Conservation Council SA

Submission on the Renewable Energy Issues Paper

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The **Conservation Council of South Australia Inc (Conservation Council SA)** is the peak conservation body for South Australia, representing around 50 of the state's environment and conservation organisations.

Conservation Council SA is an independent non-profit, non party-political, community based organisation which provides resources, advice and representation for the SA environment movement, and which leads many of the key conservation campaigns in SA.

Conservation Council SA is known for its success in developing long term community development, education, and on-ground environmental restoration programs.

Conservation Council SA regularly liaises with local, state and federal governments, media, educational institutions, NGOs, unions, industry, business and other groups on matters relating to the environment and social justice.

As a community organisation, much of what Conservation Council SA achieves is through a large network of skilled volunteers from all walks of life – for its office, on-ground, governance and campaign activities.

Conservation Council SA is committed to a healthy environment for South Australia.

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5. **Voluntary household renewables should be completely removed from the RET mechanism so that they do not continue to handicap the RET.**

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8. **Fund remote off grid renewables through a grants process where necessaryto assist remote communities transition to renewable energy.**

9. **Remove the parasitic waste coal mine gas incentive from the RET scheme to ensure that it does not cause renewable energy to be blamed for this additional cost, and to restore the integrity and simplicity of the RET mechanism**

10. **The cost effectiveness of WCMG capture and use should be considered under fossil fuel policies not RET. The Renewable Energy Electricity Act requires that "renewable energy sources are ecologically sustainable" which should preclude waste coal mine gas and unsustainable renewable energy generation sources). Only renewable energy should be eligible to create LRET certificates.**

11. **The Small Scale Renewable Energy Scheme (SRES) should be removed from the RET because it serves as a handicap and is inefficient in driving renewable energy investment.**

12. **The SRET should be closed and replaced with a streamlined feed in tariff for small scale voluntary solar installations.**

13. **Incentives for voluntary renewable generation systems must be designed to be sustainable for the long term and the RET must be free from parasitic add-ons.**

14. **Undertake reforms for the consumer GreenPower market as part of this review.**

15. **GreenPower should be administered federally via the Climate Change Authority.**

16. **There should be a common standard across GreenPower and the Voluntary Surrender of LRET RECs to ensure that both options are linked with tightening Australia's pollution caps.**

Please Note: There are 19 Recommendations in the text. Some have been aggregated for the above summary

Introduction

The Conservation Council of South Australia welcomes the opportunity to comment on the Renewable Energy Target. While the target has effectively driven a substantial increase in renewable energy (especially in our state), over time it has acquired some flaws that hamper its effectiveness and economic efficiency. It is time for some of the parasitic add-ons to be taken out of the scheme to restore its integrity.

We argue that in Australia, as long as we still have energy generated from fossil fuels, we must be constantly striving to increase the amount of renewable energy generation. We must not have stagnation (or even a proportional reduction) in renewable generation after 2020. To this end we recommend the 2030 target must be higher than the 2020 target, and a target for 2050 should also be instituted.

The targets and transition pathway towards increasing Australia's renewable energy should reflect the urgency to address the risks of climate change. This means a transition to as close to 100% renewable energy as quickly as possible and no later than by 2050, with interim targets of 40%, 60%, and 80% defined along the way.

The RET should also be increased to match renewable energy achieved via the Clean Energy Finance Corporation, or the $5 billion component allocated for renewable energy will not increase the amount of renewable energy generated in Australia. If all the $5 billion does is to change the composition of the amount of renewable energy required by the RET, it will be a massive waste of taxpayer funds.

Consultation and Submissions Process

The Clean Energy Authority should adopt a transparent consultation process that includes:

- the prompt publication of all non-confidential submissions (within days or weeks not months)
- acknowledgement of key issues raised by respondents
- feedback on how the key issues were taken into consideration and addressed.

The consultation period of less than four weeks is too short for a policy of such importance.

Key Issues

- Whilst the original concept of the RET is sound and an effective policy instrument, the scheme has been compromised by short term policy fixes, add-ons and poorly considered interactions with voluntary household systems. The Climate Change Authority in reviewing of the Renewable Energy

Target must ensure that the RET policy addresses the need to increase renewable energy and transition away from fossil fuels as fast as possible.

- As long as climate change is a problem caused by excessive greenhouse gas emissions, and fossil fuels are still used to produce electricity there can be no such thing as too much renewable energy.
- Australia does not have a long term renewable energy goal. The Climate Change Authority should consider the establishment of a 2050 Renewable Energy Goal in addition to the 2020 and 2030 targets.

