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To
Emissions Reduction Fund Submissions
Department of the Environment
GPO Box 787
CANBERRA, ACT 2601
emissions-reduction-submissions@environment.gov.au

Date: 23/05/2014

RE: Emissions Reduction Fund Draft Legislation

Enhar Pty Ltd is a consulting company providing expertise in renewable energy and energy efficiency to clients in Australia.

We employ Australian engineers and provide services to a wide range of clients including local government, state government, manufacturing industry, food industry, water utilities, universities and diverse range of small to medium size businesses in Victoria, New South Wales, Queensland and Western Australia. Our business has steadily grown since its inception in 2006.

Enhar has recently made a submission to the RET Review. Some relevant aspects of that submission are included here.

All of the Federal Clean Energy initiatives of recent years have great merit, removing then is counterproductive and damaging to Australia. The carbon tax and subsequent Emissions Trading Scheme, the Clean Energy Finance Corporation, the Australian Renewable Energy Agency, the Climate Change Authority, all have worthwhile and important roles to play and should remain. Moves by the current government to abolish these organisations are contrary to maintaining sustainable industries and taking a responsible approach to safeguarding our climate, our biodiversity and our economy.

The Emissions Reduction Fund (ERF) is better than nothing but is an insufficient replacement for the existing schemes.

The target of 5% emissions reduction by 2020 is an insufficient response to the threats of climate change and an insufficient contribution to the global effort to curb climate change. More ambitious targets, such as the 15% reduction target recommended to government by its Climate Change Commission in 2013, would be more appropriate.

The March 2014 recommendation to the Senate from its Environment and Communications Reference Committee was:

> "The committee recommends that the Australian Government immediately adopt the emissions reduction targets outlined by the Climate Change Authority in its final report released on 27 February 2014. Namely that Australia's 2020 minimum emissions reduction target be set at 15% below 2000 levels and that Australia's carryover from the first commitment period of the Kyoto Protocol be used to raise the 2020 emissions reduction target by 4%, giving a total 2020 target of 19%."

We note the scope of this consultation does not include the adequacy of the emissions reduction target , however we stress that the 5% goal of the ERF is insufficient and should be reviewed. Provision should be included in the ERF for future increases in the ambition of the emissions reduction target.

In terms of implementing the 5% reduction, a key issue is that there have already been Federal programs established to achieve the same outcomes as the ERF and the structures and staff were already in place.

Enhar suggests that the legacy of the Clean Technology Investment Program is leveraged to deliver Emission Reduction Fund goals. The staff already in place at Ausindustry who managed the CTIP and CTFF have accumulated extensive highly relevant experience and this human capital should be retained and not lost.

Regional offices in each State of Australia should be set up to manage the ERF, close to the businesses who will participate and deliver the reductions, with staff experienced in the business environment in each State.

The Clean Energy Regulator may be able to administer the ERF effectively however the teams at Ausindustry could also offer invaluable assistance and these staff should be enabled to continue to assist emissions reduction goals by working in whichever organisation manages and administers the ERF, both centrally and regionally.

In terms of projects to reduce emissions, there were a large number of industrial manufacturing and food businesses already lined up to implement energy efficiency and solar at their sites via CTIP funding.

Many of the projects developed by these companies would be highly suited to delivering lowest cost emissions reductions.

The new ERF scheme should make allowance for the companies already lodged within the old CTIP scheme to be picked up where CTIP left off.

These businesses have already gone through the lengthy process of seeking suppliers, obtaining competitive quotations, undertaking energy auditing and applying for CTIP funding. The government has already spent considerable effort in assessing the applications and verifying the claimed emission reductions. The projects are likely to offer some of the lowest cost emissions abatement available, especially when the cost-savings due to pre-invested government staff time is factored in.

All CTIP applications lodged but not approved should be given the opportunity to offer lowest cost emission reductions directly in the ERF in a simplified process.

The applicant companies should be proactively contacted by government and asked to make their most competitive offer for funding for their projects to the ERF.

Reverse auctions risk encouraging unviably low bidding and can result in loss-making projects or even projects which are unbuildable. This was demonstrated by the UK's Non-Fossil Fuel Obligation in the 1990s where most of the projects which won the reverse auction were never built due to low bid levels. The inclusion of bankers guarantees on bid prices can improve the deliverability of schemes, as demonstrated in the ACT solar auction in 2013. The cost of obtaining financial guarantees for projects, or insurances against non-delivery of emissions reductions, at bid stage could make smaller projects unviable however. While larger projects can more easily afford to engage financial experts to produce guarantees or purchase insurances, the many smaller yet important projects for small to medium enterprises around the country could struggle to compete under a reverse auction if guarantees/insurances are required at application stage. Therefore, assistance with project insurances (including insurance of the emissions reduction) should be available to small and medium businesses.

