



Climate
Change
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**Submission on
Draft Exposure Legislation for the National Renewable Energy Target**

sent by email to: RET@climatechange.gov.au

Thank you for the opportunity to comment on the draft legislation the National Renewable Energy Target (RET) which will bring into effect the Rudd Government's commitment that at least 20% of Australia's electricity supply is generated from renewable sources by 2020.

1. Unfortunately, this commitment has been watered down. The commentary talks about this 20% target being only that "the equivalent of at least 20%" is generated from renewable sources.

Given that the commitment is relatively weak (compared, for example, to the Californian Renewables Portfolio Standard which is 33% by 2020), this further weakening of the target is not acceptable. By 2020, there must be at least 20% of the power entering the National Electricity Market's grid coming from renewable sources.

It would be much preferable for the seriousness of climate change to be recognised with a 100% target. We recommend that an inquiry be held into the feasibility of a 100% renewable energy future, similar to the proposal for the USA by former Vice President, Al Gore.

However, assuming that the decision to stay with the promised 20% target will remain in place, the 20% target must be fully delivered and not watered down in the supporting legislation.

2. For this reason, we remain concerned that the installation of solar hot water services will still attract Renewable Energy Certificates under the draft legislation. Solar hot water services are a demand management/ energy efficiency tool. As they do not generate electricity, they have no place in the scheme.

If they do remain in the scheme, the deeming arrangements need to be changed. The effectiveness of solar hot water systems as an energy efficiency tool is highly dependent on whether they are installed correctly, maintained correctly and the degree of active management by households to manually limit the boosting of water temperatures by off-peak power. The current deeming arrangements are overly optimistic, ignoring the variability and even the necessity of these factors.

3. The proposed treatment of RET-Affected, Trade-Exposed (RATE) industries (mostly trade-exposed energy-intensive industries (TEEII)) in this legislation is another means by which the target may be watered down. There is no place in this scheme for additional financial

assistance or compensation to TEEII as these are already proposed to be well-compensated under the Carbon Pollution Reduction Scheme. Additional compensation under the RET scheme would allow 'double-dipping' by polluting industries, would further insulate them from rising electricity prices and so would affect the cost and equity of scheme for other players.

In the case of Australia's six aluminium smelters, they have benefited from highly subsidised tariffs for many years and, as the consultation paper outlines, they account for up to 15% of Australia's total electricity demand. The production of aluminium from bauxite is energy intensive. The final stage involves a process known as electrolysis whereby raw electrons (straight from a power station) are added to the alumina (an aluminium oxide). This takes lots of electricity – the energy used to produce enough aluminium just for one drink can is close to 200 Watt hours! Melting an existing aluminium can to create another, bypasses the need for energy-intensive electrolysis and so has many benefits from a demand management perspective. However, under the current arrangements, recycling has not been considered as financially attractive as the refining of raw bauxite using cheap power. We recommend that neither financial compensation nor exemption to smelters from the RET scheme should be allowed. This is consistent with the existing Victorian RET scheme.

4. The timeframe of RET Scheme at this stage needs to be flexible, based on the effectiveness of the Carbon Pollution Reduction Scheme (CPRS). As a complementary measure designed to accelerate the deployment of renewable energy and reduce emissions of greenhouse gases in the electricity sector, a revision and potential extension of the RET Scheme should be envisaged if the CPRS is not effective in reducing Australia's greenhouse gas emissions.

The RET Scheme has a secondary value – to drive industry development, to establish Australia as the 'clean energy hub of the Asia-Pacific'. This is recognised in the ALP Policy Document (p.13) but the current proposed fixed and short term of the scheme does not provide incentive for investment in technologies that are not yet commercially feasible.

In particular the proposed phase down for the RET from 2025, will have the effect of collapsing the price of renewable energy certificates (RECs) from 2024. This will in effect bring forward to that date the working life of the scheme and the window in which investments in renewable energy projects must be made.

The current short timeframe also does not recognise that adoption of more stringent measures to reduce the catastrophic impacts of climate change will likely become Government policy in the future.

5. The project eligibility periods need to reflect the reality that generators have a limited lifespan. RECs should only last as long as the generator is providing net power to the grid, and this should be based on metered input to the grid. The output from some generators may vary or decrease over time due to degradation of the system (e.g. photo-voltaic panels) and/ or lack of maintenance (e.g. wind turbines). The scheme will fail to displace coal-fired power if RECs rely on models that assume consistent power output over the projected 'life' of a generator, whether this is estimated to be 10 or 15 years. If a modelled 'one-size-fits-all' approach is taken, RECs should have a short life of 10 years to cope with the reality of generator failure and to ensure continuing development of new renewable energy generation. It is likely that the unlimited ability to bank RECs would mean that, in no one year, will an additional 45,000 GWh of renewable energy be generated – i.e. the scheme will fail to deliver the Government's commitment.

6. At the moment, the RET Scheme as designed would mean that unilateral action by individuals would reduce the impacts of the scheme on electricity-intensive industries. Once this becomes generally known in the community, it would be a disincentive for individuals to do their extra bit in reducing Australia's greenhouse gas emissions.

Under the present scheme, if an individual elects to pay the extra for 100% accredited GreenPower®, the electricity retailer would not have to source renewable energy for another four (4) other households in order to meet the 20% target. That is, the 'green' individual will be subsidising the electricity retailer in meeting their RET Scheme requirements. Would you, as an individual, be happy with this situation?? In the same way, individuals purchasing carbon off-sets that include renewable energy sources should not be also counted in the RET Scheme as the fundamental goal of the off-set (to off-set the greenhouse gas emissions of, for example, air travel or car use) is lost.

It is therefore recommended that RECs should not be earned by sources that are meeting other market demands (such as carbon off-sets or accredited GreenPower®). Their exclusion would re-assure individuals that their extra efforts will result in a net reduction of greenhouse gas emissions.

7. We support tightening the current restrictions in the RET Scheme to ensure that electricity that is generated from native forest biomass no longer qualifies. The existing saw mills have already converted into co-generation plants via schemes such as the NSW Greenhouse Gas Abatement Scheme, to reduce point sources of pollution. This is sufficient subsidy to the sector. We should not be burning native forests to produce electricity – we should, instead, be looking at retaining forests for their benefit as carbon sinks.

In closing, we remain disappointed that the Rudd Government's commitment has not been translated into properly thought-out legislation that will prompt the necessary revolution of electricity generation in Australia. What we have is more of the same legislation that failed to support the renewable energy industry under the Howard Government.

We believe complementary legislation providing for guaranteed gross feed-in tariffs is still required. Such schemes have proved effective in Germany, Denmark and Spain. This could be used as an adjunct to the expanded national RET.

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