

13<sup>th</sup> November 2012

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Dear Ms Harris

### Renewable Energy Target Review – Discussion Paper

Following the release of the Climate Change Authority's Discussion Paper on the Renewable Energy Target Review, and the Roundtable that we attended in Sydney, the Australian Aluminium Council provides the following comments on the Discussion Paper

#### Emissions intensive, trade exposed activities

The Discussion Paper notes "the justifications for EITE industries receiving a partial exemption (being higher costs imposed by the carbon price and international competitiveness) apply to the MRET component as they do to the expanded RET", but the Authority ultimately recommends that the matter be considered by the Productivity Commission in 2014-15. We believe this is too late.

Our initial submission highlighted that the RET imposes significant costs on our industry today, in a commercial environment where the low aluminium price and high Australian dollar make facilities extremely vulnerable to the imposition of additional costs. There is potential that significant damage will be caused to the sustaining investment in, and even ongoing operation of, Australia's aluminium smelters and alumina refineries before the proposed review in 2014-15.

Given the Climate Change Authority was tasked with reviewing RET, including the partial exemptions for EITE activities, in 2012; we ask **that the final report recommend the EITE exemption be extended to cover the MRET component from 2013**. This change could, if necessary, then be reviewed more broadly in 2014-15 by the Productivity Commission as per the original recommendation.

#### Self-Generation

The Authority's recommendation that the self-generation exemption should be removed for new self-generation appears to hinge on its view that the rationale is multifaceted (lower emissions-intensity, remote projects, added cost) and that the existence of the self-generation exemption shifts costs to others.

We note that the same points – multiple objectives and cost-shifting - could be made in relation to many Government policies and in particular the Renewable Energy Target.

However, the overall cost of RET is within the Government's control through the target and the distribution of that cost is controlled by measures including exemptions for quite specific

reasons. The justification for the self-generation exemption that has existed since the start of the scheme - and has allowed significant investment in efficient low emissions generation, and assisted the viability of investments in remote area – is as applicable today as it was then.

It is essential that **the self-generation exemption remains available for future projects** and that its application should be sufficiently flexible to **allow incidental supply to a third party** (telecommunications, emergency services, community radio, and local water supplies).

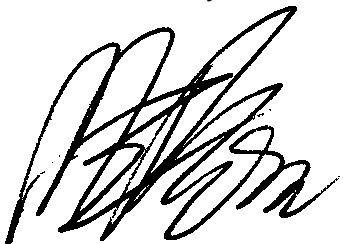
Large electricity user opt in and Tradeable PECs

The Council supports the Authority's recommendations that large electricity consumers should be able to opt in to assume direct liability for RET obligations and that Partial Exemption Certificates should be tradable. These initiatives would strengthen the market-based, least-cost aspect of the RET, within the policy's other limitations.

Like any recommendation of this type, its ultimate acceptability will depend on the detail of the rules and implementation. We will be supportive of, and willing to participate in, discussions that would see a prompt introduction of these measures.

Thank you for the opportunity to provide comment on the Discussion Paper. We would welcome the opportunity to answer questions regarding any matter raised in this letter or our previous submission. Please contact me if you have any questions.

Yours sincerely



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