

From: [DLO](#)
To: [The Premier](#)
Cc: [DLO](#); [Irrelevant](#)
Subject: PRIORITY - PM SIGNED - NEGOTIATIONS WITH QLD PREMIER TO LIMIT THE IMPACTS OF RISING ENERGY PRICES [SEC=OFFICIAL]
Date: Friday, 23 December 2022 1:32:09 PM
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OFFICIAL

Good Afternoon,

Please see the attached letter an MoU from the PM.

No hard copy to follow.

Thanks,

[Irrelevant](#)

[Irrelevant](#) | Departmental Liaison Officer
Office of the Prime Minister, the Hon Anthony Albanese MP
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The Department acknowledges and pays respect to the past, present and emerging Elders and Traditional Custodians of Country, and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.

For out-of-hours assistance please contact the DLO duty phone on [Irrelevant](#)

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PRIME MINISTER
The Hon Anthony Albanese MP

Reference: MS22-001625

The Hon Anastacia Palaszczuk MP
Premier of Queensland
1 William Street
BRISBANE QLD 4000

Dear Premier

As we have discussed, rapidly rising electricity and gas prices are placing additional pressure on Australian households, businesses and industry, and adding to inflation. Our governments must not stand by and allow these price increases to pass through without intervention.

By taking swift, coordinated and targeted action, we can put downward pressure on electricity and gas prices and protect Australian households and businesses, while maintaining energy security. It is imperative that our governments and the New South Wales Government act both jointly and urgently to legislate and implement effective gas and coal price caps.

Failure to do so will limit the impact of these measures on retail electricity prices, given the February deadline for the Australian Energy Regulator's draft Default Market Offer (DMO) determination. A delay between announcement and implementation of these measures will also raise the risk of unintended market consequences, linked to fuel switching and movement of supply to export markets that would, if realised, jeopardise the security of energy supply.

Following the unanimous National Cabinet decision of 9 December and discussions between our respective governments, the Commonwealth is proposing to work with Queensland to implement a package of measures to cap gas and coal prices, support vulnerable consumers and invest in the energy infrastructure necessary to unlock cleaner, reliable and affordable energy supply. Full details of the proposed arrangements, consistent with our high-level agreement, are outlined in the attached Memorandum of Understanding (MoU).

The core components of the package include:

- The Commonwealth legislating on 15 December 2022 a framework to enable the implementation of a mandatory gas industry code of conduct and an emergency,

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temporary price cap on gas of \$12 per gigajoule – noting that the price cap has taken effect from 23 December 2022.

- Queensland acting on coal prices from 23 December 2022 (or the next possible date) to achieve an effective price cap of \$125 per tonne by using directions powers for generation by Queensland state-owned coal generators and through a rebate for generation by the Gladstone Power Station.
- Our governments working closely together to provide targeted bill relief to vulnerable consumers and small businesses; and
- Accelerate the development of clean energy projects and the implementation of a Capacity Investment Scheme to ensure future grid reliability.

The package of measures also strikes the right balance between the urgent need to address immediate energy price pressures and provide market certainty, while maintaining and building on our shared commitment to accelerate the clean energy transformation and achieve net zero emissions by 2050.

I note further, that the Commonwealth will partner with Queensland on a range of significant energy projects that help Australia and Queensland to achieve emissions reduction and clean energy ambitions.

I look forward to continuing to work closely with the Queensland Government and other jurisdictions to minimise the impact of rising energy prices on Australian households and businesses.

Yours sincerely



ANTHONY ALBANESE

Attachment

Commonwealth-Queensland Memorandum of Understanding on Energy

Gas prices

The Australian Government will:

1. Implement an emergency, temporary price cap based on reasonable prices applying to new sales of gas by producers in the domestic wholesale market, via bilateral contracts and gas supply hubs, over the next 12 months (that is, sales of presently uncontracted gas being immediately available supply sourced from operating gas fields).
2. Develop a mandatory code of conduct, setting minimum standards for dealings between gas producers and wholesale customers in the negotiation of gas supply contracts including a provision for reasonable pricing that will keep gas prices down after the temporary gas price cap.
3. Bring forward reforms to the Australian Domestic Gas Security Mechanism (ADGSM) to reserve sufficient domestic supply through quarterly based consideration, ahead of peak seasonal demand periods.
4. Invest \$67 million to boost the resources of the Australian Competition and Consumer Commission (ACCC), the Australian Energy Regulator (AER) and the Australian Energy Market Operator to enhance monitoring, compliance and reliability of domestic gas markets, with a similar approach to be deployed to ensure appropriate pass-through of coal intervention savings to consumers.

Coal prices

That the Queensland Government:

5. Cap the effective price of coal inputs used by Queensland electricity generators to 2021 benchmark levels (equivalent to AUD125/tonne for thermal coal) from 23 December 2022 (or the next possible date) to 30 June 2024 by using powers under the *Electricity Act 1994* to direct Queensland state-owned coal generators and through a rebate to the Gladstone Power Station noting:

- a. implementation of arrangements for Gladstone Power Station is subject to agreement with the joint venture owners of that power station, including in relation to the rebate.

b.

c.

Exempt Sch.3(2)(1)(b) Cabinet considerations

6. AER is to monitor and report on price impacts under existing powers.

Note that the above measures are estimated by the Federal Government to result in:

7. Wholesale electricity price estimates in Queensland being 30 per cent lower than forecast in 2023-24.
8. The increase in Default Market Offer retail prices in South East Queensland are estimated to be one third lower than forecast in 2023-24, equivalent to a \$230 average decrease in annual household bills compared to the forecast.
9. Substantial savings to gas-dependent businesses, manufacturers and heavy industries in Queensland, through the Commonwealth's actions on gas.

Rebates for vulnerable households

10. The Commonwealth and Queensland Governments will partner to deliver a package of consumer rebates on energy bills shared 50:50, targeted to households receiving some form of Commonwealth financial assistance, holding a Commonwealth senior's health card or eligible under an existing Queensland Government energy concession scheme, as well as small businesses, with details to be settled by Treasurers through the process agreed by National Cabinet on 9 December 2022.

Infrastructure and Energy projects

The Australian Government will:

11. [Redacted]
12. Exempt Sch.3(2)(1)(b) Cabinet considerations
13. Establish a national Capacity Investment Scheme that will unlock around \$10 billion through underwriting new dispatchable capacity (clean energy storage).
14. Exempt Sch.3(2)(1)(b) Cabinet considerations
 - a. [Redacted]
 - b. Exempt Sch.3(2)(1)(b) Cabinet considerations