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SUBMISSION

TO THE

GREENHOUSE TASKFORCE

IN RESPONSE TO

THE STATE GREENHOUSE LAND MANAGEMENT AND SEQUESTRATION STRATEGY FORUM ON GREENHOUSE EMISSIONS

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CONTACT PERSON

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The Western Australian Sustainable Energy Association (WA SEA) congratulates the Gallop Labor Government for its commitment towards decreasing the State's Greenhouse Gas emissions. Though Australia is one of only two countries resisting to sign the Kyoto Agreement which would legally bind developed countries to decrease total GHG emissions to 1990 levels, this has not reduced the Gallop Labor Government's commitment towards reducing emissions.

	Strategy	Explanation
1	Broadly act to facilitate the development of private sector renewable energy projects	 Renewable energy developments predominately occur in regional areas (wind farms on agricultural land and biomass projects that occur in conjunction with the agricultural sector) and directly reduce the emissions from these sectors WA is required, under Federal Government legislation, to develop some 250MW of renewable energy by the year 2010 - if WA does not construct this capacity it will be built on the eastern seaboard and WA tax payers will foot the bill (to the tune of some \$650M). Furthermore, all the jobs associated with the development of this renewable electricity will be lost to the eastern seaboard.
2	Develop and implement a workable renewable energy access regime that facilitates the development of renewable energy projects	• Private sector renewable energy projects can not get a start in WA due to the structure of the current electricity regime. This is holding back the development of renewable energy projects predominately located in rural WA.
3	Preference the Government's power procurement process to buy renewable energy given it is provided at the same price as black power	• With the Federal obligation hanging like Damocles' sword over the State and the WA renewable industry is looking for opportunities to enter the market, the current power procurement process of the next 600 plus MW of electricity only relates to making sure that coal can effectively compete with gas shutting out renewables. If renewable energy opportunities are to be realised then the State's power purchase process needs to recognise the States obligations towards renewable energy.
4	Implement a whole of Government electricity power procurement process that purchases renewable electricity provided it is provided at the same price as black power	• The WA Government is the States largest electricity purchaser and it has the potential through selective purchasing of renewable energy to stimulate the market for renewable electricity and help create the market that will deliver renewable energy power stations.
5	Support the renewable energy access regime that facilitates the development of renewable energy projects	 A workable access regime is currently being developed that will enable renewable energy generators fair and equitable access to the grid. At present it is difficult for an Independent Power Producer to compete in the existing market as the current set-up does not enable access to the grid. Industry has worked together to develop an access regime that enables the development of renewable energy projects. This Access Regime can be found in Appendix I.
6	Lobby the Federal Government to ratify the Kyoto Agreement	 The Kyoto protocol is the only legally binding agreement between nations to reduce greenhouse gas emissions. The Kyoto protocol is proof that nations are committed to reducing GHG emissions. Australia has given a myriad of reasons as to why they should not sign. All of which have been proven to be unjustifiable. (See Appendix II)
7	Implement energy efficiency standard practice in the agricultural sector	 Though sourcing new forms of electricity is inevitable, energy demand side management has a key role to play in reducing demand for energy and the need to build power stations. Efficiency measures can be implemented to significantly reduce energy demand
8	Support Associations and Grass Roots organisations dedicated towards reducing the State's total GHG emissions.	 Associations and grass roots organisations have a key understanding of general greenhouse related issues. It is essential that such organisations are invited on to such committees (ie. Greenhouse Policy) so their contribution can be heard.

WA SEA recommends the following strategies be implemented, as these will greatly assist the State Government to further reduce GHG emissions in the agricultural and forestry sectors:

Each of these strategies will now be examined further:

Strategy 1: Broadly act to facilitate the development of private sector renewable energy projects

An opportunity exists to generate renewable energy from traditional agricultural practices. A report by the Australian EcoGeneration Association (2000) states that almost three quarters of Australia's renewable energy projects proposed or under construction are located in regional areas. It is these areas where access to grid electricity is unavailable and alternatives are required.

