



Australian Paper

a member of the Nippon Paper Group

Submissions
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

307 Ferntree Gully Road Locked Bag 87
Mt Waverley Victoria 3149 Australia
Telephone +61 3 8540 2300
Facsimile +61 3 8540 2280
ABN 63 061 583 533
www.australianpaper.com.au

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Climate Change Authority RET Review Framework

The CCA has invited stakeholder feedback on an Issues Paper entitled 'Renewable Energy Target (RET) Review.' The CCA will undertake reviews on aspects of the Carbon Pricing Mechanism including the RET, the Carbon Farming Initiative, and the National Greenhouse and Energy Reporting System. It would appear that the CCA has interpreted the scope of its review of the RET to include:

- the Large-scale Renewable Energy Target, including the target trajectory, the target level and its relationship to the Clean Energy Finance Corporation;
- the structure of the Small-scale Renewable Energy Scheme, including how its annual target is set;
- the liability framework, exemptions and shortfall charge of both the large-scale and small-scale schemes;
- the eligibility framework for both schemes and the diversity of renewable energy;
- the impact of the RET on the electricity market in terms of costs, prices and energy security; and
- the frequency and scope of future review under the Renewable Energy (Electricity) Act 2000

Under the Renewable Energy (Electricity) Act the CCA must have regard to the following principles in its RET review:

- be economically efficient;
 - be environmentally effective;
 - be equitable;
 - be in the public interest;
 - take account of the impact of households, business, workers and communities;
 - support the development of an effective global response to climate change;
 - be consistent with Australia's foreign policy and trade objectives; and
 - any additional principles the Authority considers relevant.
- Further the objects of the REE Act are:
- to encourage the additional generation of electricity from renewable sources;
 - to reduce emissions of greenhouse gases; and
 - to ensure that renewable energy sources are ecologically sustainable.

Australian Paper's concerns and recommendations detailed in this submission attempt to align with, and should be considered in light of, many of the REE Act principles and objects detailed above.

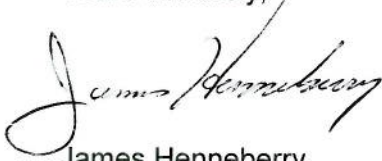
In summary, Australian Paper contends that:

- The RET has been unduly influenced by too many policy changes that have been introduced on the perception that the market was not delivering the anticipated result. As a consequence there have been unintended consequences that have led to higher prices for industry and an adverse impact upon the renewable industry the changes sought to assist.
- The RET target should be reviewed in the light of changing energy demand forecasts, we would support a percentage target as opposed to a fixed volume target.
- The cost of the existing RET scheme to energy intensive businesses is significant: the RET charges (LRET and SRET) for our manufacturing sites are almost 30% of our energy charge and over 22% of the delivered cost for electricity. This is significant and we challenge the statements made in other submissions, for example the Clean Energy Council, where it is stated that the scheme costs are small and getting smaller.
- The RET target is communicated as 20% by 2020. This target ignores the cost and contribution of the SRET scheme to industry. The applicable total renewable energy percentage for 2011 was 20.42% and for 2012 is approximately 26%
- In considering the costs and cost impact of the RET scheme, clear differentiation should be made between households, SME's and large business. The claims of small percentage costs applicable to the RET are only supportable for households.
- Whilst outside the scope of the existing RET review, consideration should be given to embracing Renewable Energy as opposed to Renewable Energy (Electricity). Many energy intensive industries have far-ranging renewable energy operations that encompass thermal as well as electrical energy. Such industries are currently disadvantaged in seeking to invest in the energy side of their business. In this respect we commend the submissions on this point made in the afpa submission to the CCA.
- The plethora of Federal and State government renewable energy and Energy Efficiency schemes should be reviewed and many (all?) of the state-based schemes should be abolished in the light of the national Renewable Energy and Carbon Pricing schemes that currently exist.

Australian Paper supports written submissions made on the RET review by Australian Forest Product Association (afpa), the Australian Industry Greenhouse Network (AIGN), AMCOR and the Energy Users Association of Australia.

For further information please contact Australian Paper's Energy and Regulatory Reporting Manager, Brian Green on 03 8540 2384 should you wish to discuss these matters further.

Yours sincerely,



James Henneberry
CEO
Australian Paper

Response to Questions:

1. **Regulatory Burden on Business**

Australian Paper endorses the afpa comments in relation to the significant burden this legislation imposes upon business. In addition we would point to the needless additional costs imposed by the CER continuing to adopt differing obligations and timeframes for reporting obligations under the various schemes. This leads to duplication (at least) in effort and resources and significant cost imposts.

2. **RET Flexibility**

There have been numerous unintended consequences arising out of changes to the RET, mostly with the result of significant cost increases to business. A prime example being the changes made to SRET and FiT. Consequently the overall target should be adjusted to take into account both SRET volumes and reducing energy demand forecasts.

Historically, Australia has always had an increasing energy demand forecast. Over recent years this has changed to a *reducing* demand forecast. If one assumes that the RET and CEL are going to be effective then the resulting energy efficiency measures should ensure that demand continues to fall. The RET target should reflect this falling demand – the target could be reviewed at say, every second RET review period.

The current process of setting LRET and SRES percentages should be proclaimed before the start of the calendar year in which they are to take effect. This will allow business to consider the impact of the percentages (which is significant for energy intensive businesses) and plan strategies accordingly. It will also permit businesses to include the cost of compliance in their annual budgets. The current timing of announcements does not permit this to occur in many instances.

3. **Clean Energy Finance Considerations**

We cannot see any reason why financing considerations for a project should be used as a mechanism for varying the RET target. Many economic drivers will be considered in assessing the viability of a project, including cost of finance and estimated returns. This economic assessment should remain independent of the RET target (whilst accepting that the RET target will have a significant influence upon potential project returns).

4. **Exemption Arrangements and Self-Generation**

Partial exemption certificates (PECs) have been introduced for EITE activities and some EITE businesses may also have self-generation schemes. In considering if both schemes should co-exist it is the view of Australian Paper that they should. The PEC scheme was introduced to offset the impact of a Carbon Price. Self-generation is not currently included in calculating an entities liability but at the same time, if that entity is generating electricity from renewable sources there is generally a base-line applicable before any generation is counted as contributing to LGC creation.

If the removal of any exemption is being considered for self-generation then at the same time there should also be consideration of removing the LGC baseline (if any) applicable to that self-generation facility. Failure to do so would be modifying one section of the existing legislation whilst ignoring a corresponding piece of legislation.

5. **Eligible Renewable Energy Sources**

Whilst we would concur with the notion of listing eligible renewable sources as being an effective tool, the following points should be considered by CCA:

- a. Wood waste and biomass are not treated on merit in the existing legislation and have been unduly compromised following green-group lobbying. In this respect the Australian legislation is out of step with world practise.

- b. Whilst accepting it is outside the immediate scope of this review; consideration needs to be given to expanding the Renewable Energy legislation to include thermal energy as well as electrical energy. We would draw to the attention of the CCA that in some respect this is already accounted for in the REE by virtue of deemed electrical generation from solar hot water systems. A significant opportunity is being missed by not embracing thermal renewable energy on a large scale.

6. Small Scale Technologies

We would commend to the CCA a wholesale review of the SRES and SRET schemes as this aspect of the REE has created significant problems and expense for business. The uncapped nature of the scheme, along with inappropriate FiT and deemed multiples has resulted in unforeseen and uncontrolled cost imposts.

To give an indication of the impost on our business, for one site alone the STC charge amounts to almost 20% of our energy cost. For an energy intensive industry this is a significant impost.