GMC Advocacy Position Paper #2

EMBRACE **all energy options**

WHAT WE NEED

Embrace all energy options available to ensure security of *cheap* and *reliable* energy supply.

WHY

Manufacturing competitiveness depends on cheap, reliable energy. Without cheap and reliable energy, there can be no manufacturing at scale and no international competitiveness – and consequently no viable Australian manufacturing.[i]

Background

During the 20th century, Australia built a manufacturing industry behind tariff walls and with an abundant and reliable supply of cheap energy. Economic rationalism stripped away most of the protection in the 1980s and 1990s, simply because the cost of providing that protection (in higher prices for Australian consumers and/or subsidies for manufacturers) exceeded the benefit of keeping jobs in a particular industry.

But, until recently, cheap and abundant energy endured. Then elected officials became obsessed with reducing Australian carbon dioxide emissions. Already, we have seen huge increases in the prices of both gas and electricity. There is more to come as it becomes increasingly difficult to further reduce carbon emissions through wind and solar without regular blackouts.

The Victorian Government has set in law to cut the state's greenhouse gas emissions and achieve net zero emissions by 2045.

Current Australian energy policy aligns with that of Germany and the UK, countries now experiencing rapid de-industrialisation, but it does not align with those of China, India, the United States or much of Southeast Asia.

Key Issues

- Without cheap and reliable energy there can be no manufacturing of any scale. It is a simple statement of fact that current Australian policies prioritise the reduction of local – not global, *local* – carbon dioxide emissions over the need for **cheap** and **reliable** energy.
- In the case of gas use: with current technological advances decades away, many manufacturers are unable to deploy alternative solutions to gas, even in the medium term, for powering their processes. We share here just two of many examples where Geelong industry is impacted in this way:

1. Industrial galvanizing of steel – a critical process in ensuring long life performance of steel infrastructure, for example in building steel components for wind and solar power

distribution – relies heavily on gas. Even in Europe, where innovation has been heavily supported by governments for decades, no viable fully electric solution is deployed.

Meanwhile, many Australian infrastructure projects have sourced cheap imported alternatives from Asia, where all galvanizing of steel is powered by gas, while workers are underpaid and often working in unsafe conditions, and environmental standards are lax at best.

2. The future of Victoria's grain processing industry is at risk, following decades of failed gas policy. Recent policy initiatives have exacerbated an already deteriorating value proposition for Victoria. Grain processors export largely to Asia-Pacific. If Victoria's energy prices continue to be increasingly uncompetitive, these operations will seek alternative locations – with the loss of Victorian well-paid jobs, including senior global management roles and local operations.

Solutions

1. Stage the transition to renewables in a way that does not handicap or destroy industry.
2. Embrace all energy options available to ensure security of *cheap* and *reliable* energy supply.

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[i] This paper borrows from commentary by GMC Board member, Rob Backwell: an article published in the Geelong Advertiser on April 9, 2025; also various submissions to Government.