There are a number of biomass projects currently operating in WA with further projects proposed for the future. Traditional agricultural waste products, such as sawdust, tree trimmings, rice straw, sugar cane, poultry litter and other animal wastes etc can all be used as a sustainable power source.

Advantages of developing the biomass industry in regional WA include:

- Energy sourced from biomass reduces the need to source energy from coal fired power stations. Hence, significantly reducing greenhouse gas emissions from both the agricultural sector and energy sector
- Capturing waste methane prevents it from escaping to the atmosphere where it adds to the heat-trapping gases and the Greenhouse Effect
- Bioenergy opportunities could mean the development of a new local industry and an additional income stream from a waste product. This would be of particular benefit in regional areas. (Sustainable Energy Development Authority, 2002)

The Renewable Energy (Electricity) Act, 2000 was created to ensure that an additional 9,500 gigawatt hours (GWh) of energy (or 2% of all electricity sales) be generated by new renewable energy sources by 2010. This equates to approximately \$6.5 billion dollars worth of new investment in the renewable energy industry.

WA is in danger of losing a significant proportion of this funding (estimated \$650 million) to the Eastern States. Furthermore, all the jobs associated with the development of this renewable electricity will be lost to the Eastern seaboard.

Renewable Energy Certificates (RECs) were created as a national trading scheme to measure compliance with the requirements of the Government's Mandatory Renewable Energy Target. The Renewable Energy (Electricity) Act 2000 provides for electricity suppliers to surrender RECs every year to comply with their renewable energy obligation. WA based suppliers will be compelled to purchase RECs from the NEM given the absence of affordable WA based renewable energy projects (Cao, 2001).

There is opportunity for WA to leverage off this federal legislation and develop WA's renewable energy industry. It is essential that the whole of Australia benefit from this legislate and that not all funds are used to develop renewable energy projects over East.

Strategy 2: Develop and implement a workable renewable energy access regime that facilitates the development of renewable energy projects

A successful and workable renewable energy access regime will allow Western Australia's sustainable energy sector to develop and facilitate a number of key renewable energy projects that have high value for our community. The majority of all Western Australians will welcome this.

WA SEA has recently developed a Workable Renewable Energy Access Regime and this has been submitted to the Minister for Energy (See Appendix 1).

Without a workable renewable energy access regime the private sector will not be able to leverage the opportunities afforded to it by the Federal Governments 2% MRET legislation. As a consequence, jobs and opportunities for greenhouse gas reductions in the agricultural sector will leave the State.

Strategy 3: Preference the Government's power procurement process to buy renewable energy given it is provided at the same price as black power

With the Federal obligation hanging like Damocles' sword over the State and the WA renewable industry is looking for opportunities to enter the market, the current power procurement process of the next 600 plus MW of electricity only relates to making sure that coal can effectively compete with gas shutting out renewables. If renewable energy opportunities are to be realised then the States power purchase process needs to recognise the State's obligations towards renewable energy.

Supporting the development of renewable energy projects has significant environmental and financial benefits to the community. As previously outlined, this will lead to significant investment within regional areas which will stimulate the local economy, employment opportunities, tourism opportunities, and most importantly environmental savings.

It was found that 68% of new renewable projects (Eg. hydro and wind) registered with the national Green Power Accreditation scheme are located in regional areas. Over three quarters of these projects were biomass (ACRE, 2002)

Strategy 4: Implement a whole of Government electricity power procurement process that purchases renewable electricity provided it is provided at the same price as black power

The WA Government is the States largest electricity purchaser and has the potential through selective purchasing of renewable energy to stimulate the market for renewable electricity and help create the market that will deliver renewable energy power stations.

