time review the appropriateness of keeping people on the program, remembering that there is constant contact when they are on the program in which they have to show how much it is they can pay, what amounts and so forth. We are very confident that people who just do not want to pay will still be able to be disconnected. Certainly this allows for that.

Mr BAXTER — That is reassuring.

The CHAIR — My understanding is the utility relief grants are limited, always have been — unless that is different now?

Mr BAXTER — Limited to what?

The CHAIR — The minister can provide that.

Mr THEOPHANOUS — The utility relief grants are for people in dire circumstances. Beyond that, if people have entered into an arrangement because they have accrued a debt to a retailer, they can get onto one of these programs and they will not be disconnected during that time.

The CHAIR — Mr Baxter, you can have the next question.

Mr BAXTER — Thank you, Chair. Minister, on 19 November 2002 at a public meeting in Nathalia, at which I was present, the Labor candidate for Rodney, Mr Malcolm McCullough, gave an undertaking that if the Bracks government was re-elected, Nathalia would be provided with natural gas. When is that commitment going to be honoured?

The CHAIR — Is natural gas your portfolio, Minister?

Mr BAXTER — It is energy.

The CHAIR — I know but my understanding is it is another portfolio.

Mr THEOPHANOUS — Perhaps, Chair, I could answer your question first. The program is administered by the Treasurer. However, it is done in consultation with my department, and I have adopted a practice in the house of answering questions anyway. It would be a bit silly not to continue that practice.

The CHAIR — Okay. I am not familiar with what occurs in the upper house.

Mr BAXTER — That was going to be my response but the minister has acknowledged it.

The CHAIR — Would you like to comment about a statement made in 2002, Minister, regarding natural gas?

Mr THEOPHANOUS — What I would like to comment on is just to say we are very proud of this natural gas extension program. This program will deliver a huge benefit in regional Victoria.

Mr BAXTER — But when will it be delivered to Nathalia? That is the question I asked.

Mr THEOPHANOUS — I was not present at the particular event you referred to, Mr Baxter, and I have not spoken to the candidate you referred to. I am not aware of the matters relating to that, but what I can tell you is that we went through an exhaustive process to determine where the natural gas extensions would go. It was done on the basis of trying to get the maximum benefit for the largest number of people throughout Victoria. I think it has been an amazing process that has resulted in 34 towns that will have gas which did not have it before or have not had gas in the past. It will provide gas potentially to a huge number of Victorians in regional Victoria and they will save at least 50 per cent and often quite a lot more on their energy bills as a result. It is a project and a program that you should really support. I understand you want to talk about one particular town and make the point about that but it would be good if you also acknowledged this is a program that benefits a large number of people in regional Victoria.

Ms GREEN — I did not hear you talking about Nathalia when it was sold off!

Mr MERLINO — Minister, I want to talk about energy efficiency. I think everyone recognises that energy efficiency is a high-priority issue, not only for this government but is fast becoming a high-priority issue for a lot of national and regional governments in various parts of the world. Earlier in your presentation you mentioned that the Bracks government had an energy efficiency campaign happening. Would you tell the committee more about the campaign, how successful it is likely to be and the cost of it?

Mr THEOPHANOUS — Energy efficiency is certainly a key element of the government's policy structure. The 2004 Greenhouse Challenge for Energy package talked about energy efficiency as a major component of addressing greenhouse questions. The way in which you address greenhouse questions is you can reduce the amount of emissions that you produce in producing the power, or at the other end reduce the amount of power you consume and in that way reduce the amount of greenhouse gases.

We have done a lot in this area. The government has a target in its own operations of reducing energy consumption by 15 per cent and we are on target to achieve that. We are trying to lead by example as well. Incidentally, we also buy 10 per cent of our energy from green sources, at a significant cost to the budget each year.

The state government is leading by example in the area of energy efficiency. We also have a range of programs around appliances with the five-star appliances, five-star homes and those types of things in order to reduce consumption by changing the technology. One of the things that occurred to us that we needed to do was to try and reduce energy consumption through behavioural change. We have done this quite successfully in relation to water where we are able to get Victorians to turn off taps, use water wisely and to reduce their consumption and use of water in this state very significantly. We have developed this campaign under the title 'You have the power. Save energy', which is meant to provide the message that people can make behavioural change decisions.

