

4 April 2022

Climate Change Authority
Location 51 Allara Street
Canberra City ACT, 2601

Submitted by email to enquiries@climatechangeauthority.gov.au

Review of international offset Consultation Paper

Snowy Hydro Limited welcomes the opportunity to comment on the Climate Change Authority Review of international offset Consultation Paper.

Australia continues to decarbonise the energy sector, there continues to be future emissions reductions in the NEM, with numerous legislated state and territory renewable energy targets extending out to 2030 and beyond. It is for this reason that Australia needs to continue to do its fair share of abatement domestically and the economy needs to have the necessary infrastructure and capability to reduce emissions.

Snowy Hydro sits at the heart of that progress. Our commitment is to apply on-demand, reliable generating assets to firm up incoming renewables and store excess energy. This is demonstrated by the largest ever one-off renewable energy procurement programme that yielded 1GW of new renewables in the Victorian/NSW markets. We have successfully marketed and sold new 'firmed' renewable energy products to customers, while lifting environmental performance to meet growing expectations of customers.

Snowy Hydro is supportive of policies which can achieve the Government's stated emissions reduction target, maintain system security and reliability and maintain efficient energy costs for consumers. The transition to renewables and the increasing number of Australian businesses committed to net zero by 2050 however should focus on local certificates, which are transparent so companies can make informed decisions, with the use of credible international units/offsets being limited.

While we acknowledge that the use of offsets may present an option to meet compliance obligations we also consider that the ability to utilise offsets may dilute the policy intent of emissions targets and risk deferring the necessary structural adjustment of Australia's energy sector.

The stationary energy sector has done the heavy lifting in meeting Australia's emissions reductions targets, and with appropriate investment in transmission, can drive deeper decarbonisation of the Australian economy. Offsets can complement, but are no substitute for, direct carbon abatement. In this context, it is important that the Authority promotes public confidence in the use of offsets, and in particular, does not allow low quality certificates to undermine transparent local certificates.

The Authority's should seek to cap the number of offsets that could be used across the electricity sector with a review every five years. The Authority could then review the use of offsets every five years thereafter.

A cap on offsets would also be required as it could preserve the investment signal with the market having certainty about the minimum level of emissions reduction the

electricity sector would contribute to meeting the annual electricity emissions targets. It could also provide certainty to offset providers about the potential demand that could come from the electricity sector. The use of offsets should be limited to enable a lowest cost outcome while still meeting the overall objectives of the emissions targets.

International offsets should also be limited on the grounds of the quality of the source and the need to develop domestic abatement capabilities. With the consultation paper noting that "*demand for high-quality offsets is growing rapidly in Australia*" we believe the focus for the Authority should remain on Australia developing the capability to reduce emissions and not be reliant on international permits/offsets. High quality international units should be an equivalent standard of ACCUs.

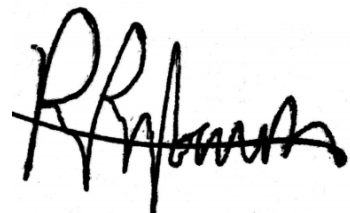
It is therefore important that any allowed offsets are subject to a high level of quality assurance in relation to both governance and additionality.

About Snowy Hydro

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

Snowy Hydro appreciates the opportunity to respond to the Climate Change Authority Review of international offset Consultation Paper and any questions about this submission should be addressed to me by email to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn through the middle of the signature.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

