



***Western Australian Sustainable
Energy Association (WA SEA)***

ABN: 16 549 616 697

PO Box 8078

PERTH BC 6849

Phone: (08) 9328 8411

Fax: (08) 9328 8933

SUBMISSION

TO THE

COAG ENERGY MARKET REVIEW SECRETARIAT

IN RESPONSE TO

The Council of Australian Government's (COAG)

Draft Report:

'Towards a Truly National and Efficient Energy Market'

Friday, 6 December 2002

CONTACT PERSON

Matthew Rosser

Chair WA SEA

Phone: (08) 9328 8411

Fax: (08) 9328 8933

Email: bblairfo@bigpond.net.au

PO BOX 8078

PERTH BC 6849

The Western Australian Sustainable Energy Association (WA SEA) Inc. is the peak body of the Western Australia sustainable energy industry. The Association promotes the development and adoption of sustainable energy technologies and practices that minimise and/or displace fossil fuel use. The Association has over 30 company members and 50 individual members, representing a broad spectrum of the industry including: renewables, solar hot water heating, waste and energy efficiency.

While a number of our members are also members of national associations covering sustainable energy, this Western Australian Association was formed to address some of the problems that occur because of the geographic isolation of Western Australia. The Association supports the need for a truly national energy policy and a competitive market for energy services. However, it also considers that a uniform application of rules across the nation to all energy market issues will not necessarily produce the best outcomes unless account is taken of regional differences¹.

The Association's mission is: *'On behalf of the people of Western Australia, the Association will vigorously promote the development and adoption of sustainable energy so that by the end of this decade, 30% of the states fossil fuel use is displaced by sustainable energy practices.'*

The Association welcomes the opportunity to comment on the recently released Council of Australian Government's (COAG) Draft Report: *'Towards a Truly National and Efficient Energy Market'*.

OVERALL COMMENTS

The Terms of Reference of the Review, as listed in Appendix 2, state that *'COAG agreed that the independent Energy Market Review be a forward-looking, strategic study to facilitate decision-making by governments, focussing on those areas likely to generate the most significant benefits'*.

The Association considers that the Review has focussed on the National (Eastern Seaboard) Energy Market and short-term economic gains and has not properly addressed energy efficiency, energy conservation, renewable energy, environmental or social issues. Because these issues have not been properly developed the Review's recommendations relating to greenhouse gas reductions are inconsistent.

Of great concern to the Association is the recommendation to *'announce the immediate cessation of the poorly targeted schemes (Eg. the Mandated Renewable Energy Target (MRET), etc)'* (page 25). We most sincerely request that this recommendation be removed from the COAG report. The Association fully supports MRET and advocates a strengthening of MRET and not its abolition

MRET will be the main issue addressed in this submission.

¹ For example the statistics shown in figure 8.3 of the report are not valid for Western Australia as a whole where gas is generally considered to be a cheaper fuel source than coal. The relative cost of renewable energy generation for the small regional grids, which are overly represented in Western Australia, is also underestimated in this diagram.

THE PURPOSE OF THE MANDATED RENEWABLE ENERGY TARGET (MRET)

The Mandated Renewable Energy Target (MRET) was established as a Federal Government initiative aimed at promoting the development of the Australian renewable energy industry as much as reducing Australia's greenhouse gas emissions.

For over 100 years, coal has been heavily fostered and subsidised by State and Federal Governments and more recently gas has been given similar incentives to be developed as a major energy source. The aim now is to create an environment where new electricity generation capacity using renewable sources is included and maintained as a meaningful component of the Australian energy mix.

The Review identifies the rationale for a scheme that focuses only on renewable energy, rather than on greenhouse benefits, as the perception of the need for the conservation of non-renewable resources (p 138). There does not appear to be any basis for this statement. The rationale, as presented by the Commonwealth in the development phase of MRET, was to commence a long term strategy of developing an industry that was seen to be needed in the future. Diversity and security of energy supply, emissions, jobs, and other regional and environmental issues were considered as or more important than conservation of resources.

MRET is rightly seen by both the Australian public and international community as a watershed in Federal energy policy being the most significant Australian commitment in support of the Australian renewable energy industry sector ever enacted. The Review states a preference for a market approach rather than selection of particular technologies. MRET uses a market approach to foster the most economic of all renewable energy technologies. This market approach has been copied by other countries; for example the United Kingdom has adopted many elements of the scheme. Japan has signalled that it will soon be adopting similar legislation and South Africa is enthusiastically exploring the MRET approach. It appears inconsistent to recommend abolishing an established program that has this acknowledged merit.