The current WA renewable energy industry has no market for electricity other than through a direct customer contract. These contracts need to be acceptable to the finance community to guarantee funding. If Government agencies were to preferential source renewable electricity from renewable energy generators located in regional areas then this would provide the security that finance institutions require.

Strategy 5: Support the renewable energy access regime that facilitates the development of renewable energy projects

A workable access regime is currently being developed that will enable renewable energy generators fair and equitable access to the grid. At present, the State's major electricity supplier, Western Power Corporation (WPC) is a vertically integrated utility. This means WPC controls the generation, transmission, distribution and retailing of electricity to a captive customer base in WA. At present it is difficult for an Independent Power Producer to compete in the existing market as the current set-up does not enable access to the grid.

The Electricity Reform Task Force (ERTF) was established in August 2001, to develop recommendations regarding; the disaggregation of Western Power; the structure of the electricity market to be established in Western Australia; a Western Australian Electricity Code; and regulatory arrangements for full retail contestability.

Industry has worked together to develop an access regime that enables the development of renewable energy projects. This Access Regime can be found in Appendix I.

Strategy 6: Lobby the Federal Government to ratify the Kyoto Agreement

Australia is one of two developed countries yet to ratify the Kyoto Agreement. As is already known, the Kyoto agreement basically seeks commitment from developed nations to decrease their greenhouse gas emissions to that of 1990 levels.

The Australian Government has identified a number a reasons why it believes it should not sign the Kyoto Agreement. These reasons have proven to be inaccurate and naï ve. These are fully examined in Appendix II.

The State Governments should lobby federal government to sign the Kyoto protocol as this will have both significant economic and environmental benefit to Australia.

Strategy 7: Implement energy efficiency practices in the agricultural sector

The Agricultural and Land Management Sectors need to examine their current energy practices and identify where energy savings can be made. Demand side management practices should be implemented to reduce energy use and hence reduce Greenhouse gas emissions.

The State Government can assist this sector in identifying areas where energy savings can be made

Strategy 8: Support associations and grass-roots organisations dedicated towards reducing the State's total GHG emissions.

Tangible Government support for local associations and grass-roots organisations that are committed towards assisting the State in reducing Greenhouse Grass emission is a natural and cost effective strategy. It is essential that stakeholder organisations are identified and consulted with to ensure that all issues are identified and discussed.

WA SEA believes it has a key role to play in assisting the State Government in developing its Greenhouse Strategy. WA SEA recommends that we be invited to the table to assist in developing strategies that not only reduces the State's Greenhouse Gas emissions but also assists in developing the renewable energy industry which will have significant benefit to the community at large.

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APPENDIX I – Workable Renewable Energy Access Regime