We also came across the notion of a measure so that people could see how they are affecting the environment, and we came up with the idea of a balloon as a way of showing greenhouse gases visually in the advertisements that I am sure you have seen on television. We have had a huge interest in those advertisements and not just here; other

states and even other countries are interested in how we have done this, because it has such a forceful visual impact. We want people to do simple things that make a difference, and we will be putting out advertising material which shows how many balloons you can save if you take certain actions — balloons full of CO₂ that do not go into the atmosphere.

The CHAIR — Have you got any cost against this proposal, Minister, and do you advertise at times when teenagers watch TV?

Mr THEOPHANOUS — We managed to do an agreement with Channel 7, which is giving us a lot of additional time which we are not paying for. The program is actually fairly modest in its funding, with \$1.5 million initially, although we are looking at whether we should expand the program in the lead-up to summer, when it would take on a different shape. We are currently doing things about turning down your heater and things of that nature, such as switching off the second fridge, switching off lights and so forth. As we come into summer we would like to have a program about turning up the temperature on the airconditioner, because that will save enormous numbers of balloons.

The CHAIR — Again, my question: is there a particular component of this to target teenagers or early 20s?

Mr THEOPHANOUS — I do not know about that. My children are in that 20s age group, and I have a lot of trouble.

The CHAIR — I am sure we would not be referring to the children of anyone around this table.

Mr THEOPHANOUS — Exactly. I have a lot of trouble getting them to switch off lights, I can tell you, just as much as anyone else, but I do not know how we have specifically — perhaps I will get back to that.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Centre for Energy and Greenhouse Technologies which you announced or launched in 2003 to assist in the development of new energy technologies. Some additional funding was provided late last year for that centre which was shown in the budget as \$7 million for the year just completed, \$5 million for the current year and \$3 million for next financial year. Does that decline in funding over that period represent a shift away from that centre as a basis for developing new technologies? Is the government heading in a new direction?

Mr THEOPHANOUS — First of all, perhaps I should say that the centre is actually administered out of DIIRD, not my department. However, obviously I work closely with the Minister for State and Regional Development in administering those funds. It started off with a significant amount of funding, and it was never suggested that the same amount would be always available for that particular centre. The other thing is we decided to put some money into other priorities which I have mentioned already. We put \$83.5 million into the ETIS large-scale demonstration plants, and also as part of the ETIS program we added \$15 million for other research activities which are not in the area of demonstration plants but a lower level type of activity that supplements the work the CEGT does. Overall there are significant amounts of public money being spent on research, on demonstration plants and on trying to find new technologies in these areas.

Mr RICH-PHILLIPS — But there would not necessarily be funding for the centre beyond that which is currently in the budget?

Mr THEOPHANOUS — Again I say that is a matter for the Minister for State and Regional Development.

Ms GREEN — Minister, you stated in your presentation that you had been active in ensuring Victoria has sufficient power supplies into the future and that you also intend to attract investment in power generation. Could you advise the committee what impediments there are to future investment and what the government is doing about this?

Mr THEOPHANOUS — Thank you for the question. This is something which we are very concerned about. I mentioned in the presentation that we have facilitated 1725 additional megawatts of capacity into the system. That has occurred since the Bracks government came to power. Remember that not long after we came into power we faced some shortages in relation to the power industry, which shows that whilst the previous government

had gone into the process of selling the entire industry, it had not taken into account or considered the impact of that on future supplies.

The following statistics are not just numbers; they also represent investments of people who have jobs providing these supplies. The following figures represent the 1725 additional megawatts: the Bairnsdale project, 80 megawatts; Valley Power Peaker, 300 megawatts; Somerton, which I think was one of the first ones I launched, 148 megawatts; Loy Yang A has been able to increase its power output by 60 megawatts through an upgrade; Codrington wind farm, 18 megawatts; Toora, 22; the completed Pacific Hydro bid is 30 megawatts; Challicum Hills, 52.5; and Southern Hydro, 15 megawatts. In addition, we have upgraded transmission capacity, with a 400 megawatt upgrade of Snovic and 600 megawatts from Basslink.

Without all these actions, we would be suffering from power shortages in this state. But I can tell you I am confident that for next summer, particularly since Basslink has come on stream, we will have the amount of power that Nemmco believes we should have in terms of reserve capacity to meet requirements. This has come about because we had to show some leadership in this area.

In terms of longer term, large-scale projects, the Mortlake project, for example, has 500 megawatts of gas-fired intermediate base-load power that Origin wants to bring on stream. Origin has told me on several occasions when we have met that the one thing they require to make that final decision to invest in this multimillion-dollar project is an emissions trading scheme. That is because gas production is just slightly more expensive than brown coal production, but it would become competitive if an appropriate emissions trading scheme were brought into play. That is just one example.

