

Threats to Energy Supply Chain Stress Need for Effective Energy Procurement Strategy

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Energy procurement and management refers to how a business strategically manages the process of sourcing its energy supply, especially within the largely deregulated and competitive Australian energy market. It encompasses selecting appropriate energy retailers, contract types, and purchasing strategies that align with operational needs and sustainability objectives. Effective procurement protects against price volatility while enabling businesses to transition toward more resilient and decarbonized energy strategies.

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The topics of energy reliability and energy management have become critical considerations for all businesses. As geopolitical conflict and natural disasters spark energy price volatility, now is a pivotal time for businesses to strengthen their energy procurement and management strategies.

The global energy landscape is changing rapidly, and for good reason. Climate change, largely driven by fossil fuel consumption, is increasingly impacting our daily lives: increased frequency of natural disasters; more extreme weather conditions; and destabilisation of critical ecosystems. These significant shifts will continue to affect societies and economies, driving the need to shift away from unsustainable fossil fuels and to become more resilient.

Stakeholders, investors, and regulatory frameworks are more heavily prioritizing climate-resilient businesses and assets to promote a healthier planet and protect economic interests. To meet these growing demands, different clean energy technologies and energy procurement strategies continue to emerge. As Australian energy customers brace for rising costs in the wake of devastating floods and geopolitical tensions, businesses must navigate this morphing landscape to establish energy procurement and management strategies that enable predictable costs and reliable fuel sources that meet their needs.

What is Energy Procurement and Management?

Energy procurement and management refers to how a business strategically manages the process of sourcing its energy supply. The largely deregulated Australian energy market has given way to a competitive sector of energy suppliers. As energy customers, businesses sign into one of two types of energy contracts:

Standard retail contract - this comes with fixed terms and conditions that cannot be altered by the retailer. In most cases, the energy price is established by the state or territory government. This tends

to be the default contract arrangement if a business has never engaged in the energy market.

Market retail contract - these contracts can vary between retailers and may contain certain eligibility requirements. Market contracts may be cost-competitive, but they can also come with fixed-term length requirements that penalize for an early exit.

The market retail contracts may come with competitive advantages, yet there is considerable program and contract variety within and between retailers. Add to that the corporate pressures for businesses to decarbonise and incorporate more renewable energy sources into their energy mix, and the action of choosing an energy supplier can become overwhelming.

With the number of options available, it is important that businesses choose a provider that aligns with their corporate agenda. Some of the most important considerations for a business to select the best-suited energy retailer and contract type are:

What is the Cost? Choosing a reasonably priced rate is important, and it may be the driving factor for some businesses to select the most economic option available. The cheapest option will likely come with drawbacks, such as limited customer service or hidden fees, that can prove tedious. Therefore, it is also important to understand what is included and excluded from the price and whether it is fixed or increases over time. The lowest cost contracts likely come with the longest term agreements, making it important for businesses to weigh the benefits of cost versus flexibility.

How does Payment Processing Work? For convenient bookkeeping, it is prudent to know how the bill is received and by what methods it can be paid. In the case of a dual fuel contract for gas and electricity, it is useful to know whether or not the costs are consolidated onto one bill.

How clean is the provided energy?

Not all suppliers prioritise clean energy. Clean and renewable energy options are driving factors for many businesses looking to demonstrate social responsibility and prepare for the future business landscape that understands upholding biodiversity and climate stability. These are essential factors for creating long-term success. When establishing a renewable energy procurement strategy, other considerations may include the energy source (wind, solar, biomass, etc.) and the location of the plant. These considerations address the priorities of energy diversity and source locality.

How is the Customer Service? While often overlooked, customer service can be an invaluable feature that offers businesses confidence that they can efficiently address energy-related issues through flexible and varied communication channels and customer support tools.

Navigating this sea of energy supply options is a formidable task, and it becomes increasingly complex as the energy transition progresses, stakeholder priorities develop, and energy costs fluctuate.

Factors Impacting Energy Prices

As is customary with international markets, the energy market is heavily influenced by the global ebb and flow in supply and demand. These market fluctuations play into why oil prices decreased during the global COVID-19 pandemic when oil demand plummeted, and they also shed light on how coal prices are currently soaring as high demand meets a supply chokehold from countries refusing Russian fossil fuels due to its invasion of Ukraine.

The rising coal prices are bittersweet for Australia. On the one side, the Australian government is enthusiastic about how high coal prices are driving profits on fuel exports including coal and natural gas. A quarterly report by the Department of Industry, Science, Energy and Resources projected that export profits are to reach a record \$425 billion in 2021-22.

On the other hand, increased prices are placing additional stress on households and businesses as coal still makes up more than 50% of the national electricity generation. Wholesale coal prices, which have a dominant influence on consumer energy bills, have soared nationwide with nearly all states

experiencing price hikes upwards of 100% compared to the same time last year. While the impact of this cost spike will undoubtedly trickle down to businesses and consumers, the extent of the impact will vary based on their energy contracts and how vulnerable their energy procurement strategies are to fluctuating wholesale fuel prices.

In addition to geopolitical tensions, natural disasters impact energy prices when they damage infrastructure or disrupt the supply chain. This creates an extensive overlap between climate resilience and disaster preparedness. Already this year, both Queensland and New South Wales have experienced a series of storms that have blasted the east coast with more than a year's worth of rainfall. The subsequent flooding forced Queensland ports to close, disrupting the coal supply chain and further exacerbating the coal price spike. Although storms are hitting with increased frequency, Australia's exposure to flooding is not new. Disastrous floods in 2008 as well as in 2010-11 also put coal prices in a frenzy. Flooding and other natural disasters are an urgent call for Australia to improve its climate resilience. For businesses, this includes preparing a strong energy procurement strategy that reduces risk and fosters security.

