



Australian Government

Australian Government response to the
Climate Change Authority's
Renewable Energy Target Review Final Report

March 2013

The Australian Government remains committed to the Renewable Energy Target (RET) scheme to deliver on the commitment that the equivalent of at least 20 per cent of Australia's electricity will come from renewable sources by 2020. As an important complement to a carbon price, the RET will speed up the adoption of renewable energy technologies and help smooth the transition to a clean energy future.

Under *the Renewable Energy (Electricity) Act 2000*, the Climate Change Authority (CCA) is required to undertake a review of the RET every two years to ensure that the RET is meeting the original policy objectives in the most efficient and effective manner. The Government welcomes the final report of the RET Review which reflects extensive stakeholder consultation and detailed analysis.

In making its recommendations, the CCA was conscious of the need for policy stability for the renewable energy industry and of the impact of uncertainty on risk premiums required by lenders and investors. As such, the recommendations sought to leave the broad design of the RET scheme unchanged, but suggested changes to contain costs and improve scheme efficiency.

As recommended by the CCA, the Government will retain the existing framework for the RET scheme, including the current legislated Large-scale Renewable Energy Target, and will implement recommendations to enhance the operation of the scheme.

The Government intends to implement the recommendations in several stages. The recommendations that do not require legislative change (Recs 8, 11, 15, 19, 20, 22 and 30) will be implemented during 2013. The recommendations requiring legislative change (1, 10, and 17) will be implemented through a package of amendments the Government intends to introduce later in 2013. Three recommendations (13, 21 and 24) are agreed in principle, subject to further consultation and analysis which will commence in the first half of 2013.

The Government has decided not to pursue recommendations 6, 9 and 28, relating to changes to the Small-Scale Renewable Energy Scheme eligibility threshold, the operation of the Small-Scale Renewable Energy Scheme Clearing House and reviewing the non-eligibility of native forest wood waste.

	Recommendation	Government Position	Rationale
1	The frequency of scheduled reviews should be amended from every two years to every four years, so the next scheduled review would be in 2016.	Agree	The Government agrees that full reviews every four years would provide an appropriate balance between flexibility in the scheme and policy stability for investments.
2	The form of the Large-scale Renewable Energy Target should continue to be expressed in legislation in terms of a fixed gigawatt-hour (GWh) level.	Agree	The RET policy is often expressed in terms of a percentage target, specifically to 'ensure that at least 20 per cent of electricity is generated from renewable sources by 2020'. However this is translated into a fixed GWh target in the legislation in order to provide a clear goal for industry and certainty for market participants. The target has been expressed in GWh since the original Mandatory Renewable Energy Target scheme commenced in 2001. The Government agrees that the target should continue to be expressed in GWh to provide certainty for investors.
3	The existing Large-scale Renewable Energy Target of 41,000 GWh and interim targets should be maintained in their current form.	Agree	The Government agrees that the existing 41,000 GWh Large-scale Renewable Energy Target and annual targets should be retained. A change to the target (either an increase or a decrease) would create instability in the renewable energy industry, impact on the risk premiums required by lenders and investors, and decrease the likelihood of any target being met. The Government also notes that modelling conducted for the Review found that reducing the target would not result in a material reduction to average household electricity bills and would not justify the damage to investor confidence that would be caused by such a change.

	Recommendation	Government Position	Rationale
4	The RET Review in 2016 is an appropriate time to consider adjusting the targets beyond 2020 in light of the policy and economic conditions prevailing at that time.	Agree	The Government expects that the carbon price will be sufficient to drive investment in renewable energy projects in the long-term. In the short to medium-term, two new initiatives; the Australian Renewable Energy Agency (established on 1 July 2012) and the Clean Energy Finance Corporation (to be established on 1 July 2013) will be working with the RET and the carbon price to encourage renewable energy projects. The Government agrees that it would be appropriate to wait until the carbon price matures, and the impacts of the Australian Renewable Energy Agency and the Clean Energy Finance Corporation on investments are evident, before considering adjusting the RET targets beyond 2020.
5	The Small-scale Renewable Energy Scheme should remain separate to the Large-scale Renewable Energy Target.	Agree	The RET was split into two schemes, the Large-scale Renewable Energy Target and the Small-scale Renewable Energy Scheme, in January 2011 in order to provide greater certainty for investors in both small and large-scale installations. The Government agrees that these should remain separate schemes as merging them could lead to uncertainty in the large-scale industry without providing a clear benefit to electricity users.