The other example is that if somebody wants to build a brown coal power station using new clean-coal technology, obviously there are additional costs involved in that. What makes it cost effective is having a scheme which values the cost of carbon. We think that Australia is moving in the direction of a total policy vacuum in relation to this particular issue. The Prime Minister seems to have his head completely buried in the sand, notwithstanding the fact that we saw six major companies in Australia come out and ask for an emissions trading scheme to provide certainty going forward for business. That has been ignored by the federal government. Despite the fact that we have called for it on a number of occasions, I really would like to see the state opposition actually put up a position in relation to this and say whether it supports an emissions trading scheme or does not support an emissions trading scheme. At least we would know what we are dealing with.

Let me tell you that it will be very difficult to get investment in this industry without providing certainty about the cost of carbon going forward. For us it is a huge issue. Unfortunately, while the rest of the world is looking at this massive and important issue which involves global warming, which involves the future of our children and so forth, the federal government is not even prepared to talk about it. The Prime Minister says he is happy to have discussion and he is happy to have debate; let us have a discussion and let us have a debate about emissions trading in this country.

Mr BAXTER — Now that Snowy Hydro is not going to have direct access to the capital markets via the stock exchange, is it envisaged that the stakeholders might be required to make a contribution so that Snowy Hydro can keep its infrastructure up to state of the art?

Mr THEOPHANOUS — I must say about this that there have been a couple of decisions made by the federal government which to me reflect that if you wanted a double standard in the media community, then you only need to ask yourself the question, what would happen if a Labor Prime Minister came out at a point when a privatisation of the magnitude of the Snowy Hydro was about to occur, expressions of interest were received from 150 000 Australians?. In one case that I heard of there was a financier who was about to walk into a group of businesses in Hong Kong to try to get those businesses to invest in the float that was going to take place of the Snowy Hydro, and just before he walked in he was told that the Prime Minister had decided to pull the plug on this.

Mr BAXTER — That is not my question. Your high-powered advisers should have been able to tell you that trying to sell the Snowy Hydro, an iconic institution in this country, was not going to be — —

Ms GREEN — No. Your national party ones federally should have been able to tell your mob; we just had to follow. What hypocrisy!

Mr BAXTER — The question I asked: post all those events, is it likely that the stakeholders will be asked to make further subventions?

Mr THEOPHANOUS — Mr Baxter, I know you do not want to talk about the role played by the federal Liberal and National party government in the sale of Snowy Hydro because they agreed to it. The Victorian government was reluctant in the first place in the sale. We were reluctant. We took a decision to go along with it because the federal government pressured us and said that it was going to do it anyway, so let us get the history of it right. I am pointing out simply to you that that was one of two decisions. The other one was the decision over Bald Hills which was made by another federal government minister. Both of those decisions have been seen by the investment community and have been seen by businesses everywhere as absolutely appalling in relation to sovereign risk and in relation to businesses being able to make confident investments in this country. If the Prime Minister did not want to sell it he should have said so right at the beginning and it would not have got to the position that it had.

In relation to your question, let me tell you that from an energy point of view, and my portfolio's point of view, I have spoken to Snowy Hydro — I have spoken to it as recently as the day — and it has assured me that both its obligations in relation to water and in relation to energy will all be met in the future.

Mr CLARK — Minister, I notice you did not actually address Mr Baxter's question about whether there would be a need for subventions or injections of further capital. My question is whether you expect that there will be a reduction in the dividends paid by Snowy Hydro to its shareholders in order to help fund its future capital needs?

Mr THEOPHANOUS — Again, this is a question which is better addressed to the Treasurer. He acts as the shareholder, if you like, in relation to Snowy Hydro. I am not in a position to be able to provide you with information. Snowy Hydro's board acts completely independently of what I do, and also independently of any government. It makes its independent decisions, and I think it will continue to do so, and will make sure that those decisions are able to be taken so that it can run its business in a profitable way.

The CHAIR — Minister, that concludes the consideration of the budget estimates for the portfolios of energy and resources. I thank you and your departmental officers: those here in attendance as witnesses, those who have joined us, and those who have prepared those very detailed briefing papers for you and prepared the budget estimates questionnaire for us. We will be following up the two or three matters you have taken on notice, together with some questions which we as yet have not had the chance to ask. Good afternoon and thank you.

Committee adjourned.