ONE DEFENCE ENERGY STRATEGY FRAMEWORK

Overview

Energy is critical to Defence's ability to defend Australia's national interests and to meet the Strategic Defence Objectives as outlined in the *2016 Defence White Paper*. This includes the reliable provision of electricity, gas, liquid fuels and renewable sources of energy on the Defence estate and in support of deployed missions.

The One Defence Energy Strategy (the Strategy) addresses a gap in Defence planning, namely the absence of an overarching energy strategy that provides guidance to Groups and Services. In the absence of such a strategy, a range of Defence documents provide lower level guidance, independent of each other, and with varying levels of authorities and approvals. There is a need to more coherently link Group and Service decisions relating to energy use to defence strategy and resources.

The Strategy will provide strategic policy direction for key energy elements - liquid fuel, electricity, gas and renewables. It will also consider Defence's energy strategy in the context of the evolving risks posed by cyber attacks; climate change; the emergence of future capabilities and technologies; continuing changes to the energy industry; and anticipated new directions in whole of government energy policy. Where appropriate, it will seek to ensure we can integrate with the developing energy policies of our five-eyes and other international partners. The Strategy will inform future Defence estate maintenance and investment prioritisation and will be used to inform mobilisation, preparedness, force posture planning and operational planning.

The One Defence Energy Strategy will comprise the following elements:

- Executive Summary.
- Section 1 - Defence's requirements for liquid fuel, electricity, gas, and renewables; and why that energy source is critical to Defence.
- Section 2 – Implications for Defence arising from the changing strategic and energy environments. This includes identifying risks and opportunities from interdependencies with other critical infrastructure, cyber implications for the energy sector, climate change, future capabilities and technologies, industry developments, and whole of government, five-eyes and other international partner policies.
- Section 3 - Strategic energy policy recommendations for Defence with clear accountabilities and measurable objectives.

The One Defence Energy Strategy will initially be developed as a s47C. Other versions of the document may be prepared for use with internal and external stakeholder engagement, including with five-eyes and other international partners.

The policy considerations for the development of the One Defence Energy Strategy are outlined below.

Strategic Context

The *2016 Defence White Paper* sets out the Government's strategy to ensure that Defence is prepared to protect Australia's interests.

s33(a)(ii), s47C [redacted]

Access to energy infrastructure and domestic and international supplies underpins Defence's ability to conduct and sustain operations in Australia and into the region. Energy is a critical enabler of the Australian Defence Force (ADF) with Defence relying on the national support base for the provision of liquid fuels, electricity and gas. s33(a)(ii), s47C [redacted]

The One Defence Energy Strategy will explore energy security implications arising from changes to our geostrategic environment and the transformation of global and domestic energy supply chains. s33(a)(ii), s47C [redacted]

Defence's Energy Policies

Strategic and working level guidance on Defence's future approach to energy is currently articulated in a number of disparate Defence documents including the *Defence White Paper 2016, Defence Energy Integration Framework 2013, Defence Environment Policy (2016), Future Logistics Concept 2035, Defence Estate Energy Policy (2018-2023)(yet to be released), Defence Estate Energy Policy (2010), Defence Estate Energy Strategy 2014-2019,* and the *Defence Logistics Enterprise Strategy 2016-2021*. This list is not exhaustive. There are a number of other guidance materials that inform niche use, monitoring and supply of energy within Defence.

The One Defence Energy Strategy will provide comprehensive strategic guidance for all Defence elements – both operational and non-operational. It will take into account existing Defence energy policies and will set clear objectives and principles to ensure all Defence stakeholders are in alignment, including with broader government policy.

Whole of Government Energy Drivers

Defence is the largest consumer of energy in the Commonwealth Government. Although we are a relatively minor user in the context of the domestic economy, energy (and particularly petroleum products) is a critical factor in almost every Defence activity.