The Energy Transition is Live

There are abundant reasons why the world needs to decarbonise. Current events show how intensifying storms and geopolitical tensions place significant pressure on Australian energy systems, putting many businesses and households in a state of being fuel stressed. The dynamic and complex repercussions of fossil-fuel dependence reveal an environmental incentive to decarbonise as well as human health and economic imperatives.

Australia is diversifying its energy grid. There is greater penetration of renewable energy sources and expanded development of battery storage and green hydrogen facilities in renewable energy zones. Coal plants are being phased out, proven by the recent closure of a unit at Liddell power station that is scheduled to cease operations in April 2023. An energy transition is happening, and Northmore Gordon is well-positioned to assist businesses to navigate and excel in the changing landscape.

Northmore Gordon Simplifies Energy Strategy

Energy is a requirement for business. Despite increasing pressure from stakeholders to decarbonise and the economic incentive to strengthen resilience against tumultuous energy price fluctuations, many businesses do not have the time or resources to expertly dive into the nuanced and integrated world of energy procurement. That is where Northmore Gordon comes in.

Our expertise in energy procurement, management, and certification offers businesses the insight and personnel to strategically navigate energy markets and tailor energy procurement and management strategies that meet their ongoing needs. By seeking assistance for energy sourcing and management, businesses gain greater energy security and are able to profitably decarbonise, whilst keeping their internal resources focused on the core business.

To explore your business' energy options and secure a more stable energy strategy, contact our team of experts today.

Procurement context

Check the current market date, contract term, meter and load data, instrument ownership and retirement evidence before making a purchasing or public claim.

Related guidance

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Read the original article for the source publication and its full context.

What is energy procurement and management as defined in the Northmore Gordon article?

Energy procurement and management refers to how a business strategically manages the process of sourcing its energy supply, especially within the largely deregulated and competitive Australian energy market. It encompasses selecting appropriate energy retailers, contract types, and purchasing strategies that align with operational needs and sustainability objectives. Effective procurement protects against price volatility while enabling businesses to transition toward more resilient and decarbonized energy strategies.

What are the two types of energy contracts businesses can sign into in the Australian energy market?

Businesses can sign into either a standard retail contract, which has fixed terms and conditions typically set by the state or territory government and is often the default arrangement, or a market retail contract, which can vary between retailers, may have eligibility requirements, and can be cost-competitive but may include fixed-term penalties for early exit. The choice depends on the business's risk tolerance, budget flexibility, and service requirements.

What key questions should businesses consider when choosing an energy retailer and contract type?

Businesses should consider: What is the cost, including whether it's fixed or increases over time? How does payment processing work, such as whether dual fuel bills are consolidated? How clean is the provided energy in terms of source type and plant location? And how is the customer service regarding flexibility and support channels? These factors directly affect operational costs, sustainability goals, and management efficiency.

How have geopolitical tensions and natural disasters impacted Australia's energy supply chain and prices?

Russia's invasion of Ukraine reduced global fossil fuel supply as countries refused Russian exports, driving coal prices to spike more than 100% in nearly all Australian states. Simultaneously, natural disasters in Queensland and New South Wales—including severe flooding in 2022—forced port closures and disrupted coal supply chains. These combined pressures created significant price volatility, underscoring the need for resilient procurement strategies and renewable energy transition.

How does coal price volatility create business risk and what is Northmore Gordon's role in addressing it?

High coal prices increase energy costs for businesses reliant on grid electricity, while price volatility makes budgeting and investment planning uncertain. Coal supply disruptions from geopolitical events or natural disasters compound this risk. We help businesses reduce this exposure through procurement strategy, energy optimization, renewable energy procurement via moREnewable100, and transition planning toward decarbonized operations. These measures provide energy security while protecting operational budgets.

What evidence suggests Australia's energy grid is transitioning away from coal?

Australia's energy transition is evidenced by greater penetration of renewable energy sources, expanded battery storage and green hydrogen facilities in renewable energy zones, and the phase-out of coal plants—including the closure of units at Liddell power station scheduled for April 2023. This transition reflects both policy momentum and market economics, creating opportunities for businesses to align procurement strategies with emerging grid characteristics and access renewable energy attributes through services like moREnewable100.

How can businesses use energy procurement strategy to navigate climate-driven supply chain stress?

Climate change increases natural disaster frequency and energy price volatility, destabilizing traditional supply chains. Businesses can respond by diversifying energy sources through procurement contracts that include renewable energy, implementing energy management systems to reduce consumption and peak demand, investing in on-site generation where feasible, and working with advisors to structure procurement that locks favorable terms before further price escalation. We provide feasibility assessment, procurement strategy, and measurement support to execute these transitions.

What commercial advantage does a resilient energy procurement strategy provide during periods of supply constraint?

During supply constraints—such as coal port closures or extreme weather disruptions—businesses with diversified procurement strategies and reduced energy intensity are less exposed to price spikes and supply interruptions. Secured renewable energy contracts, optimized operations that lower baseline demand, and strategic timing of energy purchases provide cost certainty and competitive advantage. We assist by identifying efficiency opportunities, assessing renewable procurement pathways, and developing transition plans that balance financial resilience with decarbonization objectives.