PART SUPPLY MODEL

	CURRENT UNWORKABLE REGIME	A WORKABLE REGIME		
TOP-UP	Under the part supply option, top-up is at R1 rates – at a minimum 2c/kWh more expensive than the time-based rates. RE generators must be able to purchase top- up at the existing tariff. A return to this fundamental principle is essential to facilitate the development of independent RE projects. IPPs are required to enter into Electricity Supply Agreements with Western Power for top-up. This is an unnecessary complexity.	Part Supply Option be amended to enable top-up to be purchased at the customer's existing tariff. Any other basis would require IPPs to take uncommercial risks as to top-up prices, as customers will not take top-up price risk. WP Retail should bill the customer for all usage, and pay the IPP for the power it supplies, out of this payment.		
SPILL	Spill is not purchased under the part supply option. All renewable electricity that spills into the system is confiscated with no payment.	Spill needs to be purchased at a fair and reasonable price – confiscation of renewable electricity is not fair or reasonable, unfairly favours Western Power and sends the wrong signal to the finance sector. Spill should be purchased at no less than 80% of the top-up price.		
ENERGY BALANCING	Under both models energy is balanced between peak and off peak periods. However, renewables are not schedulable in the same way that fossil fuel generating plant is and are intensely disadvantaged (to the point of being unviable) by this requirement.	On/Off-Peak time stamp is contrary to the characteristics of RE and needs to be removed in its entirety. A single balancing period (24 hours a day for the complete billing period) for renewables would ensure that renewable energy projects are viable. This will maximise green power output, by encouraging the plant to run whenever fuel is available, providing maximum environmental benefit.		
NETWORK ACCESS AGREEMENIS	Network access agreements currently take on average five months to process. This holdup results in the continuance of the status quo, while Western Power increases its own green power portfolio.	A workable regime requires sensible time frames for processing applications and agreements. A fair and reasonable regime would be limited to a one month maximum with the ability to process multiple sites with a single application.		
ENERGY MATCHING	The current guidelines provide potentially draconian penalties if IPPs fail to generate the targeted portion of electricity their part supply customers use in a year	Given the unpredictability of renewable energy generation, this potential penalty regime should be removed. "Part Supply" IPP's should simply be required to undergo a triennial review of their generation capacity to ensure continued access to the SWIS. IF generation capacity has fallen, the only "penalty" should be requirement to shed a customer load (or part thereof) on the next expiry date of a suitable customer contract.		
MINIMUM PART SUPPLY AMOUNT	The current guidelines requires the renewable generator to supply at least 50% of its total customer load on an annual basis. This makes it difficult for renewable generators to supply large customers who may be interested in purchasing a small percentage of renewable energy.	There should be no minimum supply amount to allow renewable generators to target the total available deregulated customer base		

FULL SUPPLY MODEL				
	CURRENT UNWORKABLE REGIME	A WORKABLE REGIME		
TOP-UP	The current arrangement provides top-up energy at a price that is calculated monthly by a formula that is determined and calculated by Western Power. Banks will not support RE projects due to price uncertainty in particular there is no way of guaranteeing that the methodology (used to calculate top-up) won't change and that the prices track the methodology.	To ensure that renewable energy projects can be financed the finance community needs cost certainty with regards to the price of top-up. This can be simply done by ensuring that the indicative top-up prices presented by Western Power change in relation to the domestic electricity tariff and not on a monthly basis as proposed. A collar and cap process would also provide a simple method of providing certainty over the top-up prices required by the finance community.		
SPILL	Spill is purchased at a price 40% below the purchase price of top-up. This is unfair and discriminates against independent RE projects (WP does not place this constraint on their own RE projects).	Spill needs to be purchased at a price that is equivalent (or closely matched) to the top-up price. This will encourage the maximum utilization of renewable energy generating plant.		
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ENERGY MATCHING	The current guidelines provide potentially draconian penalties if IPPs fail to generate the quantity of electricity their customers use in a year	Given the unpredictability of renewable energy generation, this potential penalty regime should be removed. "Full Supply" IPP's should simply be required to undergo a triennial review of their generation capacity to ensure continued access to the SWIS. If generation capacity has fallen, the only "penalty" should be requirement to shed a customer load (or part thereof) on the next expiry date of a suitable customer contract.		

APPENDIX II – Hamilton, C (2002), Seven silly excuses used by the Government to not ratify the *Kyoto protocol*. The Australia Institute Press Releases

Silly Excuse No. 1 - "Unlike most developed countries, Australia is a net exporter of energy and that puts us in a very special position." (Prime Minister Howard)

The greenhouse gas emissions from our energy exports have no bearing on Australia's obligations at all. The emissions from our exports of coal, gas and oil are counted in the country where they burned.

Other countries may decide to import less fossil fuels, but there is nothing Australia can do about that, except try to sabotage the Kyoto Protocol.

This has been pointed out repeatedly to the Prime Minister but he still doesn't get it. Quite apart from the irrelevance of the excuse, it is simply wrong to claim that Australia is in a special position. Canada, Norway, the United Kingdom and Russia are also net exporters of energy, and all have either ratified the Kyoto Protocol or have indicated their intention to do so.

