

16th March 2012

ABN: 16 549 616 697

Sustainable Energy Association of Australia Inc
GPO Box 2409
PERTH WA 6000

The Energy White Paper Secretariat
Secretariat.EWP@ret.gov.au

Phone: (08) 9228 1292
Fax: (08) 9228 0597
ceo@seaus.com.au
www.seaus.com.au

Submission on the Draft Energy White Paper

This submission by the Sustainable Energy Association of Australia (SEA) is to comment on the draft Energy White Paper (EWP) and its disappointing lack of vision and acknowledgement of significant changes in the energy market in Australia and throughout the rest of the world. While periodic reviews are envisioned for the long-term strategy, the issue of resource sustainability practices and developing a more sustainable economy is only an indirect outcome from the policy positions put forward.

The plan for any transition away from the current business-as-usual (BAU) approach of the EWP is very much in the hands of the market, albeit a market heavily influenced in its decisions by governments policy at both State and Federal levels. Currently, there is a lack of capacity for Australia to make any significant transition away from fossil fuels in the near future based primarily on the relative cost advantages and structural barriers to entry for many types of renewable energy.

SEA has specific views on a number of policy matters that concern the EWP and the modelling and assumptions used to create the vision set out in the EWP. These policy positions are set out below and include:

- Energy price assumption impacts on the EWP strategy;
- Transportation fuels;
- Carbon pricing and renewable energy support;
- Direct support of Coal and CCS;

The Sustainable Energy Association of Australia thanks all SEA members for their support including our sponsoring members acknowledged below:

Platinum Members



Corporate Members



- Energy transmission and distribution network issues;
- Payment for exporting self-generated power;
- Removal of barriers for renewable energy deployment; and
- Market reform issues.

Flawed energy pricing assumptions lead to poor strategic vision

The EWP uses assumption of future costs of renewable energy sources that are at odds with the current cost projections made by industry and other Governments. For example, the EWP estimates that Solar PV costs will be at \$0.35 per kWh by 2035 yet recent comments by the Governments of India and the United States sees that costs for solar will be more competitive than coal by 2020. Similarly, the US Energy Secretary, Dr Stephen Chu predicts solar PV energy will cost just \$0.06 per kWh by 2020. This is lower than EWP estimates by an order of magnitude.

Further, oil price estimates and projections of crude oil production and availability run contrary to the cornucopian view held by the IEA and used as source information in the EWP. The current pricing is already trending well above the predictions used in the EWP and the strategies for crude oil products and the vision for alternative fuels is poorly thought out.

Transportation fuel future a concern and alternatives not well considered.

The EWP suggest the possibility of substituting gas-to-liquids and coal-to-liquids technologies should Australia ever have issues with long-term liquid fuel security. SEA strongly opposes any policies supporting such technologies as they are very inefficient, produce greenhouse gases at rates well above naturally occurring fossil fuels and are inherently wasteful of resources that are better conserved than used as other alternatives are available.

The EWP also has little to discuss about alternative transportation such as electric vehicles (EVs) and what long term impacts the uptake of EVs will have on the electricity network and what regimes will be in place to replace any foregone revenue from fuel excise. It is SEA's view that EVs should be required to utilise 100% renewable energy for charging to ensure zero-emissions profile compared to other vehicles and, furthermore, for the uptake of EVs needs to overcome regulatory issues such as:

1. Luxury vehicle tax on EV due to battery costs incorporated into the car;
2. FBT and its unfair treatment of EV; and
3. A better state Stamp Duty scheme allowing discounts for EV and other energy efficiency vehicles.

Pricing carbon vs. renewable energy support schemes

SEA strongly supports both the introduction of a price on carbon through the *Clean Energy Future* policies and the Renewable Energy Target (RET) as mechanisms to reduce Australia' greenhouse gas emissions as well as to continue the development and maturation of the renewable energy supply industry in Australia.

The reason for retaining a renewable energy support mechanism such as the RET, even with a price on carbon is outlined by the IEA in their 2011 *Working Paper Interactions of Policy for Renewable Energy and Climate*. The conclusions of this paper demonstrate that long-term benefits for carbon reduction arise from the combination of these two policy instruments.

SEA 2030 VISION

30% energy generation from sustainable sources and 30% reduction of existing use through energy efficiency by 2030

SEA – Australia's peak body for sustainable energy

SEA promotes the development and adoption of sustainable energy technologies and services that minimise the use of energy through sustainable energy practices and maximise the use of energy from sustainable sources.

Reducing support for coal and CCS

There is a wide recognition that certain sectors of business need to be supported to encourage certain behaviours that lead to market failure. This is a necessary and essential role for Governments to encourage businesses to invest in innovation and change. However, SEA does not support the continuation of the BAU paradigm for the utilisation of CCS as the panacea for continuing the support for new and replacement of coal fired 'base load' electricity.

CCS is a highly inefficient process that will increase parasitic loads on coal fired energy generation by between 30 and 60 per cent, depending on the storage solution used. Such an increase in parasitic loads will require significant increases in generation infrastructure as well as the storage and disposal systems that will have a significant long-term impact on the rate of increase of energy costs to consumers. This needs to be seen in light of the alternative renewable energy solutions that are possible.

