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Electricity tariff changes 'will put sugar jobs on line'

EXCLUSIVE

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Australia's sugar industry, an employer of thousands of people across the east coast and a major export sector, has warned that jobs are at risk as it faces significantly higher energy costs with the Queensland government's regional electricity network, Ergon Energy, pushing for higher, and fewer, tariffs.

The Australian Sugar Milling Council, which represents 24 mills, has warned that some companies will face a 57 per cent electricity price hike this year if the Queensland Competition Authority decides not to allow industrial users to move between two different tariffs.

Those two different prices allow the mills to reduce costs in the off-peak season when sugar cane is not being crushed.

Canegrowers also face significantly higher irrigation costs, with the Australian Energy Regulator set to hand down a decision on higher prices next month.

The potential Queensland hikes come as irrigators and industrial energy users such as Alcoa are under pressure in other states, most acutely in South Australia, where the spot price of electricity has spiked repeatedly over the past year.

Alcoa's aluminium plant in Victoria also remains under threat, with the company in high-stakes negotiations with energy retailer AGL. Two hundred workers employed by Keppel Prince, which services the Portland smelter, have been sent on leave because of the lack of work as a result of the uncertainty.

The expected Queensland price hikes represent a considerable problem for the sugar industry, which sprawls across 4400 farms and employs 16,000 people, according to Canegrowers Mackay chief executive Kerry Latter.

"This is threatening the viability of irrigated agriculture across Queensland," Mr Latter said. "The current electricity pricing framework is failing electricity consumers and is directly and adversely affecting the international competitiveness of Queensland's export-oriented irrigated agricultural industries, risking turning this pillar of our economy into a stump."

Acting Energy Minister Jackie Trad said the government had already directed Ergon not to appeal against an earlier AER decision to curb network costs. "Ergon will work closely with businesses to help ensure they get the best value use of their electricity," she said.

Bundaberg canegrower Dean Cayley said he was already irrigating at night to reduce costs. "Peak time over summer is when our crops grow, but if we can't afford to water, then production goes down, our income goes down and we don't have the money to spend so it has a flow-on effect through the community," he said.

The increase in tariffs, canegrowers allege, does not reflect the true cost of running the network.

Mr Latter, who described Ergon as a "cash cow to print money", said a report commissioned by Canegrowers Australia and delivered by economic consultancy Sapere, showed a price distortion of $1.8 billion over five years. The Palaszczuk government, which has a 50 per cent renewable energy target by 2030, was earlier criticised for that plan, which could decrease earnings at government-owned generators by $6.2bn.

Mackay Sugar chairman Andrew Cappello said closing off the possibility that sugar mills would be able to move between two tariffs — one for non-crushing season and another for peak production times — would mean the industry would "need to look seriously at how we do business ... electricity costs are a huge input, especially into milling, and it would make business much more difficult."

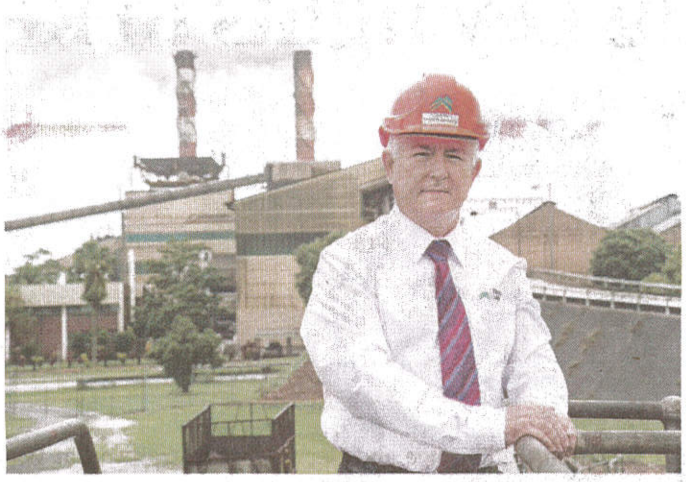
Mackay Sugar, one of the largest mills in the country, employs about 1000 people during peak crushing season, while the industry exports $1.5bn in products annually.

An Ergon spokesman said the tariff proposals had been "independently confirmed as complying with the National Electricity Rules and fully align with conventional application of long-run marginal cost pricing".

"Ergon's final submission seeks to balance the outcomes for segments of customers with the broader customer, network and efficiency implications," he said.

JOHN WILSON

'If we can't afford to water, then production goes down, our income goes down': Bundaberg canegrower Dean Cayley



DARYL WRIGHT

Mackay Sugar chairman Andrew Capello