The Review identified that an overwhelming theme in submissions is a need for greater regulatory certainty. The MRET legislation provides this certainty up to 2020. The Review states (p 139) that *'Given the extended life span of energy assets and the magnitude of the investments, it is important to minimise uncertainty.'* Yet the Review recommends that MRET be abandoned in favour of an emissions trading program that has not yet been developed and that could be phased in alongside the existing MRET.

THE BENEFITS OF MRET

Reduced Greenhouse Gas Emissions

As has been established, one of the core aims of MRET is to decrease Australia's greenhouse gas emissions. MRET alone is expected to reduce Australia's emissions by 7 million tonnes per annum. Measurement of Greenhouse Gas reductions is generally an inexact science, but the reductions associated with electricity generated from renewable sources are reasonably easy to measure – hard credible numbers strengthen Australia's case when negotiating its international position.

Development of the Renewable Energy Industry

MRET was established as a mechanism to assist in the development of the renewable energy industry. MRET alone is expected to generate approximately \$6.5 billion dollars worth of new investment in the renewable energy industry.

Removal of MRET will send unprecedented signals to the finance community who have already invested significantly in the development of new renewable projects based on the certainty that the MRET legislation provides. Such drastic action would be seen as amateurish and will undermine the legislative lever that Australia has consistently used with great success to direct investment and guide the economy.

Creation of employment opportunities

Numerous employment opportunities are created during the construction and operation of many renewable energy projects. These opportunities include the development of intellectual property and 'knowledge' jobs as is consistent with other government policies.

Creating additional opportunities in regional areas.

Over 75% of all renewable energy projects are located or proposed for regional areas. It is these areas where access to grid electricity is unavailable and alternatives are required. Regional renewable energy projects are able to leverage off MRET and be developed. The Review identifies the opportunity for renewable energy in these regional areas (p 146), but provides no mechanism for encouraging this opportunity. Rather it removes an existing mechanism.

Australia has already seen the benefit of developing renewable projects in regional areas. Not only does renewable energy provide electricity to areas that have no access to the grid, but also:

- Replaces the need to use alternate fuels (ie diesel) to generate electricity which are greenhouse intensive;
- Reuses traditional agricultural waste products (Eg. sawdust, tree trimmings, sugar cane, poultry litter);
- Provides an additional income stream for farmers;
- Stimulates the local economy (Eg. Employment, Tourism).

The Review does not specifically recommend the cessation of the Renewable Remote Power Generation Program (RRPGP) but includes it in the list of poorly targeted greenhouse gas reduction programs. Under the RRPGP the Commonwealth levies excise on diesel used for power generation, and provides these funds back to the States and Territories where the excise has been collected to support renewable energy generation. Western Australia is the major contributor and beneficiary of this program. While this program has some difficult constraints the Association recognises that it has provided a significant boost to renewable energy in remote areas of Western Australia. While the Commonwealth continues to levy this excise, an excise that is not applied to gas or black or brown coal, it is appropriate that these funds are returned to support sustainable energy in the States concerned.

IMPLICATIONS OF CEASING THE MRET

WA SEA is concerned that the implications of ceasing schemes such as MRET and other schemes focused on industry development do not seem to have been properly examined by the Review committee. Even such claims that the MRET should be ceased has massive implications to the renewable energy industry. These implications include:

- Increasing investor risk and the cost of capital and thereby reducing commercial confidence and financial investment in the renewable energy industry particularly with those projects that are currently seeking financial close or are on the drawing board. This is particularly damaging as currently investors appetites for renewable energy projects is growing;
- Reducing Australia's ability to develop commercially competitive renewable energy technologies;
- Preventing the growth of a potentially multi billion dollar industry
- Reducing the likelihood of overseas manufacturers (for example wind turbines) from establishing a manufacturing base in Australia, bringing much needed employment to regional areas
- Severely limiting one means for Australia to reduce its greenhouse gas emissions

WA SEA RECOMMENDATION

WA SEA recommends:

- Removing the recommendation that supports the immediate cessation of MRET.

WA SEA vehemently opposes the recommendation to cease the MRET. We believe the Commonwealth Government needs to act swiftly to confirm its commitment to MRET as the cornerstone measure for developing a vibrant and competitive renewable energy industry for Australia.

MRET is one of the most significant means this country has to mitigate the serious greenhouse gas emissions from fossil fuel burning. The Association will be actively lobbying during the review period to increase the target from what is now less than 2% to 10% to ensure the further development and growth of our industry with all the economic, environmental and benefits that this will bring.