	Recommendation	Government Position	Rationale
6	The threshold for solar photovoltaic units in the Small-scale Renewable Energy Scheme should be reduced from 100kW to, say, 10kW. The CCA recommends the Government conduct further consultation with stakeholders to determine an appropriate threshold. Units over the small-scale threshold would be included in the Large-scale Renewable Energy Target with five year deeming.	Reject	<p>The Government considers there is not compelling evidence of a significant increase in the installation of medium-scale photovoltaic systems, and there may be risks to the stability of the large-scale market and reduced investor confidence if these systems were to be moved into the Large-scale Renewable Energy Target with deeming.</p> <p>The Government proposes to monitor and analyse the medium-scale market, informed by stakeholder consultations, during 2013. If a compelling case for change emerges, the Government will consider options within the Small-scale Renewable Energy Scheme for balancing support for this emerging clean energy market segment with impacts on electricity users and suppliers.</p>
7	The ministerial power to lower the price cap should be retained to provide an immediate cost-containment mechanism should installations of small-scale systems boom.	Agree	The Government considers that it is sensible to retain the price cap as an emergency cost containment measure should installations of small-scale systems reach unexpectedly high levels. However, if the Minister were to exercise the power to lower the cap, an appropriate notice period would be provided to market participants.
8	The Small-scale Renewable Energy Scheme should be phased out by reducing deeming so that renewable energy generation is not rewarded after 2030.	Agree	This recommendation will help manage the costs of the Small-scale Renewable Energy Scheme by ensuring generation beyond the Large-scale Renewable Energy Target's termination date of 2030 is not supported. The steady phase-out path from 2017 signals the expectation that less support will be needed in the future as technology costs decline and carbon prices rise, and also allows time for the industry to plan and prepare.

	Recommendation	Government Position	Rationale
9	The Clearing House should be amended to a 'deficit sales facility' whereby new certificates would only be placed in the Clearing House when it is in deficit.	Reject	<p>Creators of Small-scale Technology Certificates (STCs) may currently sell these certificates voluntarily through the Clearing House at a fixed price of \$40. If there are more sellers than buyers, the certificates join the Clearing House transfer list, which works on a first-in-first-served basis.</p> <p>As the spot price for STCs has generally been below \$40, certificates have rarely sold through the Clearing House and there is a large number on the transfer list. However, the solution proposed by the CCA is a complex change and does not address the existing problem of a backlog of certificates in the Clearing House.</p> <p>The role of the Clearing House is to ensure that liable entities can meet their obligations at a price no greater than \$40; however, the Government has never guaranteed a timeframe whereby sellers would receive \$40 for their certificates. The estimates of Small-scale Technology Certificate creation are likely to become more accurate now that the Solar Credits multiplier has been phased-out and state and territory feed-in-tariffs reduced. This should help to clear the certificates in the transfer list.</p>
10	The requirement to submit a solar hot water heater and small generation unit return should be removed from the <i>Renewable Energy (Electricity) Act 2000</i> .	Agree	Most of the information provided in these returns is available through the Renewable Energy Certificate Registry, therefore the Government agrees that these requirements are unnecessary and should be removed from the Act.

	Recommendation	Government Position	Rationale
11	The requirement to provide the out-of-pocket expense data for a small generation unit installation should be removed from the <i>Renewable Energy (Electricity) Regulations 2001</i> .	Agree	The collection of out-of-pocket expense data assists policy-makers in identifying trends in system prices compared to the financial incentive provided by the RET. However, the Government agrees that it may be more efficient to collect similar statistical information through a survey using targeted sampling rather than requiring this information from every small-scale generation unit certificate creator.
12	There should be no change to primary point of liability or the size threshold for coverage of grids.	Agree	The arrangements for the point of liability and the size threshold for the coverage of grids have been in place since the commencement of the Mandatory Renewable Energy Target in 2001, and liable entities are accustomed to complying with them. The Government agrees that these aspects of the RET do not need to be changed.
13	Large electricity consumers should be permitted to opt-in to assume direct liability for RET obligations. The Government should consult further with stakeholders to develop a detailed approach to opt-in that is efficient for both large electricity users and retailers. The CCA considers that the New South Wales Greenhouse Gas Reduction Scheme opt-in model would be an appropriate starting point for this detailed design work.	Agree in principle.	<p>The CCA considered that permitting large energy users to opt into the scheme and manage the RET liability for the electricity they consume could reduce costs of the scheme, as energy users would have the greatest incentive to seek out the least-cost options for purchasing certificates.</p> <p>While the Government recognises merit in this proposal, it considers that an opt-in arrangement would lead to increased administrative and compliance costs for the Clean Energy Regulator, and could increase uncertainty for electricity retailers over their liabilities. The Government will conduct further consultation with affected stakeholders on the design of a possible opt-in scheme, with a view to implementing such a scheme if the benefits are found to outweigh the costs.</p>

