31 July 2019

Climate Change Team
Department of Environment, Land, Water & Planning
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By email: climate.change@delwp.vic.gov.au


Thank you for the opportunity to comment on this report.

By way of background, Rinnai Australia has 6 manufacturing production facilities consolidated into two large manufacturing sites in Victoria employing over 200 Victorians and with total employment of nearly 600 staff across Australia. Many more people are directly employed involved in the sale, installation and aftermarket servicing of our products which are sold under many brands including Rinnai, Brivis, APAC, Hotflow, SE, Sunmaster and POLO.

Rinnai supplies all varieties of residential and commercial water heating and climate control technologies into the Australian market, and invests over $3 million pa in R&D in Melbourne. Rinnai is the largest supplier of ducted gas heaters in Victoria and is the second largest supplier to the Australian water heater market with a turnover of nearly $400 M. We have a product portfolio targeting export markets through Rinnai global distribution channels.

We support the submission from GAMAA regarding this subject. In particular we share concerns regarding the ‘fuel switching’ from Natural Gas to Electricity that the final paper assumes. Like GAMAA, we emphasise that this assumption is extremely flawed and totally misguided in logic and honesty, and the assumption if upheld, will absolutely disadvantage Victoria in the medium and long term.

For Rinnai specifically, our local manufacturing sites rely on significant quantities of Natural Gas as the heat source for our state of the art high-temperature vitreous enamel baking ovens used in the manufacture of our many products at the Melbourne factories. It is absolutely technically infeasible and uneconomical to ‘electrify’ these processes. The electricity load, the new and massive sub-station requirement costs, the utility power supply transformer upgrade costs and the capital to convert Rinnai’s oven processes to electricity (incidentally, there is no manufacturer in the world of vitreous enamel water heaters using electricity instead of gas for this particular application) would create a massive uncompetitive environment for Rinnai versus competitors manufacturing in NSW and off-shore, and that differential will be enough to force Rinnai to close these Melbourne factories and shed its Victorian workforce.
Rinnai and many other manufacturers operating in Australia are already facing significant commercial pressures from the high cost of manufacturing in Australia driven in recent years solely by energy costs in this country.

I have a responsibility to advise our shareholders and Board of these signals that our Natural Gas supply may be under future threat, and these signals will lead the company to reconsider the sustainability of maintaining manufacturing operations and assets in Victoria.

We look forward to further engagement regarding this matter, given its significance to Victorian consumers, industry and Rinnai. Please contact Leon Bogers or myself if you have any queries about our comments to date.

Yours sincerely

Greg Ellis
Managing Director