

20 May 2020

submission@climatechangeauthority.gov.au

Dear Climate Change Authority,

RE: Review of the Emissions Reduction Fund (ERF)

Hydro Tasmania welcomes the opportunity to respond to the Climate Change Authority's Consultation Paper. Hydro Tasmania is Australia's largest producer of renewable energy, and has continually advocated for an effective and enduring climate policy framework for Australia. We have focussed this submission on the questions where we can provide insight.

1. How is the ERF performing overall?

The ERF has catalysed emissions reduction projects through Australia, however, the rate of new abatement has dropped significantly over time reflecting the availability of relatively low-cost verifiable abatement. This has led to lower volumes contracted at the most recent auctions which has primarily served to replace abatement 'lost' from the previously contracted portfolio due to lapsed contracts (shown by Figure 2 of the Consultation Paper). The scale of abatement required to decarbonise the economy will require a stronger and durable policy framework going forward.

2. What parts of the ERF could be improved and how?

There are a range of emissions related policies currently in place within the Australian economy. This includes the *Renewable Energy Target*, *ARENA*, the *CEFC* and the Federal Government's *Climate Solutions Package* which includes specific initiatives such as Tasmania's *Battery of the Nation* project. The role of the ERF is best focussed on sectors that are not easily captured under existing frameworks. In particular, the ERF has been effective in the agricultural and Land-Use, Land-Use Change and Forestry (LULUCF) sectors. The ERF could potentially be improved through the expansion of methods to support uptake of EVs or hydrogen production. To do this, the methods and funding

approach would need to be easily accessible to these emerging opportunities without compromising the integrity of abatement credited.

As noted in the response to Question 1, recent contracting levels are far lower than in the ERF's early operation. There is uncertainty over the ongoing role of the Government as primary purchaser and whether this will provide sufficient demand and pricing to develop significant abatement projects. It remains unclear whether Federal funding is the right long-term model or whether a transition to private sector demand and funding would be more efficient and effective.

3. *Do you have any views on the operation of the offsets integrity standards and the additionality provisions as key principles supporting the integrity of abatement under the ERF?*

Hydro Tasmania supports the standards and provisions of the ERF framework. The principles are good and should be retained. The framework offers robust mechanisms for ensuring the environmental integrity of ACCUs issued under the ERF and sound administration by the Clean Energy Regulator.

4. *Do you think the governance structures of the ERF remain fit for purpose?*

The governance structure of the ERF are appropriate for the current policy mix. This may need to change if development of a whole-of-economy emissions reduction policy was to emerge.

5. *What are your views on method prioritisation, method development and method review processes in the ERF? Please include any thoughts on how these processes could be improved, including how the expertise of industry could be better incorporated.*

The ability for any party to propose a method for consideration is a strong feature. Continued focus is needed to ensure that method development is clear, straightforward and robust for emerging opportunities.

10. *What role could the ERF play in future economic recovery efforts?*

There are clear and obvious economic recovery opportunities within the electricity sector aligned to the transition to low-emissions generation. However, actions to address low-emissions electricity supply may be most effectively pursued through non-ERF approaches. There may be opportunities for the ERF to support energy efficiency (noting very low uptake to date) or fuel switching (EVs, hydrogen) where this can be verified to

demonstrate displacement of higher emissions fuel supply.

12. Is there a need for enhanced guidance on how to manage ERF projects for multiple benefits? If so, should this be part of the ERF or complementary programs and policies?

Within Tasmania, there are likely to be multiple benefits from many potential abatement projects. The ERF will not financially recognise these co-benefits but Hydro Tasmania would support a framework that can recognise co-benefits so that private investors or businesses can select these projects for voluntary compliance. State & Territory Governments may have role in exploring and promoting the opportunities for ERF-linked projects and their co-benefits.

For further information on this submission, please contact Colin Wain (colin.wain@hydro.com.au; 03 8612 6443).

Yours sincerely,



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