Defence's energy needs are served by a commercial environment that is shaped by numerous whole-of-government energy policies. For example, the *2015 Energy White Paper* encouraged a market based approach including the privatisation of state-based assets, increased foreign direct investment and a blueprint to improve national energy productivity by 40 per cent by 2030. s47C [redacted]

Defence's energy usage is also shaped by national policies such as the *National Energy Productivity Plan 2015-2030*, the *National Energy Guarantee* and the *2006 Energy Efficiency in Government Operations Policy* (EEGO), which aim to improve energy efficiency across Government and to meet emissions targets. The EEGO requires government departments and agencies, including Defence, to report annually on energy use against targets. s47C [redacted]

The Government has announced a *Fuel Security Assessment* (due end of 2018) and a *National Energy Security Assessment* (NESA) (due mid-2019). Previous NESA's have not assessed 'security' in the same way Defence

does, with the focus being on reliability, availability and affordability of energy sources. Defence is now a key stakeholder in this work, which is being led by the Department of the Environment and Energy.

The One Defence Energy Strategy will be responsive and aligned to future whole-of-government energy guidance including the forthcoming 2018 Fuel Security Assessment and the 2019 National Energy Security Assessment.

Emerging energy sector risks

The domestic energy sector has undergone significant change over the past decade with the closure of domestic refineries, increased reliance on global supply chains, increased and aggregated foreign ownership of critical infrastructure assets, and increased use of renewables leading to, at times, uncertainty in energy supplies. A better understanding of the implications arising from these changes will inform Defence's policy settings regarding availability and reliability of energy supply for both operational and non-operational environments.

Defence has undertaken a range of Nodal Assessments comprising of a deep dive into locations of importance to Defence s33(a)(ii), s47C

The Government's *Security of Critical Infrastructure Bill 2018* provides stronger levers to remediate national security concerns arising from sabotage, espionage and coercion in high risk critical infrastructure sectors; as does the establishment of the Critical Infrastructure Centre in Home Affairs. It is important for Defence to have a clear view of emerging risks so it can continue to effectively engage with and leverage these resources.

The One Defence Energy Strategy will provide guidance to ensure that Defence understands, and where appropriate, has considered emerging risks to energy supply from a range of sources and is positioned to recover from any energy supply disruption.

Five-eyes community and other technologically advanced partners

In 2011, the United States (US) Department of Defense (DoD) released its *Operational Energy Strategy*, since updated in 2016. The Energy Strategy set goals and targets for energy use and created offices of primary responsibility accountable for meeting these goals. The US DoD has also developed a range of Service-driven strategies designed to meet agreed Net Zero emissions targets. The US has taken concerted actions to ensure continuing access to liquid fuel supplies to support its national defence and security objectives.

In 2017, Canada released its *Defence Energy and Environment Strategy*. The goals of this strategy include improving energy efficiency, conducting sustainable operations, "greening" procurement and building sustainable real estate.

The United Kingdom's *Sustainable MOD Strategy: Act and Evolve 2015-2025*, provides direction to address risks to the United Kingdom Ministry of Defence by making it more sustainable and thus more efficient, resilient and adaptable to the future. The Energy Efficiency and Security strategic objective is to "increase our energy efficiency and reduce our dependency on fossil fuels to lower their associated risks to business and capability."

Consideration will also be given to other energy policies utilised by technologically advanced partners.

The One Defence Energy Strategy will consider interoperability and new technologies being utilised by our five-eyes and other technologically advanced international partners.

Future Direction

Defence relies on national and global energy supply chains and infrastructure networks to support ADF capabilities.

Defence needs to understand and consider new and emerging energy technologies out to 2050, s33(a)(ii), s47C. This understanding needs to cover not only the potential of new technologies but also transformation costs and adaptation risks. Energy requirements will also grow with the introduction of new capabilities, for example, s33(a)(ii)

The One Defence Energy Strategy will provide guidance in support of future energy technology use in capability and base infrastructure design.