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14th September 2012

Submissions
Climate Change Authority
GPO Box 1944
MELBOURNE VIC 3001

Dear Sir,

Review of the Renewable Energy Target Scheme Issues Paper

Generally the market based RET scheme has been very effective in delivering new utility scale renewable energy generation. It has driven significant investment in low cost renewable electricity generation. The success of the scheme can be seen in South Australia where over 27% of their electricity now comes from renewable sources and the wholesale price of electricity has fallen due to the merit order effect without the often discussed "back up" generation for renewables or significant changes to the network.

The renewable industry has consistently over delivered on the targets that have been set in the RET Scheme. There has been a surplus of Renewable Energy Certificates each year since its inception as the MRET scheme.

Unfortunately the inappropriate inclusion of energy efficiency measures such as solar hot water heaters and heat pump hot water systems in an electricity generation policy and the multiplier for RECs for solar PV systems introduced with the 2009 changes caused so many phantom RECs to be created that the government had to amend the scheme in 2010 and increase the RET targets for 2012 and 2013. Even with these changes the 2010 surplus of RECs was so large that there have been very few real projects started as it was

simpler for the retailers to buy the surplus RECs rather than build renewable energy projects.

This has not achieved the objective of the scheme of gradually increasing the proportion of renewable generation over a long period to meet the 20% target by 2020. The current hiatus in new renewable energy projects will turn into a boom in the few years before 2020 based on the current target trajectory unless the interim annual targets are adjusted. There should be a linear increase in the annual targets from the 2013 target of 19,088 GWh to the 2020 target of 41,850 GWh. This would address the residual oversupply of phantom RECs in the market and avoid the bust / boom outcome for large renewables, providing more certainty for investors and a more stable long term market.

Since wind energy currently is the cheapest new utility scale renewable energy source for electricity generation and according to Bloomberg New Energy Finance will remain so until after 2020, it will deliver the majority of the RET Scheme. In NSW the approved wind energy projects and those currently with the NSW Planning Department would deliver sufficient energy for the 20% target to be met in NSW by 2020.

For this to happen there needs to be consistency and certainty in policy for the investment to flow. Minimising changes to the scheme and further reviews of the scheme over the coming years would provide this certainty.

Although there has been a reduction in electricity consumption over the last couple of years it is difficult to predict the future demand in 2020 as there are so many influences on the current electricity market. The target should be maintained as fixed amount in GWh to provide investor certainty as discussed in the Tambling Review. It would be a desirable outcome if the 20% target was exceeded in 2020 as this would reduce the long term cost of meeting our emission reduction targets.

Consideration should be given to extending the scheme from 2030 to 2040 with a 30% target by 2030 now that we have an emissions trading scheme. This would provide more certainty for financing projects in the later years before 2020. Since these are market based schemes they would interact and if the carbon price was to change the price of

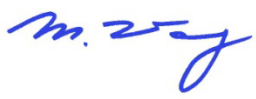
RECs would adjust both up and down to a level that was adequate to finance new renewable energy projects at that time.

Each of the Government initiatives to promote different segments of renewable technologies from inception through commercialisation to deployment via ARENA, the CEFC and the RET Scheme should be complementary and not overlap or create distortions wasting funds with poor policy design.

The purpose of the CEFC is to finance projects that are not financially viable under the current measures and to encourage a diversity of emerging commercial technologies eg solar thermal with storage that we will need in the future as part of our clean energy future. The CEFC projects should be additional to the current RET Scheme as they would have a distorting effect on the efficiency of the current RET Scheme and creating a lot of uncertainty in the market.

The RET Scheme has delivered a low cost market based scheme that has been a success. The renewable industry can deliver the current targets and more. The future deployment of a large amount of renewable energy relies on the certainty that comes from a clear and simple RET Scheme.

Yours faithfully,



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