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SUBMISSION ON DESIGN OPTIONS FOR THE EXPANDED NATIONAL RENEWABLE ENERGY TARGET SCHEME

This submission represents the views of the partners of Enhar Blue on the design options for the expanded national renewable energy target scheme consultation issued by the COAG working group on climate change and water.

We also provide comment on some linked issues and policies.

1 Scope of design issues under consideration, their interactions, and other issues that should be addressed during design of the expanded scheme.

In relation to the Emissions Trading scheme: As Australian domestic and business customers increasingly utilise the green power options or undertake energy efficiency opportunities, Liable Parties will be able to satisfy their emissions quotas, reducing the need for permits. This will consequently leave more permits available at a cheaper price for companies to continue polluting rather than undertaking real emission reductions.

Treatment of renewable energy sources and technologies, including the treatment of forest biomass and solar water heaters.

We commend support for all renewable energy sources. On balance, we would prefer to see support for renewable heating supported in a dedicated scheme, rather than including heat in what is essentially a Renewable Electricity scheme. This additional scheme could take the form of a Renewable Energy (Heat) Act and place an obligation on builders and/or occupiers of buildings to source an increasing proportion of their space and water heating from renewable energy sources such as solar water heating and biomass boilers.

We support the exclusion of native forest harvesting residue from the scheme in order to reduce the risk of inappropriate removal of or damage to native forests in Australia.



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Banking of RECs and their potential impacts on investment profile, generation level and technology mix and on the cost of the measure.

Enhar Blue feels that banking should be restricted to companies that can demonstrate a credible underestimation of their emissions that are outwith their control. The government assumes that there is no difference in Global Warming Potential if emissions are made in different years. The science says we need at least 90% emission reductions by 2050, not the government policy of 60%. Only early reductions can achieve this.

Banking of RECs may also suggest that the target is insufficient. Society needs to get to a post carbon economy ASAP. If parties are to claim RECs generated in previous years, this does not actually represent an increase in percentage of renewable generation, especially if overall demand increases through inadequate efficiency and conservation policy. While allowing banking may encourage Liable Parties to generate early credits for use in later years, this does in fact indicate that there is capacity for greater generation. Targets should be set to maximise generation in all years.

Banking can also promote market ready technologies (low hanging fruit), without assisting the development of new technologies, as happened with the UK ROC's scheme. Diversity of supply is a key component of sustainable electricity and energy networks. This will aid in a more stable generation with respect to decentralising variable (not intermittent) generation technologies.

Methods and timing for phasing out the RET scheme between 2020 and 2030 and on their implications for investment profile, generation level, technology mix, and the cost of the measure.

The Government is committed to phasing out the MRET on the assumption that the Australian Emissions Trading Scheme, the *Carbon Pollution Reduction Scheme (CPRS)*, will set a price on carbon, making renewables competitive. This is not necessarily going to occur and therefore a phasing out of MRET can be counter productive. The efficacy of the CPRS needs to be demonstrated before plans to phase out the MRET (and other programs and policies), if phasing out is to occur at all. Enhar Blue feels it is too early to be assuming a phase out is necessary.

Phasing out of MRET will reduce investment in the renewables sector. Enhar Blue feels a strong review will be needed before phasing out, to ensure that the CPRS is having the desired effect and making sure that the costs of renewables are competitive.



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Another risk to keeping Australia's renewable energy share by phasing out MRET could be the introduction of nuclear energy. Under its own price support mechanism or subsidy, nuclear generated power could bring a 'low carbon' (therefore low or no emissions permit cost) power onto the market, making renewable energy less competitive. The MRET is the only support mechanism for truly renewable, zero emissions, indefinite source of electricity and is indispensable.

Maintaining both MRET and the CPRS scheme will further enhance Australia's readiness for a low carbon economy. This will also send a signal to manufacturing industries to develop for Australia's needs.

Appropriate level of the shortfall charge, in particular on whether it should be set at a very high level to encourage compliance or at a level only slightly above the maximum expected REC price.

Enhar Blue supports a higher shortfall price than \$40/MWh. Setting a REC price cap can defeat the purpose of the MRET if REC prices go beyond the CAP. There is no need for unnecessary cost burdens, especially for smaller generators. As such, Enhar Blue supports setting a price higher than the expected REC price, for example \$100/MWh.

Other comments:

A major barrier to achieving the % targets under the expanded MRET will be the rate at which new renewable generation is granted access to the available power distribution grid. Network operators are notorious for having no obligation to serve the interests of distributed smaller scale generators, nor to invest in new infrastructure of a type and location to cater for renewable generators. Renewable generators therefore face long waits for their connection applications and potential restrictions on output once connected; the Mt Millar wind farm in South Australia has for example been severely constrained on its output once constructed. We suggest that to increase the likelihood of MRET targets being met, a complimentary obligation should be placed on power network operators to accommodate an increasing percentage of generation from renewable sources.

Yours sincerely,

Demian NataKhan & Luke Reade