Furthermore, at times when coal prices are at world record highs and coal company profits are soaring, the underinvestment in CCS by the industry makes the continuation of Government support questionable. When one considers the close down or complete failure of almost every energy-production CCS trial elsewhere in the world, the continuation of Australia's support for CCS raises questions about its future viability and the benefits of the direct subsidies which may be better spent on other technologies.

Energy transmission and distribution network issues

Continuing market structures based on the large centralised distribution model for stationary energy while these create energy production efficiencies, it does not address the 'build for peak' mentality or the incentives to over-engineer transmission and distribution systems providing significant extra costs to energy consumers.

Unfortunately, while there are incentives to reduce energy consumption and demand for both businesses and consumers, the issue of better generation and network design for distributed generation is not well supported by the current regulatory frameworks. While this is to a degree responsibility of the State Governments, the Federal Government and COAG also has a significant role to play in improving this situation.

Payment for exporting self-generated power.

SEA supports a consistent national framework for non-discriminatory payment for energy exported to the grid by self / micro-generation. While this payment is essentially a feed-in tariff (FiT) this term now has (inaccurately) become synonymous with the payment of a premium amount above what is economically necessary.

SEA has never and does not support the payment of a premium amount above a 'fair and reasonable' price but currently, the lack of any form or regulated and managed FiT applied consistently across States is problematic for the long term- growth of distributed generation.

Any payment for exported electricity from micro-generation needs to be location specific, to reflect the opportunity cost/benefit of providing additional generation at that particular location and time. Due to the potential variety of methods for valuing electricity, and the benefit to retailers in minimising this cost, an acceptable method for the ascertaining of a fair price for micro-generation should be pursued and implemented through COAG.

SEA 2030 VISION

30% energy generation from sustainable sources and 30% reduction of existing use through energy efficiency by 2030

SEA – Australia's peak body for sustainable energy

SEA promotes the development and adoption of sustainable energy technologies and services that minimise the use of energy through sustainable energy practices and maximise the use of energy from sustainable sources.

Removing existing policy barriers and conflicts

Commonly, where two or more barriers to renewable energy fall in separate Government portfolio areas, an absence of integration of complementary measures within government fail to recognise and deliver the full value of potential measures to support industry. Overcoming impediments to renewable energy must be multi-faceted, integrated, and consistent. To achieve this from a legislative framework, Government must ensure:

- Planning for integrated and coordinated cross-portfolio approaches from Government,
- Strategies to ensure best value delivered through additional capacity that would not otherwise have been available (additionality),
- Good legislative support eliminating obstructive legislation and perverse subsidies that at worst reduce energy efficiency and access to renewable energy and at best are neutral to sustainable energy;
- Regulatory approach that mandates energy efficiency and sets minimum performance standards for all new projects, buildings, infrastructure, machinery and vehicles.
- Removal of 'split incentives' between the owners and lessors of residential and commercial property to introduce energy efficiency improvements.
- Willingness to introduce innovative energy systems, particularly for distributed generation, by dealing with and overcoming old technology lock-in.
- Review all planning schemes at local level to remove disincentives in approvals process, aiming for consistency in consent conditions to allow for cost predictability (e.g. remove solar panels from approval requirements), and add incentives (e.g. reduced developer contributions if RE used)

Reinvigorating the energy market reform agenda

SEA supports the initiatives to see a deregulation of retail energy prices. With respect to the “need to protect vulnerable consumers through social policy settings” SEA’s view is that this should be done through the general tax and social benefits system, as this offers the best opportunity for these important social issues to be well managed. This will allow retail electricity prices to be market based for all customers which is the most efficient outcome.

As a principle, SEA supports the initiative to increase the utilisation of market-based demand side response participation. If peak demand energy costs are correctly priced, then there is appropriate incentive for consumers to participate in demand side response. However, the pricing and benefits of demand side response also need to be managed so that the benefits of any DSR activities pass through appropriately in terms of cost savings as well as incentives.

SEA supports reform for the outcome where the National Energy Market rules to apply to WA and the NT. However, the slow pace of any consideration of market reform is disappointing and we are underwhelmed by the intention to undertake “more work to explore” this issue as it has been on the agenda since the formation of the NEM in 1998.

SEA 2030 VISION

30% energy generation from sustainable sources and 30% reduction of existing use through energy efficiency by 2030

SEA – Australia’s peak body for sustainable energy

SEA promotes the development and adoption of sustainable energy technologies and services that minimise the use of energy through sustainable energy practices and maximise the use of energy from sustainable sources.

SEA would be pleased to provide further information on the above or any other matter related to this inquiry if requested.

Yours sincerely

A handwritten signature in cursive script that reads "Ray Wills".

Prof Ray Wills
Chief Executive Officer
Sustainable Energy Association of Australia Inc. (SEA)

SEA 2030 VISION

30% energy generation from sustainable sources and 30% reduction of existing use through energy efficiency by 2030

SEA – Australia’s peak body for sustainable energy

SEA promotes the development and adoption of sustainable energy technologies and services that minimise the use of energy through sustainable energy practices and maximise the use of energy from sustainable sources.