

Minister Penny Wong

c/ The Renewable Energy Sub Group Secretariat
Renewables, Offsets and COAG Branch
Department of Climate Change
GPO Box 854 CANBERRA ACT 2601
Submitted by email: RET@climatechange.gov.au



February 20, 2009

Dear Minister Wong,

Please accept this submission to the consultation on the Renewable Energy Target scheme and the treatment of electricity-intensive, trade-exposed industries under the Renewable Energy Target, prepared by the Climate Action Network Australia.

The Climate Action Network Australia (CANA) is the peak non-government body on climate change in Australia, with a membership of over 60 groups concerned about climate change. They come from the faith, community, development, and environmental movements, as well as the research community. CANA, in turn, belongs to the global Climate Action Network (CAN) which has representative groups in more than 80 nations, in every continent (www.cana.net.au).

CANA considers that the climate policy that is set this year by the Rudd Government needs to ensure Australians a safe climate future. The RET Scheme can be a central part of this. CANA supports the core aim of the Renewable Energy Target as a 'complementary measure designed to accelerate the deployment of renewable energy'.

CANA demands that the central focus of the RET is to significantly reduce Australia's greenhouse emissions through initiatives that include a higher renewable energy target, a flexible RET timeframe and broader support for renewable energy technologies. CANA would support an inquiry into ensuring a 100 percent renewable energy future, similar to the proposal in the USA by former Vice President, Al Gore.

CANA's key concerns about the RET scheme design are:

- While the proposed Renewable Energy Target of 20% by 2020 is better than previous targets, it should be much higher.
- Financial assistance/compensation or exemption should not be granted to energy-intensive industries. Such compensation could allow 'double-dipping' by polluting industries and use taxpayer money to insulate these industries from rising electricity prices. While compensation to these RET-affected industries does not impair the effectiveness of scheme, it affects the cost and equity of scheme for other electricity users. Instead, the price impacts should be a driver to reduce the emissions from these industries.
- The use of the RET as a transitional measure to be phased out by 2030 does not provide a long-term incentive for investment in the Renewable Energy industry.

- The Solar Multiplier should be redesigned to ensure that newly-installed renewable energy contributes to the RET.
- Native forest biomass should not be considered as a source of renewable energy.

This submission is presented in two parts:

- Part 1: Concerns regarding the design of the RET Scheme; and
- Part 2: Responses to specific questions in the RATE Consultation Paper.

CANA is available to provide further information or clarification on any of the issues raised in this proposed RET scheme paper and in broader climate change policy.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Nina Hall". The signature is fluid and cursive, with the first name "Nina" and last name "Hall" clearly distinguishable.

Nina Hall
National Coordinator
Climate Action Network Australia
Lvl 13/ 235 Jones St Ultimo NSW 2007
(T): 02 8202 1248
(E): nina@cana.net.au
(W): www.cana.net.au

Consultation on the Renewable Energy Target scheme and the treatment of Electricity-intensive, Trade-exposed industries under the Renewable Energy Target

Submission from the Climate Action Network Australia
www.cana.net.au

February 20, 2009



Part 1: Concerns regarding the design of the RET Scheme

CANA's recommendations are as follows:

Targets of RET Scheme

- **Increase the Mandatory Renewable Energy Target:** The MRET of 20 percent renewable energy by 2020 is too low. CANA recommends that this 20 percent target is reached prior to 2020, otherwise investment in renewable energy technology will be stymied. A 2008 report by Energy Strategies and Greenpeace International determined that increased uptake of renewable energy for electricity could provide 40 percent of electricity by 2020, increasing to 70 percent by 2050. Furthermore, CANA would support an inquiry into ensuring a 100 percent renewable energy future, similar to the proposal in the USA by former Vice President, Al Gore.

Timeframe of RET Scheme

- **Continue the Scheme until the renewable energy industry is established:** The use of the RET as a transitional measure to be phased out by 2030 does not provide a long-term incentive for the Renewable Energy industry. This limited timeframe will not provide incentive for investment in technologies that are not yet commercially feasible.
- **Review the effectiveness of the CPRS before ending RET Scheme:** The proposed phase-out of the RET assumes a sufficient carbon price signal under the CPRS by 2020. Given that the CPRS proposes low price caps and a slow start, this outcome is not assured. Hence, an extension and revision of the RET Scheme should be permitted if the CPRS is not effective in reducing Australia's greenhouse gas emissions.