Carbon Pricing Mechanism

Interaction of RET with the Carbon Pricing Mechanism

Recommendation 1

The Conservation Council strongly suggests that the key objective of the Renewable Energy Target is to reduce Australia's greenhouse gas emissions

This is in addition to lowering dependence on fossil fuels and improving the health of communities near fossil fuel power stations.

The issues paper fails to acknowledge that Australia's greenhouse gas reduction targets and scheme caps need to be tightened through time and as quickly as possible. Changing Australia's electricity generation to renewable energy makes it possible and easier for the government to tighten greenhouse targets and caps. **We therefore disagree with the statement that**, "…a RET and carbon price would not drive more emission reduction targets in Australia than the carbon price alone".

It does not matter whether Australia undertakes this policy alone or in a collective response with other nations in an emissions trading scheme. Even when acting as part of a wider group of nations tackling climate change, the simple fact remains that collectively, the targets and caps of participating nations need to be tightened through time as quickly as possible. The RET makes it easier to do this.

Furthermore, in recent correspondence to the Conservation Council, Minister Greg Combet stated in regard to complementary mitigation measures that "it is not the intention of government to remove mitigation as an objective from policies and programs designed to reduce Australia's greenhouse gas emissions". The RET is Australia's most successful and important complementary greenhouse mitigation policy that does and will make it easier for Australia to tighten its national greenhouse target and scheme caps through time.

The price of permits to pollute (nationally or from international markets) is not the issue here, it is about how the tangible achievement of reducing emissions from the electricity sector will enable Australia to reduce its greenhouse gas emissions making it easier for global emissions to be reduced.

The removal of the floor price after 2015 risks a situation where there is too much focus on purchasing allowance units rather than reducing emissions in Australia and transitioning to cleaner renewable energy.

Should the price of international units be too low, there is less incentive to change. Should the price become too high then it will be a real test to see whether the schemes are further compromised to ensure a continuous supply of allowance units.

Strong growth targets in the RET offer a way to buffer some of the uncertainties created by international carbon trading.

Research and development support

Research and Development support from ARENA is welcome but quite correctly should sit outside the RET mechanism.

Large-scale Renewable Energy Target

Question
Are the existing 41,000 GWh LRET 2020 target and the interim annual targets appropriate?

Answer

The 41,000 GWh 2020 LRET target remains handicapped because of the 4,000 GWh reduction in 2010 to make room for the largely voluntary SRET renewables and the solar multiplied certificates. The existing target is too low.

Recommendation 2

> **As a minimum, the Mandatory Renewable Energy Target should be restored to 45,000 GWh plus make provision to increase the RET for the additional renewable energy certificates created by the CEFC funded renewable energy projects.**

Recommendation 3

> **Australia should establish more aspirational and stretch targets for renewable energy such as close to 100% as possible by 2050, and with 40%, 60% and 80% targets identified along a transition pathway towards the 2050 renewable energy goal. This would provide greater certainty for renewable energy investment and prevent a potential collapse of the new renewable energy sector in 2020.**

Question
What are the implications of changing the target in terms of economic efficiency, environmental effectiveness and equity?

Answer
The Renewable Energy Target efficiency, environmental effectiveness and equity is not effected by the target that is set.

Efficiency will be maximised by ensuring that the RET mechanism is not compromised by short term policy encroachment and bad policy attachments.

For example:

- The inclusion of waste coal mine gas to create renewable energy certificates erodes the integrity of the scheme and adds cost which is then blamed on the renewable or 'green' electricity scheme. Any scheme for waste coal mine gas should create waste coal mine gas certificates and be managed separately to the extent that the upward pressure on electricity prices should not take the blame for this fossil fuel policy unfairly.
- The Solar Credits multiplier for largely voluntary household renewables was heavily criticised before it commenced yet the Federal Government persisted with a disingenuous approach, creating phantom credits and displacing more cost effective renewables already required by law. This resulted in a vast number of voluntary produced RECs and phantom RECs flooding the market, depressing the market price of RECs and stalling investment in large scale renewable energy. It was a policy disaster.
- The splitting of the Renewable Energy Target into a large scale and small scale scheme not only locked in a 4000 GWh/pa handicap for mandatory renewables, but also continued to allow voluntary and phantom certificates to place upward pressure on electricity prices for little or no environmental gain.
- The interaction of state feed in tariffs that provide extra incentives for household systems within a flawed framework simply resulted in faster displacement of other renewables already required by law until 2010. Then the 4000 GWh /year handicap to the RET added additional cost for little or no greenhouse benefit.
- The potential for CEFC funded projects to create and sell LRET certificates would again repeat mistakes of the past should these projects displace other cheaper renewables already required by law. This would again depress the market price of LRET certificates for zero greenhouse gas reductions, unless the RET is increased at a corresponding rate.

