



Mandatory Renewable Energy Target Review

A review of the operation of the *Renewable Energy (Electricity) Act 2000*

MRET Review

Submission by John M Clark, Eastern Star Gas Pty Ltd

General

If the purpose of the Act is to encourage lower greenhouse gas emissions from the Australian electricity industry, then there are two streams of action

- 1) Reduce consumption
- 2) Reduce greenhouse intensity of electricity produced.

The act does not deal equally with all forms of electricity generation, and penalises technologies such as combined cycle gas turbines, which have a significantly lower greenhouse intensity than coal-say $0.5\text{tCO}_2/\text{MWh}$ vs $.93\text{tCO}_2/\text{MWh}$. Not all the so called renewables have zero greenhouse intensity when fuel used in harvesting biomass is taken into account. Why does generating electricity at zero greenhouse output create a credit of about \$40/MWh, when generating it at say $.45\text{tCO}_2/\text{MWh}$ creates no credit at all, when compared to coal at $.93\text{t}/\text{MWh}$?

To be fully consistent, Australia needs to have a full carbon balance on its total energy consumption, including the energy embedded in imports less the energy embedded in exports. (The Greenhouse Office seems to be strongly opposed to this) The fatal flaw in Kyoto is that it measures greenhouse gas emissions, and not greenhouse gas final consumption by the population. If Kyoto was set up in an analogous way to GST, where it finally fell on the ultimate consumer then it would be logically consistent, but an administrative quagmire.

Any change to the MRET scheme must address the issue of consistency of treatment between technologies, otherwise it will distort technology choices. The scheme really should say that there has to be X tonnes CO₂ abated by the electricity industry, and if it doesn't achieve that, there are penalties. In many ways the NSW NGAC scheme is a lot more logically consistent than the MRET scheme. Ultimately a carbon tax across the entire economy is the logical outcome. We already have carbon taxes, it just that they are called petroleum excise, MRET and NGACs!, and are not consistent.

Another significant issue is the lack of a transparent and public market for RECs. The market for RECs should be akin to the Australian Stock Exchange, where bids, offers, trades and prices are all publicly available.

Specific comment on the terms of reference:

- a)
- b) See above-The Act as presently structured leads to a zero emissions or no benefit approach.
- c) See comments above on technologies. It may well have been better not to have grandfathered pre 1997 hydro, and had a target of 13% or so renewables. The issue is to avoid windfall profits for non government owned stations. A windfall profit for



Mandatory Renewable Energy Target Review

A review of the operation of the *Renewable Energy (Electricity) Act 2000*

government owned stations is irrelevant, as all that is, is a very minor change in the tax mix.

d) The level of penalties needs to be set to encourage the technologies required. If combined cycle gas turbines could access \$20/MWh then that price, adjusted by market competition would encourage quite a lot of activity.

e) Yes This is obvious.

f) The environmental impact of wind farms is not trivial. Whilst wind farms contribute energy to the annual total, they do not have a predictable output to contribute to peak load, and thus require excess investment in electricity generation.

g) What do you mean? Ultimately, the final consumption of greenhouse gas has to be technology independent. The government should not be mandating whether a consumer buys an aluminium boat, drives to Perth for a holiday or uses an air conditioner! (all these involve the production of greenhouse gas attributable to the final consumer)

h) The targets need to be set for final consumption in the whole economy. The singling out of specific areas will lead to perverse outcomes. For example, the whole MRET target could be achieved by Australia not exporting about 4 million tonnes of coal per annum. (9,500,000 MWh/yr at .93t CO₂/MWh=8.8Mt CO₂. This is about equivalent to burning 4Mt of coal) Whilst we, as a nation, are putting all sorts of effort into renewables, we are busily expanding our coal output. The burning of that coal elsewhere dwarfs the MRET scheme.

i) As described above, the basis of the scheme is illogical, and the effect on the world scene, when coal exports are included, is trivial

j) The policy settings are illogical unless they can be explained as a first step on a path to reducing final consumption of greenhouse gases. It is crazy to be promoting this and building new coal mines simultaneously, unless we take a net greenhouse consumption approach.

The conflict between the Commonwealth and NSW schemes is clear- NSW cost CO₂ at about \$11.60/tonne, whilst the Commonwealth price it at \$44.