	Recommendation	Government Position	Rationale
14	No changes be made to the process for calculating individual liability.	Agree	The Government agrees that this process is operating effectively and does not need to be changed.
15	The relevant Renewable Power Percentage and Small-scale Technology Percentage should be required to be set prior to a compliance year, and preferably by 1 December of the preceding year.	Agree	The CCA recommended bringing forward the setting of the Renewable Power Percentage and Small-scale Technology Percentage from 31 March of the current compliance year to 1 December of the preceding year, to allow liable entities to manage their RET liability with a higher degree of accuracy. The Government agrees with this recommendation and will implement it voluntarily from December 2013 with legislative amendment to occur in late 2013 or early 2014.
16	The current arrangements for surrender of certificates (annual surrender for the Large-scale Renewable Energy Target; quarterly surrender for the Small-scale Renewable Energy Scheme) should be maintained.	Agree	The Government agrees that the current surrender arrangements are appropriate for both the small-scale and large-scale installations.
17	The Clean Energy Regulator should be able to refund over-surrendered certificates to a liable entity that ceases to trade, or transfer over-surrendered certificates if a liable entity is acquired by another entity which takes on a RET liability.	Agree	The Government agrees that over-surrendered certificates should be able to be returned to the surrendering entity or transferred to another liable entity in circumstances where a liable entity ceases to trade.

	Recommendation	Government Position	Rationale
18	The current settings for the shortfall charge should be maintained. However, the level of the shortfall charge should be reconsidered by the CCA as part of its 2016 review of targets beyond 2020, or earlier if circumstances warrant.	Agree	Modelling conducted for the Review indicates that, with a carbon price, the shortfall charge should be adequate to allow the target to be met. The Government agrees that there is no reason to make changes to the shortfall charge at this stage. This could be reassessed in the 2016 review, or earlier if circumstances warranted it.
19	The level of the emissions-intensive, trade-exposed exemption under the RET should be considered by the Productivity Commission as part of its broader review of the Jobs and Competitiveness Program.	Agree	Assistance arrangements under the Jobs and Competitiveness Program will be reviewed by the Productivity Commission in the third year of the Carbon Pricing Mechanism (2014-15) and thereafter consistent with the timing of general scheme reviews. The Government agrees that the level of exemption for emissions-intensive, trade-exposed entities under the RET be included in the terms of reference of the 2014-15 Productivity Commission review.
20	The Government should take into consideration the impact of the RET on the competitiveness of an emissions-intensive, trade-exposed industry in any request to the Productivity Commission's review of the level of industry assistance under the carbon pricing mechanism and the RET.	Agree	The Government can request the Productivity Commission to conduct ad-hoc assessments of impacts of the Carbon Pricing Mechanism on particular industries. In addition, firms may request the Government to ask the Productivity Commission to assess the impact of the carbon pricing mechanism on their industry. The Government agrees to consider the impact of the RET on the competitiveness of an emissions-intensive, trade-exposed industry when determining if an industry request for a review will be referred to the Productivity Commission.

	Recommendation	Government Position	Rationale
21	<p>In cases where the RET costs are passed through to emissions-intensive, trade-exposed businesses, Partial Exemption Certificates should be tradeable, and thereby able to be used by any liable entity to reduce liable electricity acquisitions.</p>	<p>Agree in principle</p>	<p>Partial Exemption Certificates provide emissions-intensive, trade-exposed entities with an exemption from a portion of the RET costs for the electricity they use. The Partial Exemption Certificate nominates a liable entity (the entity's electricity retailer) against which the exemption can be recognised.</p> <p>Consistent with the CCA's analysis, the Government is considering making Partial Exemption Certificates tradeable.</p> <p>While this arrangement would provide greater flexibility to emissions-intensive, trade-exposed entities there would be administrative costs associated with implementation and administration. The Government will consult further with affected stakeholders on the details of this arrangement with a view to implementation if the benefits are found to outweigh the costs.</p>
22	<p>The Government should consider opportunities for efficiencies through the alignment of application processes and data requirements for emissions-intensive, trade-exposed industries under the Jobs and Competitiveness Program and the RET.</p>	<p>Agree</p>	<p>The Government is currently responding to industry concerns relating to the streamlining of application processes for emissions-intensive, trade-exposed entities under the Jobs and Competitiveness Program and the RET.</p> <p>On 12 December 2012 the Clean Energy Regulator announced amendments to the RET regulations to streamline the audit process for emissions-intensive, trade-exposed entities applying for Partial Exemption Certificates under the RET where they have already applied for assistance under the Jobs and Competitiveness Program.</p> <p>On 1 March 2013 further amendments were made to the <i>Renewable Energy (Electricity) Regulations 2001</i> to provide greater alignment with Jobs and Competitiveness Program audit requirements under <i>the Clean Energy Regulations 2011</i>.</p>