Recommendation 4

Restore the RET to a simple Mandatory Renewable Energy Target requirement that is free from inefficient add-ons that result in higher electricity prices for little or no environmental gain.

- Remove the fossil fuel Waste Coal Mine Gas incentive from this renewable scheme.

- Close the Small Scale Renewable Energy Scheme and restore the MRET to a minimum 45,000 GWh + provision for new CEFC funded projects that are also incentivised by the carbon pricing revenue.
- Continue state based feed in schemes to fund any sustainable incentive for household voluntary renewable systems that feed excess electricity into electricity grids.

Recommendation 5

Fund remote off grid renewables through a grants process where necessary.

Question
How much capacity is needed to meet the target?

The answer is that this is the wrong question. The following is the right question.

Question
In the context of other climate and renewable policies, is there a case for the target to continue to rise after 2020?

Answer

For as long as climate change is a problem caused by excessive greenhouse gas emissions, and fossil fuels are still used to produce electricity there can be no such thing as too much renewable energy. As a very high per capita emitter that also profits from exporting its fossil fuels to the world, Australia has a strong moral obligation to be reducing its emissions domestically. The best way to do this is to shift its power generation from fossil fuels to renewable energy as quickly as possible. In this context figure 5.2, which shows renewable energy growth flatlining from 2020, is indefensible. Given projections for Australia's energy consumption to rise, the share of renewables would actually be falling from 2020. The post 2020 flatline also risks stalling the new renewables sector, continuing Australia's history of start-stop climate policies that create and then abandon green business sectors, causing harm to industries and communities.

In the context of Australia's national target and scheme cap on emissions, reducing emissions in the electricity sector make it easier for Australia to tighten its national target and scheme caps through time as quickly as possible. Should Australia participate with other nations in emissions trading, our collective actions to reduce emissions in electricity sectors will also make it easier for collective targets and scheme caps to be tightened through time.

Australia does not have a long term renewable energy goal.

Recommendation 6

The Climate Change Authority should consider the establishment of a 2050 renewable energy goal as close to 100% as possible, in addition to 2020, 2030

and 2040 transition targets. This would set the longer term market signals to encourage investment in renewable energy.

Question
Should the target be a fixed gigawatt hour target, for the reasons outlined by the Tambling Review, with the percentage being an outcome

The Mandatory Renewable Energy Target (minimum 45,000 GWh) should be set at a fixed amount in law but could be expressed as a minimum percentage based on the most up to date modelling.

The RET could be automatically adjusted upwards for the CEFC projects which receive additional funding from the carbon price - MWh for MWh to prevent displacing other renewables already required by law.

Recommendation 7

Voluntary household renewables should be completely removed from the RET mechanism so that they don't continue to handicap the RET.

Any aggregated expression of the target (such as 20%) should clearly show the separate contributions of:

- Pre 1997 old renewables
- Mandatory renewables
- Voluntary renewables including GreenPower

Clean Energy Finance Corporation–funded projects

The second option would be to increase the LRET target so that any LGCs generated by CEFC funded projects are additional to the existing 41,000 GWh target.

RECOMMENDATION 8

The option to increase the LRET target so that any LGCs generated by CEFC funded projects are additional to the existing 41,000 GWh target is supported.

Question
What are the costs and benefits of increasing, or not increasing, the LRET target for Clean Energy Finance Corporation-funded activities? What are the implications in terms of economic efficiency,

Answer

Costs of not increasing the RET for CEFC Projects

- Cost of $5 billion dollars **for zero environmental gain.** This is not economically efficient, in fact it would be a scandalous waste of taxpayer funds.
- Downward pressure on REC prices again retarding or stalling investment potential in large scale renewables that were already required by law.
- Demonstration that the Climate Change Authority/Government had not learnt from the Solar Credits Multiplier debacle.
- Demonstration that the Climate Change Authority/Government is focussed on ceilings rather than transitioning to renewables to the maximum extent possible as fast as possible

Costs of increasing the RET for CEFC Projects

- Cost of $5 billion dollars with additional renewable energy coming from CEFC projects and stronger investment in other RET driven renewables encouraged by a stronger price for LRET certificates.
- Demonstration that the Climate Change Authority/Government had learnt from the Solar Credits Multiplier debacle.
- Demonstration that the Climate Change Authority/Government is focussed on transitioning to renewables to the maximum extent possible as fast as possible.