The insurances required at bid stage could be of the form that if emissions reductions are not achieved by a certain project, a 3rd party real emissions reduction activity such as treeplanting must occur at the expense of the applicant (large businesses, large projects) or at the expense of the government (small to medium businesses/projects).

The scheme should enable reductions to exceed 5% by 2020, and have a provision for the emissions reduction target to be increased in future. Exceeding 5% by 2020 should be seen as an important success to be aspired to.

Eligible projects should include projects which generate low carbon energy including solar photovoltaic, wind, biogas, biomass, wave, tidal energy and any other renewable energy generation. Renewable heat should also be eligible including solar hot water, heat pumps and combined heat and power systems run from biogas, biomass and other renewable sources. Eligibility should include both on-site generation projects on the consumer-side of the meter, and also grid-export project where the generated output is sold via the distribution network to an external customer.

Eligibility for credits from energy efficiency projects should require the proponent to undertake an energy audit before the project and a verification audit after the project is commissioned. Australian Standard AS3598 for Energy Auditing should be mandated and adhered to; Level 2 and possibly Level 3 audits should be required. Where proponents have already had an energy audit completed within the previous 12 months they should not be required to provide a new energy audit. Where audits were completed more than 12 months ago, an addendum rather than a full updated audit should be accepted.

If payments for ongoing emissions avoidance are to be paid annually, ongoing verification audits should also be mandated annually, to be conducted by suitably qualified energy auditors.

Assistance towards the cost of consultancy to support emissions reductions projects should be included in the package.

Verification audits should be conducted by suitably qualified consultants. Regulating an approved register of energy auditors is likely to be an unnecessary cost to the scheme however.

Payments for emission reductions credits should be able to be earned by proponents *in addition to* income from Large Generation Certificates and Small Technology Certificates, and in addition to any Victorian Energy Efficiency Certificates etc.

Broader Issues regarding Emission Reduction

Australia is one of the countries most vulnerable to climate change, according to the Stern report and others, due to the importance of its agricultural sector and the prominence of its coast. Considering that Australia has more at stake than most other countries, action on minimising climate change should be an ongoing priority.

In the context of the current risks to our economy and environment posed by man-made climate change, the importance of decarbonising our economy is now higher than ever before. The CSIRO as well as the IPCC have published solid evidence that climate change is being caused by human emissions and CSIRO has also published evidence of the current adverse impacts and the future worsening impacts on Australia of human induced climate change. Doing a fair share in the global effort to avert climate change is the only responsible course of action for Australia; most Australians understand this even if the Liberal party policy-makers do not.

In the film 'The Titanic', after the iceberg has struck and lifejackets are being handed out, a first class passenger tells their maid to put the kettle on in her cabin so they can have a nice cup of tea when 'all this fuss is over'. Not believing that the incident could be as serious as lifejackets would imply, denial of the risk of the situation took hold. When hours later the ship sank into freezing seas without enough lifeboats, the story ended tragically.

Saving a few dollars by removing the carbon tax, repealing the clean energy legislation and adopting tiny emissions targets is analogous to trying to make a cup of tea on a sinking Titanic. There is no point enjoying a slightly cheaper few years when the huge costs of a major climate disaster are approaching and will cause the nation to suffer many more years of far higher costs.

Conclusion

The Emissions Reduction Fund is an inadequate replacement for the Clean Energy Package. It's emissions reduction target of 5% is too low and should be increased to 15% or 19% by 2020 as recommended by the Climate Change Commission.

In terms of delivering the 5% target through the Emissions Reduction Fund, the existing and recent schemes such as the Clean Technology Investment Program should be leveraged.

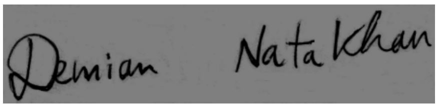
The ERF should encourage good quality and viable projects and avoid the risk of reverse auctions leading to loss-leading projects.

A streamlined application and administration process should be established with staffed offices in each State and Territory.

From 1st July 2014, Enhar will assist clients to plan and implement successful projects within the ERF and any similar future schemes which emerge at State or Federal level.

With our clients we will continue to create successful energy efficiency and renewable energy outcomes under any policy and regulatory environment.

Yours sincerely,



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