Breadth of RET Scheme

- **Ensure adequate support for existing and future renewable energy technologies:** The proposed RET Scheme will favour existing, commercially-available renewable energy technologies. The scheme should ensure adequate support for all eligible renewable energy sources, regardless of their commercial maturity.
- **Use the UK approach of 'banding' to increase investment in less commercially-mature RE technologies:** The RET scheme should explore the UK design of 'banding', whereby more more Renewable Energy Certificates (RECs) are awarded per developing technology to attract additional investment in less commercially mature RE technologies (eg solar thermal, geothermal, ocean and tidal power).

- **Exclude solar hot water:** Solar hot water should remain a priority for roll-out in Australia, but should be excluded from the RET as it is a demand-side measure. This will ensure more Renewable Energy Certificates (RECs) are available for the development of other renewable energy technologies.
- **Exclude native forest biomass:** Given that native forests are not logged nor managed sustainably across Australia, native forest wood waste should not be included as a source of renewable energy generation. Instead, the high potential for native forests to be used as a carbon sink should be explored. Section 17(2) should specifically exclude native forest biomass as a source of renewable energy.

Specifics of RET Scheme

- **Redesign the Solar Multiplier to ensure that newly installed renewable energy contributes to the RET:** The proposed 'Solar Multiplier' under the *Solar Credits Scheme* increases the overall target. It effectively prevents households from increasing the amount of renewable energy and actually reverses the impact of their investment. This is a perverse outcome that will only serve to provide a further disincentive to householders wishing to make a material difference on climate change. If a multiplier is implemented, the annual target must be increased by the same amount as the augmented Renewable Energy Certificate multiplier.
- **Support a national renewable energy gross feed-in tariff:** A national gross feed-in tariff provides an incentive to install solar photovoltaic electricity. This provides a direct subsidy to low income households and benefits many others. This could be introduced as an alternative to the solar multiplier, or as a complementary measure to the RET Scheme.

Part 2: Responses to specific questions in the RATE Consultation Paper

2.1 Should assistance be provided?

Consultation question: Stakeholders views are invited on the effects of the expanded the Renewable Energy Target (RET) on RET-Affected, Trade-Exposed (RATE) industries and whether Government assistance is warranted?

CANA response:

- Assistance/ compensation or an exemption should **not** be provided to trade-exposed, energy-intensive industries. Instead, the price impacts should be a driver to reduce the emissions from these industries.
- Assistance should **not** be provided to RATE industries as these are the same industries that are proposed to receive generous Electricity Allocation Factor compensation under the CPRS for the increase in electricity prices due to the Carbon price. Such 'double-dipping' will effectively use taxpayer money to insulate these industries from the price signal of rising electricity prices.
- The RET Scheme must ensure that the burden of reductions are also shouldered by polluting industries.
- While compensation for RATEs does not necessarily impair the effectiveness of the scheme, it shifts the cost burden and equity of scheme to other electricity users.

2. Design Approach

Consultation question: Stakeholders' views are invited on an appropriate design approach to assisting RATE industries. Are there other key design elements that should be considered?

CANA response:

- As described above, RATE industries should **not** receive assistance (free permits; cash compensation etc) or exemptions.

3. Form of Possible Assistance

Consultation question: Stakeholders' views are sought on the above options for the form of assistance to be provided to RATE industries. Are there any other forms of assistance that should be considered?

CANA response:

- Assistance/ compensation should **not** be provided to trade-exposed, energy-intensive industries.

4. Level of materiality threshold

Consultation question: Stakeholders' views are sought on the appropriate form and level of the materiality threshold for assistance to be provided to RATE industries, including alternative models for determining threshold eligibility?

CANA response:

- As the consultation paper outlines, the six aluminium smelters in Australia consume up to 15% of Australia's total electricity consumption. Given the electricity-intensive nature of this sector, neither financial compensation nor exemption (similar to the Victorian scheme) from the scheme should be allowed.