



**Submission by**

**Alternative Technology Association**

**on the**

**Design Options for the Expanded National  
Renewable Energy Target Scheme**

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## *Introduction*

ATA welcomes the opportunity to offer comment on the *COAG Working Group on Climate Change and Water's* review of the *Design Options for the Expanded National Renewable Energy Target Scheme*.

ATA is a not-for-profit organisation established in 1980 to empower our community to develop and share sustainable solutions for the way we live and to promote the uptake of sustainable technologies in order to protect our environment. The organisation provides service to over 4500 members, who are actively promoting sustainability in their own homes by using good building design and implementing water conservation and renewable energy technologies.

As Australia's peak member-based organisation representing early-adopters of renewable energy systems, ATA is in a unique position to highlight the needs and concerns of small-scale renewable energy system owners and their interaction with the retail energy market.

## *An Expanded National RET Scheme*

ATA see the former MRET scheme and the proposed expanded national RET scheme as integral to the energy market reform process and the challenge of climate change. As the recently released *Garnaut Climate Change Review Issues Paper* stated:

*“Establishing a carbon price alone will be an incomplete approach to mitigating climate change; additional measures will be required” (Garnaut Climate Change Review Issues Paper 4, page 2).*

It is on this basis that a variety of complementary initiatives will be critical to overcoming a range of market barriers that impede renewable energy. A policy response including an ETS and a RET will provide the flexibility required for program monitoring and technology deployment.

An expanded national RET will also protect the Australian economy by achieving significant abatement (outside and ahead of an ETS) and shielding high emission industries from a carbon price shock. It will also:

- result in \$20B in new capital investment;
- over 6000 jobs in rural and regional areas;
- offer immediate greenhouse gas reductions; and
- build industry capacity and cost reductions.

It is from this perspective that ATA provides the following comments on the expanded national RET Scheme.

### *Liability and Annual Targets*

With respect to the overall target of 45,000 GW/h, ATA seeks clarification that the GW/h target is flexible enough to respond to any changes in overall electricity consumption by 2020 (i.e. to ensure that this still represents 20% of total generation).

It is the view of the ATA that in order for the current Federal Government target of 60% emissions reduction by 2050 to be realised, the renewable energy sector will need to achieve an increasing market share beyond 2020. (It is also the view of the ATA that the current 60% 2050 target will be inadequate to avoid dangerous climate change on the basis of the latest climate change science and as such will require review in the short to medium term.)

On this basis, 20% renewable electricity generation by 2020 should be viewed as an interim target in the context of a longer term objective. As such, any national RET scheme will require consistent monitoring (e.g. every three years) to ensure that renewable generation increases to this level and that total electricity consumption is taken into account as the scheme approaches 2020. Failure to monitor and adjust the scheme target in the medium term would threaten the integrity of the scheme and the government's commitment to addressing climate change.

### *Eligible Sources*

In order to ensure integrity within a national RET scheme, ATA believes that eligibility should be restricted to only those sources that offer direct renewable energy generation. This will ensure that the target achieved by the RET will be a true indication of renewable energy capacity within the market.

### Solar Hot Water

ATA supports the removal of solar hot water systems from a national RET scheme. Such a move should however be accompanied by the implementation of an alternative rebate regime for solar hot water systems, as discussed below.

A solar hot water system reduces grid-supplied electricity (or natural gas / LPG) consumption, as opposed to being a direct renewable electricity generator. Whilst it does deliver avoided greenhouse gas abatement, the adoption of solar hot water systems represents a demand reduction rather than a form of renewable electricity generation.

Given that 20.5% of RECs are allocated to newly installed solar hot water systems<sup>1</sup>, it is therefore likely that the targets achieved by the future RET scheme would be misleading with respect to direct renewable energy generation. As a representative of solar hot water system consumers, ATA is well aware of the high level of understanding amongst our members of this issue.

Currently, the incentives for solar hot water systems are varied and confusing. Rebates exist at both the national and state level, in addition to them being eligible for REC under the existing MRET scheme. ATA believes the current review of the MRET scheme offers an excellent opportunity to simplify the rebate system for solar hot water installations by transferring the full economic benefit from the existing REC-based payments and the additional one-off rebates available under both the Commonwealth Government scheme and any State-based scheme to one Federal managed rebate system. This would greatly simplify the process for the consumer, installer, retailer and advisory organisations such as the ATA.