	Recommendation	Government Position	Rationale
23	The self-generator exemption should continue in its current form.	Agree	Entities that generate electricity for their own use have been exempt from the RET since its commencement in 2001 (provided certain criteria are met). The Review found that removing the exemption would entail significant administrative costs and may reduce the incentive for investment in cogeneration projects. The Government agrees with the rationale for retaining the self-generator exemption.
24	Arrangements should be developed to allow for incidental electricity offtakes under the self-generators exemption which provide community benefits in remote locations.	Agree in principle	<p>The Government acknowledges that in relation to some remote resource projects there are nearby services (e.g. emergency services, telecommunications etc.) for which it would be efficient for the self-generator to supply a small amount of electricity, rather than developing its own generation source. Currently, this would disqualify the generator from the self-generation exemption.</p> <p>The Government agrees that arrangements should be made to allow for incidental electricity offtakes in remote locations without disqualifying the resource project from the exemption. The Government will consult further with affected parties to determine the best approach.</p>
25	No change is necessary to the list of eligible sources or the accreditation process for the Large-scale Renewable Energy Target.	Agree	The Government agrees that current eligibility and accreditation arrangements under the Large-scale Renewable Energy Target are appropriate.

	Recommendation	Government Position	Rationale
26	Existing arrangements for waste coal mine gas should be maintained under the Large-scale Renewable Energy Target.	Agree	Waste coal mine gas is not a renewable energy source, but has been included in the RET since 2009 to provide transitional assistance for existing waste coal mine gas projects that would be affected by cessation of the NSW Greenhouse Gas Reduction Scheme on commencement of the Carbon Price Mechanism. The Government agrees with the CCA's conclusion that these arrangements be maintained.
27	There should be no change to the <i>Renewable Energy (Electricity) Act 2000</i> to allow for new waste coal mine gas to be eligible.	Agree	The Government agrees that including new waste coal mine gas projects would increase costs of the RET scheme and set a precedent for inclusion of other non-renewable energy waste gas sources. The Government also notes that the carbon price provides some incentive for electricity generation from such sources.
28	The Government should explore whether the RET eligibility for native forest wood waste is likely to increase the rate of logging of native forests. If it is not, then wood waste eligibility should be reinstated, subject to appropriate accreditation processes designed to ensure that no additional logging occurs as a result.	Reject	Wood waste from native forests was removed from the RET as an eligible renewable energy source in 2011. This amendment was made to ensure that the RET did not provide an incentive for the burning of native forest wood waste for bio-energy, which could lead to unintended outcomes for biodiversity and the destruction of intact carbon stores. The Government does not consider that circumstances have changed sufficiently since 2011 to warrant this issue being reconsidered.
29	Maintain the Clean Energy Council as the sole accreditation body for installers under the Small-scale Renewable Energy Scheme.	Agree	The Government agrees not to open up the accreditation function to bodies other than the Clean Energy Council at this time. However, the Government will keep this issue under active consideration and may look at alternative proposals that come forward, taking into account the issues that were identified by the Review.

	Recommendation	Government Position	Rationale
30	New small-scale technologies should be included on a case-by-case basis for inclusion in the Small-scale Renewable Energy Scheme.	Agree	The Government agrees to develop a framework to guide the decision to include new technologies, based on the following considerations proposed by the CCA: <ul style="list-style-type: none"> • Is the proposed technology currently not eligible? • Does the proposed technology generate renewables based electricity? • Is the proposed technology a small-scale technology? • Is the proposed technology commercially ready?
31	No additional new small-scale technologies should be made eligible in the Small-scale Renewable Energy Scheme at this time.	Agree	The Government agrees that no new small-scale technologies currently meet the criteria outlined in response to recommendation 30 above.
32	Existing arrangements for displacement technologies should be maintained.	Agree	Displacement technologies use renewable energy to displace electricity consumed from the grid (such as solar hot water heaters) rather than generating renewables based electricity. The Government agrees these technologies that are currently eligible for RET accreditation require support under the RET until another mechanism (such as a national energy efficiency scheme) is available.
33	No change should be made to the <i>Renewable Energy (Electricity) Act 2000</i> to allow additional displacement technologies.	Agree	The Government agrees with the CCA's rationale that the RET is primarily designed to encourage the uptake of renewables based electricity. Allowing additional displacement (non-electrical) technologies into the RET would increase the cost of the scheme and other mechanisms may be more suitable for supporting displacement technologies.

	Recommendation	Government Position	Rationale
34	No change should be made to the RET framework to promote greater diversity.	Agree	The RET is designed to be technology neutral, which ensures the target is met at lowest cost. The Government agrees that no changes should be made to the RET framework to promote a more diverse range of renewable energy technologies as other policy initiatives such as the Clean Energy Finance Corporation and the Australian Renewable Energy Agency are better placed to promote diversity.