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Presentation and Panel Discussion – Environmental Sustainability

It is a pleasure to respond to Dr Gabrielle Walkers' remarks about the urgent need for action in response to climate change.

While there are many reasons to be concerned about the seemingly slow rate of response across the world, it is pleasing to be able to present the story of hope from the Water Sector.

As many of you would know, South East Australia continues to be in the grips of an unprecedented drought – unprecedented in both severity and longevity. Water reserves in all catchments for the City of Melbourne, Australia have been in long term decline since the onset of the drought over a decade ago. It is generally accepted that this is a sign of climate change.

In response to these declining water reserves, the Victorian Government instituted a wide range of initiatives to reduce per capita consumption which had been prior to this drought, as high as 400 litres per person per day. It is important to note that Victoria is in the fortunate situation of having 100% of its potable water supply for the major capital city of Melbourne provided from natural catchments: we have to date made no use of recycled or desalinated water.

The initiatives introduced by the Government included:

- setting water targets per person (the "Target 155" Campaign)
- restricting domestic consumption in the watering of gardens, the filling of pools, the washing of cars, and indeed the washing of driveways and houses
- providing incentive programs to install domestic water tanks (which up until recently had been illegal in Victoria)
- introducing a vast array of communication and education programs targeted at homes and at educational institutions, in particular
- introducing incentive programs to replace appliances in the home most notably shower roses and taps or faucets
- providing free advice to people to understand how to use water more efficiently
- providing four minute "egg timers" for use in showers, and others.

In addition to these proactive measures, a range of fines were introduced for people who consciously broke these limits. It is not uncommon for neighbours and near neighbours to report illegal water use to the authorities.

As a result of these programs the community at large has become enormously connected to individual and collective consumption of water. Where once water was seen as a commodity of low value, it is now seen in a very different way.

The daily newspapers publish the percentage capacity of our water catchments on the front page every day – as reserves continued their decline, the community had a common objective and a common goal to reduce consumption.

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The community saw a “burning platform for change” and collectively responded to dramatically reduce water consumption. This is a rare outcome in a society as affluent, democratic and highly competitive as Victoria’s. To its enormous credit, at the time of making this presentation the per capita consumption had reduced from something like 400 litres per person, per day to just under 130 litres per person, per day.

Despite this, the severity of the drought, especially when combined with a growing population, meant that Melbourne’s water supplier were still not secure.

Therefore, the Government made a decision to build the largest desalination plant in the Southern Hemisphere producing some 150 billion litres of water per annum. This water is very costly compared to the water which we enjoyed from our free rainfall and natural reservoirs.

Melburnians are like every other person on the planet - we didn’t want to pay more for water than we historically had. However, this became necessary as the regulator (the Essential Services Commission) reviewed water pricing and announced that the price for wholesale water would go up fully 70% for all consumers within 4 years. These increases were fundamentally to pay for the desalination plant, but also to pay for some other much needed infrastructure works.

Unsurprisingly, the regulator received a significant number of letters complaining about the price increase. But most surprisingly, and this is the telling point, the majority of these letters were complaining that the price had not gone up enough.

Driven by dire circumstances, the Government and the water industry had worked with the community to create a now widely held view that water is a scarce and valuable resource that must be used wisely.

So, what can we learn from this?

The lesson here is that people will accept even painful adjustments to the costs of life’s necessities (e.g. water and energy) if they see a burning platform for change, are consistently communicated with, are united in action, and are carried on a journey of change over a number of years.

I hope that there can be a direct parallel here for the energy industry.

At this time, the policy agendas in many countries to decarbonise are made without a deep, enduring and supportive communication program to advise consumers about the cost and other implications of these changes. Without a strong and united message about the need for change, I fear that these programs will struggle for community support when the inevitable cost changes begin to flow through to retail tariffs.

I hope that reference to this lesson in water might provide some further guidance to the electricity industry about how best to build consumer support for necessary and potentially painful changes to the price of energy.

Thank you.

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