The Government says that it is not in Australia's economic interests to ratify. The ABARE economic modelling the Government used to rely on has been discredited. Why does it not make public the results of the new economic modelling it commissioned after the Marrakech climate change conference?

Silly Excuse No. 2 - Australian firms will shift off-shore if we ratify.

The Government never says which industries it is talking about, because if they did in each case it could be challenged. The industry that makes the loudest threats to move off-shore is the foreign-owned aluminium smelting industry. Aluminium smelting uses 16% of Australia's electricity and is responsible for 6% of total greenhouse gas emissions.

The six aluminium smelters enjoy very cheap electricity from long-term contracts signed with State governments. They receive a subsidy of around \$250 million each year, and enjoy access to abundant raw materials, a skilled labour supply and political stability.

Why would an aluminium company shift a smelter with a 30-40 year life span to a developing country to escape greenhouse restrictions in Australia, when everyone accepts that developing countries too will have to take on emission-reduction obligations within a decade? Are their CEOs so short-sighted?

The aluminium industry is so worried about the implications of Kyoto that it has just committed \$3 billion to build a brand new smelter and refinery at Gladstone in Queensland with a 30-40 year lifespan.

While the Australian Aluminium Council has mobilized more anti-Kyoto lobbying power than any other industry group, the parent companies of the biggest smelters in Australia – including Alcoa and Rio Tinto – have signed up to the US Pew Center on Climate Change's Business Environmental Leadership Council which favours implementing the Kyoto Protocol as a first step in addressing climate change.

While it is unlikely any firms will shift off-shore if we ratify, several have already announced that they plan to shift off-shore if we do *not* ratify.

Silly Excuse No. 3 - "Any shift of production off-shore would ... undoubtedly... increase global greenhouse gas emissions." (Foreign Minister Alexander Downer, Media release 15 August 2002)

Apart from recycling the erroneous belief that all developing countries are dirty, polluted and inefficient, just which firms is the Government talking about?

Vague ideas about aluminium smelters seem to float around the Government. But what are the facts?

Fact 1: Australian smelters produce more greenhouse gases per tonne of aluminium than smelters anywhere else in the world. Australian smelters' emissions from electricity consumption are 13.6 tonnes of Co₂ per tonne of aluminium, around 2.5 times the world average. They are so high because Australian smelters rely almost wholly on electricity from coal burning.

Fact 2: According to the International Aluminium Institute, smelters in developing countries are cleaner than those in developed countries, producing lower direct greenhouse gas emissions per unit of output.

So if Australian smelters shifted anywhere else, global greenhouse gas emissions would fall.

Besides, respectable corporations nowadays don't threaten to take their dirty factories to poor countries so they can exploit lax environmental laws. Yet that is how the Federal Government seems to view them.

Silly Excuse No. 4 - Kyoto is going to make barely 1 per cent difference to global greenhouse gas emissions." (Environment Minister Kemp, 'Lateline', ABC TV, 3 September 2002)

Everybody understands that the Kyoto Protocol is only a first, small step on the road to very large reductions in global greenhouse gas emissions. The second and subsequent commitment periods will require deeper cuts in emissions.

Environment Minister David Kemp concedes we need to cut by 60% in the longer term. Any scheme to cut by 60% will begin by cutting by the first 1%. The Federal Government's alternative – the Australia-US Climate Action Partnership – does even less than Kyoto.

The Howard Government displays astonishing hypocrisy in making these statements. Before, during and after the Kyoto conference, it worked tirelessly to water down the environmental effectiveness of the Kyoto Protocol. Yet now it says that Kyoto does not go far enough!

Former Environment Minister Robert Hill publicly acknowledged that any internationally agreed replacement for the Kyoto Protocol would not give Australia such a lenient target.

Now the international debate is turning to the concept of 'equal per capita emissions', which would mean a bigger proportional cut for Australia than any other country.