This option would not require a prediction of how many certificates CEFC projects would produce, as the target could be increased MWh for MWh. This would be a much better outcome compared with the completely irresponsible option of allowing CEFC projects to displace other (more cost effective) projects already required by law.

Exemptions

There are two different forms of exemption under the RET: a partial exemption framework for emissions intensive trade exposed (EITE) businesses, established in 2009, and an exemption for self-generators, which has been in operation since the establishment of the MRET in 2001.

Recommendation 9

The Exemption for EITE businesses and self-generators should not be without some conditions to transition to renewable and lower emission technologies. As a minimum, voluntary agreements should be established. Grant funding (made possible by the carbon pricing mechanism) should be available to assist remote communities transition to renewable energy.

Waste coal mine gas

Waste coal mine gas (WCMG) never has and never will be renewable energy. It is completely inappropriate to attach this fossil fuel policy to the Renewable Energy Target. Whilst the RET may be increased to not compromise the 41,000 GWh, the parasitic nature of this fossil fuel policy increases the cost of the RET and the renewables get blamed for causing higher prices. Part of this blame is not deserved.

It would be entirely feasible for WCMG certificates to be identified as waste gas Certificates (WGCs) and still be managed by the Climate Change Authority. This policy cost would have nothing to do with the RET.

Recommendation 10

Remove the parasitic waste coal mine gas from the RET scheme to ensure that it does not cause renewable energy to be blamed for this additional cost, and to restore the integrity and simplicity of the RET mechanism.

Recommendation 11

Only renewable energy should be eligible to create LRET certificates.

Recommendation 12

The cost effectiveness of WCMG capture and use should be considered under fossil fuel policies not RET.

Recommendation 13

The Renewable Energy Electricity Act requires that "renewable energy sources are ecologically sustainable" which should preclude waste coal mine gas and unsustainable renewable energy generation sources).

Small-scale Renewable Energy Scheme

Recommendation 14

The Small Scale Renewable Energy Scheme (SRES) should be removed from the RET because it serves as a handicap and is inefficient in driving renewable energy investment.

Households, small business and community groups can be assisted with a streamlined feed in tariff mechanism for excess renewable energy that is generated. The upfront cost of household systems has reduced and is not so much of a barrier to overcome. Community groups and community scale renewable energy systems could be supported through grants and green financing policies rather than through the RET.

Whilst small-scale renewable systems have been included in the RET from its inception in 2001, they have also created a number of displacement problems and double counting problems prior to GreenPower precluding small scale certificates

from the GreenPower program. Even where the small-scale uptake was relatively low, they were still problematic.

A separate SRES does not mean that small-scale and large-scale technologies are not affected because of the 4000 GWh per annum reduction that was applied to the LRET to make room for the SRET and the excessively high cost of the SRET for little or no environmental gain.

Question
What do you consider to be the costs and benefits of having a separate scheme for small-scale technologies?

Answer
The cost of the SRES has proven to be much higher than the LRET per MWh of renewable energy created.

The SRES has created little or no environmental benefit due to the handicap of 4000 GWh applied to the LRET each year and reducing a previously required target of 45000 GWh to be reduced to 41000 GWh by 2020.

The RET has been badly compromised by the entanglement of voluntary incentives with the mandatory scheme and investment was largely stalled and is still hampered.

Question
Should there continue to be a separate scheme for small-scale technologies?

Recommendation 15 and answer

The SRET should be closed and replaced with a streamlined feed in tariff for small scale voluntary solar installations.

Question
Is the uncapped nature of the SRES appropriate?

Answer
The uncapped program of this design adds excessive cost to the RET for little or no environmental gain.

Deeming

Deeming is a crude method of providing a cash incentive for voluntary small household systems. It is unclear whether substantiation analysis has ever been carried out on deemed SRET systems.

Solar Credits

It is a relief that this issues paper acknowledges that "Multipliers tend to reduce the environmental effectiveness of a scheme as a certificate no longer equates to output – in this case 1 MWh of electricity". This is actually an understatement given the harm that the solar credits multiplier has done to the RET, the stalling of large scale renewable investment and excessive costs that the RECs multiplier and then the SRES multiplier caused.

Question
What are the lessons learned from the use of multipliers in the RET? Is there a role for multipliers in the future?

Answer
We do not support the use of multipliers.

Recommendation 16

> ***Incentives for voluntary renewable generation systems must be designed to be sustainable for the long term and the RET must be free from parasitic add-ons.***

The RET and electricity markets

The issues paper acknowledges that the SRES has added 30% to the cost of the RET for small scale largely voluntary systems with little or no environmental gain. It could be argued that 30% of the cost of the RET was unnecessary.

