



Powering Australian Food and Grocery: Energy & Investment Report

Key Points

- **Coordinated action from government and the food and grocery industry is needed to address energy risks**
- **Energy costs and supply issues hinder the sector's plan for growth and innovation.**
- **Targeted government support, in partnership with industry, is essential to progress the energy transition and to meet the sector's energy needs.**

The food and grocery industry is central to the everyday lives of Australians. But the manufacturing sector is under growing pressure and energy is at the heart of the challenge.

As the third-largest industrial energy user in the country, manufacturers in the sector face rising and volatile energy prices, potential shortfalls of natural gas, and concerns around the continued stability of the electricity grid.

Gas is a particularly salient challenge for the sector. Around 40% of the food and grocery industry's energy comes from gas, which remains irreplaceable for certain high heat manufacturing processes. While some companies are switching to alternatives where available, others are hindered by high upfront costs or a lack of technologically viable alternatives.

The AFGC welcomes the federal government highlighting the importance of long-term access to affordable gas. This comes as the ACCC warns of looming gas shortfalls in the southeastern states.

Even when viable alternatives are available, the challenge of investing in new, more efficient energy systems is heightened by the broader cost pressures – including on commodities, freight and labour – facing the sector.

The stakes are high for food and grocery manufacturers. The high cost to transition sources of energy from gas is limiting their ability to grow and remain price-competitive.

According to new modelling by Oxford Economics, the sector's energy use could rise by 35% to 220 petajoules by 2030 as the industry aims to grow turnover to \$250 billion. That growth cannot be achieved without an affordable and reliable supply of energy.

The report demonstrates the scale of cost associated with the sector's energy transition, concluding that **up to \$13.7 billion** in investment could be required by 2030. Without action, energy issues will continue to hobble the sector's competitiveness and resilience.

AFGC is calling on government to back the food and grocery sector through:

- **Targeted investment support:** Grants and incentives for energy efficiency, fuel switching and onsite energy generation to overcome high upfront costs and enable a transition for manufacturers
- **Grid stability as a priority:** Ensuring the electricity grid can maintain a continuous supply of energy, especially during peak periods of demand
- **Gas supply alongside energy transition:** Continued support for short to medium-term gas supply is critical as parts of the sector electrify over time.

Australia's food and grocery sector has led the way in its energy transition efforts. But further steps towards this transformation will not happen in isolation. It needs investment, planning and partnership.

Getting energy policy right means protecting our food supply chains, securing jobs, and future-proofing Australia's food security.