Is this the Government's preferred model? If so, environmentalists would support the Government.

Silly Excuse No. 5 - Developing countries are 'exempted' from the Protocol and this is unfair on countries like Australia.

"[I]t is no solution at all ... if China and India and Brazil can go ahead and pollute the environment to their heart's content because we're all feeling a bit sorry for them." (Alexander Downer, *AF*R, 26 March 2001)

Apart from the gratuitous insult to some of the world's poorest people, the Government's argument ignores some vital facts.

Fact 1: Climate change is caused by increased concentrations of greenhouse gases in the atmosphere and 80% of the increased concentrations have been put there by developed countries. It will be 50 years or more before developing countries are responsible for half of the increased concentrations.

Fact 2: In per capita terms developing countries typically have one tenth to one twentieth of the emissions of the USA and Australia. Australia's annual per capita emissions are 27.9 tonnes of Co2-e, the highest in the industrialised world. Australia's 19 million people produce more greenhouse pollution than Indonesia's 200 million.

Fact 3: According to the IPCC, poor countries will suffer most of the impacts of climate change, including decreased crop yields (leading to starvation), sea-level rise, and increased incidence of tropical diseases such as malaria, dengue and yellow fever.

Fact 4: The principles of polluter pays and ability to pay are accepted as fair by the international community, including in other contexts the Australian Government. The principles mean that a wealthy country like Australia with high emissions should do much more.

Fact 5: Every international agreement on climate change – the 1992 Framework Convention, the 1995 Berlin Mandate and the 1997 Kyoto protocol – explicitly recognises that developing countries will be required to cut their emissions, but only after rich countries have led the way.

Fact 6: US Energy Department analysis shows that between 1997 and 2000, China reduced its greenhouse gas emissions from fuel combustion by 6%. In the same period, Australia's emissions grew by 9%.

Silly Excuse No. 6 - "... we don't know what the obligations in the next two assessment periods [of the Kyoto Protocol] are ..." (Prime Minister Howard)

Nobody knows what targets the world community will set for the period beyond 2012. But the Kyoto Protocol states that the Parties will negotiate these targets in 2005, seven years before the end of the first commitment period.

- By refusing to ratify, does the Australian Government intend to play no role in determining what the obligations will be in subsequent commitment periods?
- Does it imagine that Australia will be able to refuse to be part of the international process indefinitely?

It is widely expected that developing countries will sign up to legal obligations in the second commitment period, after 2012. Yet China and India have been willing to ratify even though they, like everyone else, have no clear idea what their future obligations will be.

Silly Excuse No. 7 - If we don't ratify, Australia will still be able to participate in world greenhouse markets.

This claim, made several times by Environment Minister David Kemp, suggests that the Government still has not come to grips with the implications of the Kyoto Protocol.

If Australia does not ratify there will be no obligation on Australian polluters to limit their emissions. In that case there would be no need for any firm in Australia buy an emissions permit. Nor would they have any permits to sell as they would not have been allocated any.

Australian firms would be unable to generate credits from investments in developing countries under the Clean Development Mechanism.

Earlier this year European Union officials went out of their way to confirm that emission credits generated by Australian companies will not be saleable in countries that have ratified, including Europe and Japan.

• Why would the rest of the world allow Australia to benefit from the Protocol's mechanisms when we refuse to accept our obligations?

Reports are now appearing in the press of Australian firms with investment in clean energy in developing countries saying that, after the PM's announcement that Australia would not ratify, they are now looking to move offshore in order to validate their CDM credits. The companies include Advanced Energy Systems, Global Renewables and Envirostar, some of the most innovative in the country.

The Prime Minister's own Science, Engineering and Innovation Council noted that "Kyoto has created a new business environment in which new industries, markets and technologies can flourish". It told the Prime Minister:

"If we wait for ratification while other countries act, Australia runs the risk of missing out on global opportunities...."