It would be useful to cite the source of the statement "increased costs associated with managing power system operation with increased volumes of intermittent generation amount to around 9 per cent".

Diversity of renewable energy access

Question
Should the RET design be changed to promote greater diversity, or do you think that, to the extent that there are barriers to the uptake of other types of renewable energy, these are more cost-effectively addressed through other means?

Answer
The RET has in the past been used to support diversity by favourable treatment for household solar PV and hot water systems coupled with other additional rebates and incentives.

If renewable energy systems that are coupled with energy storage are preferred over diurnal and intermittent renewable energy systems then there should be an incentive that encourages continuity in renewable energy sources (continuity each

hour and continuity each day). Another mechanism (CEFC or ARENA funding) could be designed to give a preference for such outputs to avoid adding further complexity to the RET.

Favouring renewable energy systems that are more continuous or can be ramped up and down to complement wind and diurnal generation profiles will enable full use of existing wind generation and further minimise the need for fossil fuels to back up renewables.

Review frequency

Question
What is the appropriate frequency for reviews of the RET?

Answer
A long term vision is required for Australia to transition to renewable energy as quickly as possible. This vision and a number of objectives for the RET need to be established to create the market environment that guide Australia to achieve its vision.

Given that the RET has become tangled with voluntary action and is carrying parasitic policies and costs such as waste coal mine gas incentives and solar credits, there may need to be a further review the RET in two years to check that true reform have been achieved and that the RET is properly and efficiently driving long term renewable energy investment towards a renewable energy vision.

Question
What should future reviews focus on?

Answer
If this vision and key objectives were established as part of this review, then subsequent reviews could then focus on how quickly the annual mandatory renewable power requirements could be increased.

The reviews should not be focussed on questioning the need for the RET for as long as fossil fuels are being burnt to produce electricity causing greenhouse gas emissions.

ADDITIONAL ISSUES

No recognition of GreenPower and the RET

The issues paper does not acknowledge that Australia's voluntary renewable energy contribution schemes are based on LRET certificates. Indeed, consumer markets that are seeking to contribute to renewable energy are largely abandoned by

governments in terms of any legal status or concessions in regard to their contributions. The result is that retail consumer markets for renewable energy may never reach their full potential.

Whilst householders fitting solar panels to their homes have received subsidies and payments for their renewable certificates, those that pay extra for GreenPower have received no legal protection from carbon costs and mandatory renewable energy costs. Indeed 100% GreenPower contributing customers can now pay for more than 100% renewable energy (due to their renewable power percentage (RPP) contribution paid in addition to 100% Greenpower contribution) plus carbon costs as well. On the other hand, EITE industries are partially exempt from contributing to the RET.

The simple fix is for GreenPower accreditation to be excluded from the average grid intensity factors and for the accounting framework to formally prohibit carbon costs being unfairly passed through to GreenPower contributing customers.

Recommendation 17

Undertake reforms for the consumer GreenPower market as part of this review.

GreenPower and management by the level of government best able to deliver the measure

The GreenPower program is managed by a consortium of state governments. There is a disconnect between the rules of the GreenPower program developed by the states, and the policy settings of the Federal Government, which cover the renewable energy (Electricity Act) greenhouse accounting and allocation aspects under the National Greenhouse and Energy Reporting Act. Reforms are being hampered by a lack of accountability for GreenPower given this dual responsibility for how the program operates.

The federal Government is best placed to ensure that the rules and accounting of GreenPower is integrated with Australia's RET and NGER Framework, whilst the Climate Change Authority would be best placed to administer the program.

As part of this review, the Climate Change Authority should consider making a recommendation for the GreenPower Program to be the responsibility of the Federal Government for determining its rules, guidelines and ensuring its integrity.

Recommendation 18

GreenPower should be administered federally via the Climate Change Authority.

GreenPower and LRET RECs

The Federal Government has pledged that it will "recognise" GreenPower as voluntary action and make adjustments to reduce Australia's caps/permit availability to correspond with GreenPower sales (rather than waiting for overall economy wide assessments of whether caps can be reduced). No such commitment has been made for the voluntary surrender of LRET RECs.

This inconsistency means that the Federal Government is effectively allowing two standards for voluntary renewable energy contributions, with one standard not recognised as voluntary action by the Government's logic.

Recommendation 19

There should be a common standard across GreenPower and the Voluntary Surrender of LRET RECs to ensure that both options are linked with tightening Australia's pollution caps.