### Forest Biomass

ATA opposes the retention of forest biomass in any national RET scheme. As one of the main drivers of any future RET scheme should be emission reduction, the potential for increased logging through the development of the bio-energy industry, and the associated reduction in potential carbon sinks, would significantly negate this primary aim. This coupled with the subsequent impacts on soil integrity, groundwater and habitat loss mean that forest biomass is not a truly sustainable renewable energy source and should not be included as part of a national RET scheme.

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<sup>1</sup> Office of the Renewable Energy Regulator, 2008. *"Increasing Australia's renewable electricity generation Annual Report 2007"*. Australian Government, Canberra.

## *Banking of RECs*

ATA is comfortable with the unlimited banking of RECs at this stage. It is however very difficult to predict what impact limited or unlimited banking of RECs will have on the development of the renewable energy industry. Whilst unlimited banking may facilitate 'early-movers' within the industry, this could obviously lead to a boom-bust type investment profile and may have consequences in terms of industry employment and industry momentum toward the end of the RET scheme.

On this basis, ATA believes that any national RET scheme would need to consistently monitored in regards to this issue, in close consultation with the renewable energy industry. With regard to borrowing, ATA is strongly opposed to this use of RECs as it will lead to an inaccurate picture of capacity within the industry. Further, it is widely accepted that early action is required to address climate change, and borrowing certificates from future years threatens to delay action, effectively exacerbating the impacts of greenhouse gas emissions on the climate.

## *Scheme Duration and Phase-Out*

It is the view of ATA that the precise timeframe and method for the phasing out of any national scheme should not be committed to at this stage. Whilst a national Emissions Trading Scheme (ETS) looks very likely to be introduced at some time between 2010 and 2012, it is not clear how effective the ETS will be in reducing emissions or at what price carbon will be charged. It is therefore impossible to predict how soon renewable electricity generators will become cost competitive with traditional energy sources – indeed this may not be fully known for another five to ten years.

As stated previously, the ATA believe that to realise a 60% emissions reduction by 2050, renewable energy will need to achieve an increasing market share beyond 2020. However, if the RET or the shortfall charge is incrementally reduced between 2020 and 2030 and the ETS is not completely effective in creating a level economic playing field between the renewable and fossil fuel energy sectors by 2020, then this increasing market share for renewable energy may not be achievable and indeed may actually decrease.

On this basis, ATA believes that the phasing out of any national RET scheme should be subject to review once the ETS is firmly established and true cost comparisons can be made between the various forms of energy sources. Should the ETS ultimately be effective, the price of RECs will fall accordingly and as such, there is no threat in not committing to phasing out the scheme at this point in time.

It is noted that the *Design Options* included in the COAG document highlight a review of the RET scheme planned for 2015 and this is considered far more appropriate time at which to review the phasing out conditions. In the interim, ATA advocate that the 45,000 GWh target and the shortfall charge be maintained in full from 2020 to 2030, to ensure that the 20% target is maintained.

### *Compliance Mechanisms - Shortfall Charge*

As the purpose of the shortfall charge is to create a disincentive to retailers and large electricity consumers to avoid purchasing RECs, ATA believes that the current charge of \$40/MWh is far too low.

The current value of a REC is in the order of \$52/MWh<sup>2</sup>, and this is approaching the point at which the cost of purchasing RECs is reaching parity with simply paying the shortfall charge (once tax implications have been taken into account). As such, there is little difference for the retailer / large consumer in purchasing the REC or paying the shortfall charge.

There is however a significant impact upon the uptake of renewable electricity generation, and hence the integrity of the scheme, if obligated parties simply pay the shortfall change rather than purchase RECs.

As such, ATA strongly believes that the shortfall charge should provide a real disincentive to retailers and large electricity consumers and should be in the range of \$80 – \$100/MWh. In addition, this charge should be CPI indexed, in order that future REC price increases are also taken into account.

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<sup>2</sup> Clean Energy Council, 2008. "*Clean Energy Council Update – July 2008*". Clean Energy Council Incorporated, Southbank VIC.

## *Further Contact*

Feel free to contact me should you have any questions regarding the content of this submission. I am available directly on (03) 9631 5406 or via email at: [damien@ata.org.au](mailto:damien@ata.org.au).

Yours sincerely,

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