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13 November 2012

Renewable Energy Target Review  
Climate Change Authority  
GPO Box 1944  
Melbourne VIC 3001

By email: [enquiries@climatechangeauthority.gov.au](mailto:enquiries@climatechangeauthority.gov.au)

Dear Mr Fraser,

Thank you for the opportunity to comment on the Climate Change Authority's Renewable Energy Target review. The NSW Business Chamber is one of Australia's largest business support groups, helping around 30,000 businesses each year, ranging from owner operators to large corporations, incorporating product-based manufacturers to service provider enterprises. Operating throughout its network in metropolitan and regional NSW, the NSW Business Chamber represents the needs of business at a local, state and federal level, advocating on behalf of its members to create a better environment for commerce and industry.

A review of the Renewable Energy Target (RET) is timely given the impact high energy prices are having on consumers. IPART estimates that in 2012/13 the cost of the RET adds on average, \$102 or 4.8% to a regulated electricity customer's bill in NSW. The Large-scale Renewable Energy Target (LRET) is estimated to add around \$38 while the Small-scale Renewable Energy Scheme (SRES) adds around \$64.<sup>1</sup> High energy prices remain a significant concern of our members.

The NSW Business Chamber recommends that a review be undertaken into the effectiveness of the RET scheme following the introduction of the carbon price. While the NSW Business Chamber is opposed to a domestic carbon price in the absence of global scheme, if there is to be such a carbon price in place, this should be the main mechanism used to reduce emissions. Any other scheme in place needs to be complementary to the carbon price, and used to address market failures not addressed by the carbon price. As IPART indicates in its submission to this review's Issues Paper, the RET scheme does not address the remaining market failures, such as research, development and commercialisation of low-emission technologies and information failures.

However, the Climate Change Authority has stated that the purpose of this review is to focus on improvements to the scheme given changes to the policy environment, rather than reviewing whether or not the RET scheme should be in place. Therefore, in the context of this statement, we put forward the following recommendations relating to the current RET scheme.

If the RET scheme is retained, the SRES and LRET should be merged to create a single scheme. In its current structure, the scheme distorts the market by favouring investment in particular renewable energy technologies through the SRES. The RET scheme should support least cost investment in renewable energy in order to

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<sup>1</sup> IPART Submission to the Renewable Energy Target Review, September 2012.

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reach the renewable energy target. It should not be used as a mechanism to prop up investment in particular sources of renewable energy over other sources. By distorting the market, the RET scheme effectively increases the costs paid by consumers above what is required to meet the target. In the face of other pressures on energy costs, particularly in NSW, this is not acceptable. By merging the SRES and LRET into a single scheme, a more level playing field for all renewable energy investments will be created and consumers will not be faced with unnecessarily high energy costs stemming from market distortion.

The Discussion Paper rejects both the removal of the RET and the merging of the SRES and LRET based on concerns about the potential for these changes to cause regulatory uncertainty and affect investment. Any overturn of government policy does need to be balanced against the prospect of disadvantaging investments which have already occurred based on the expectation that the RET would continue until 2030, and creating general policy uncertainty. However, this should not be the justification avoiding significant changes. The NSW Business Chamber would like to reiterate IPART's position in its submission to the Issues Paper, that this can be managed through providing targeted, transitional assistance to those affected.

In the case of the SRES being retained, then the NSW Business Chamber recommends that the level of small scale certificates which the retailers are required to buy should be capped. The number of certificates has rapidly grown in recent years, which has not only imposed significant costs on retailers, but it also has created general uncertainty about the cost of the scheme to retailers. A cap on the level of certificates will help to address some uncertainty faced by retailers.

Thank you again for the opportunity to comment on the RET review. Should you wish to discuss this further, please contact Larissa Cassidy, Policy Adviser – Infrastructure on 02 9458 7359 or [Larissa.Cassidy@nswbc.com.au](mailto:Larissa.Cassidy@nswbc.com.au).

Yours sincerely



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