ClimateWorks Australia submission to the Renewable Energy Target Review Issues Paper – September 2012

ClimateWorks Australia (ClimateWorks) welcomes the opportunity to provide input to the Climate Change Authority regarding the Renewable Energy Target (RET) Review Issues Paper.

ClimateWorks Australia's role as an informed stakeholder

ClimateWorks has substantial experience in identifying renewable energy and energy efficiency opportunities and emissions reduction opportunities across a range of sectors and the barriers preventing the uptake of these opportunities. ClimateWorks' expertise draws from its published research, including:

- The Low Carbon Growth Plan for Australia (2010) and subsequent reports which draw on this analysis: the 2011 Update and the Impact of the Carbon Price Package.
- Regional low carbon growth plans, including the Low Carbon Growth Plan for Greater Geelong, the Low Carbon Growth Plan for Gippsland, and the Low Carbon Growth Plan for the Macquarie Park precinct.
- Sector analyses including the Australian Carbon Trust Report: Commercial buildings emission reduction opportunities (2010), produced by ClimateWorks Australia and the Low Carbon Growth Plan for Australia: Retail Sector Report developed in partnership with the National Australia Bank.

ClimateWorks 2011 Impact of the Carbon Price Package report analyses the impact of the Australian Government's Securing a Clean Energy Future package on the opportunities identified in the Low Carbon Growth Plan for Australia. It estimates that the package has the potential to reduce Australia's domestic greenhouse gas (GHG) emissions by 124 million tonnes per year (if implemented optimally). This is equivalent to three-quarters of Australia's bipartisan emissions reduction target of 5% below 2000 levels by 2020. These emissions reductions could be achieved through domestic emissions reduction alone, demonstrating that there is realistic scope to expand the national target to 25%.

Abatement impacts of proposed changes to the RET need to be properly considered

ClimateWorks' Low Carbon Growth Plan for Australia identifies the least-cost emissions reduction opportunities that would enable Australia to achieve an ambitious emissions reduction target in line with what scientists say is required to avoid the worst effects of climate change.

Importantly, these opportunities are *above* the emissions reduction activities which occur under business-as-usual. The business-as-usual scenario includes the impact of the RET, which is estimated to deliver 26.3MtCO_2e,[1] a significant portion of which is yet to be achieved. Consequently, changes to the RET will impact the volume and cost of opportunities required to meet any emission reduction target. For example, if the RET target is reduced, there will be a corresponding increase in the business-as-usual emissions projections with an equivalent increase in the volume of abatement required to meet a particular target. Capturing this additional abatement would potentially be more expensive than achieving the RET, although this would need to be analysed in more detail if changes to the RET are proposed.

The RET is important as it provides the mechanism for avoiding long term lock-in of emissions intensive power generation. For instance, any new fossil fuel power generation built today instead of renewable capacity that the RET would trigger will lock-in a higher level of emissions until at least 2050 – emissions that will need to be offset through reductions found elsewhere. The RET is therefore critical in ensuring that a significant portion of new generation capacity that is built between now and 2020 is clean energy, ensuring that a long term emissions reduction target such as the Australian Government's 80% target by 2050 is achievable at reasonable cost.

Delaying investment in low carbon generation technologies will lead to a future increase in the cost of achieving abatement targets in Australia. Avoiding lock-in is consistent with advice published by the IEA, which states that it will be much more expensive to meet post Kyoto emission targets if action is delayed. For every $1 of investment avoided in the power sector before 2020, it estimates an additional $4.30 would need to be spent after 2020 to compensate for the increased emissions.[2]

The cost of meeting the RET can be reduced by addressing barriers

A range of barriers affect the ability of businesses to implement renewable energy opportunities and increase the cost of these opportunities. Examples include restrictive State-

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[1] This figure relates to the Large-scale Renewable Energy Target only. See *Australia's Emissions Projections 2010*, available via www.climatechange.gov.au/~/media/publications/projections/australias-emissions-projections-2010.pdf.

[2] International Energy Agency, World Energy Outlook 2011, Executive Summary.

level planning rules for wind installations and limited availability of capital for proponents (attributed to the higher risk profile associated with these projects). Addressing and overcoming these barriers could significantly reduce the cost of the RET and enhance the long term viability of the clean energy sector. ClimateWorks has experience in working with varied stakeholders to identify and overcome barriers, and would be pleased to assist the Government to unlock the abatement potential of that the RET affords.

About ClimateWorks Australia

Climate Works Australia is an independent non-for-profit organisation, founded through a partnership between Monash University and The Myer Foundation, launched in 2009. Its purpose is to achieve substantial emissions reductions in the next five years in Australia by working with government, business, industry groups and the community via a collaborative action based approach.