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Manager – Renewable Energy Target
Sustainable Energy Development Office
Office of Energy
Level 9, 197 St Georges Terrace
PERTH WA 6000

consultation@energy.wa.gov.au

ABN: 16 549 616 697
WA Sustainable Energy Assoc Inc. (WA SEA)
Home Ideas Centre, City West
PO Box 1483
WEST PERTH BC 6872
Phone: (08) 9481 3169
Fax: (08) 9481 3119
ceo@wasea.com.au
www.wasea.com.au

WA Renewable Energy Target Consultation

Introductory comments

The Western Australian Sustainable Energy Association Inc. (WA SEA) is the peak body for the sustainable energy industry in Western Australia. The Association promotes the adoption of sustainable energy technologies and services, and works to ensure that election promises actually become good policy and lead to good legislative frameworks for business to get on with business that will create effective solutions to climate change.

WA SEA urges the Western Australian Government to commit to real and large targets on climate change, including an immediate revision of Western Australia's announced state renewable energy target to meet the new Federal Government's target of 20% for renewable energy in Western Australia by 2020 in all sectors.

The biggest danger arising from the ongoing work on the science of climate change is not 'pessimism' but the reverse - science is inherently conservative. It is likely future forecasts of climate impacts will be greater, not smaller, just as has occurred in the last six years. The consequence of this will be, if interim targets are set conservatively now, we will be committing to creating measures that are simply too small.

If the study into emissions trading by Professor Garnaut only delivers a minimalist target for Australia, and this is followed suit by Western Australia, we can expect with certainty the need for an even higher target to quickly follow, and we will be busy implementing inadequate initiatives that will simply not solve the problem. And that will not be good for a market-based solution – it will create future turbulence in the market and will, with certainty, end up costing us more.

The Western Australian Government must be decisive, taking immediate action to ensure we start building all new electricity generation from renewable sources today, replace current inefficient plant with lower emissions generation, and ramp up the work to take Western Australia to improved efficiency of energy use, and lower greenhouse gas emissions across all sectors of industry.

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20% energy generation from sustainable sources and 20% reduction of existing use through energy efficiency by 2020

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To stop further growth in Western Australia's emissions, any growth in generation capacity in Western Australia must come only from a combination of genuinely sustainable sources, while simultaneously ensuring that growth in conventional generation does not add to emissions by mandating that the most inefficient, highest greenhouse emissions power stations are retired within two years, to be replaced with larger generation capacity, higher thermal-efficiency plant with lower emissions.

Western Australia is well positioned to make a significant contribution in reducing the greenhouse intensity of Australia's economy, and in particular Western Australia's resources sector. With the advantage that substantial energy generation in Western Australia is already built around gas, efforts to ensure that future expansion of the resource sector around a mix of our world quality renewable resources of wind, solar, wave, geothermal, and all forms of biofuels, combined with other proven low emissions technology, will benefit Western Australian industry once national and international carbon trading starts in earnest.

As this market develops across Australia, and the world, Western Australia must ensure that we share in the economic benefit that is gained through the roll out of projects to meet emissions reductions targets, inclusive of the employment opportunities that will arise, by ensuring that Western Australia adopts an internal minimum 20% renewable energy target for the state. Responding to climate change will create new business, new employment opportunities, and a more sustainable economy in Western Australia. Many of these opportunities will of necessity be spread across the regions in rural Western Australia – not just growing biofuels, but also building, supplying and maintaining regionally distributed renewable energy generation plant. Further, the Western Australian Government must look to support a geographically widespread distribution of solutions. If this model is followed, a diversity of projects will be created, and this approach is more likely to drive innovation than would be achieved by a few large projects concentrated in just one or two areas.

Strategically, a vision for the future of the Western Australia should change the way we use energy and reduce the risk of inflation in our economy by developing an array of sustainable energy solutions that are less exposed to the increasing cost of non-renewable fuels.

Western Australia should plan to deliver through our exports the most greenhouse friendly source of resources in the world.

RENEWABLE ENERGY TARGET SCHEME

KEY SCHEME DESIGN ISSUES

3.1 Compatibility with other schemes

3.1.1 Comments are sought from stakeholders on issues to take into account regarding the integration of a WA Scheme into a potential future multi-state or expanded Commonwealth scheme.

3.1.2. Comments are also sought on how the markets for renewable energy certificates under the Commonwealth's Mandatory Renewable Energy Target or other state schemes are likely to interact with the WA Scheme.

- Western Australia should set a 20% Renewable Energy Target (RET) for the state as a part of a larger national scheme with the same goal. This will presumably be achieved through the expansion of the existing national Mandated Renewable Energy Target (MRET).
- Given WA is not part of NEMCO, MRET liable parties in Western Australia must be required to surrender WA generated Renewable Energy Certificates (RECs).
- There must be transparency in transactions to ensure clarity and confidence in the market.

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3.2 Start date for liable parties

3.2.1 Comments are sought from stakeholders on the suitability of a 1 January 2011 start date for liabilities under the WA Scheme.

- WA SEA believes the RET scheme should be tied to the national MRET, and in lock step with its ramp rate.

3.3 Target specification

3.3.1 The views of stakeholders are sought on the use of a target expressed as a fixed quantum of gigawatt hours for each year, with a linear annual increase up to 2020.

3.3.2 Comments are also sought on the use of alternative liability growth paths, such as a lower initial rate of increase followed by a faster rate of growth.

- WA SEA believes the RET should be either a linear, or preferably an early start model; a slow start model would be counter productive and must be avoided – we must act now.

3.4 Technology neutral vs portfolio approach

3.4.1 Comment is sought on the proposal for the target to be based on a technology neutral approach.

- The MRET provides a market mechanism and technology neutral approach; action on climate change will require more than just one approach to reducing greenhouse gas emissions – as well as a RET, we will also need separate approaches outside of this scheme to test new technologies not yet commercial, to ramp up energy efficiency, particularly through separate clean energy initiatives.

3.5 Scheme duration

3.5.1 Views of stakeholders are sought on the timeframe over which generators will be able to create certificates, and the appropriateness of the 2035 end date.

- WA SEA agrees with this timeframe in the scheme design.

3.6 Liable parties

3.6.1 The views of stakeholders are sought on the intention to apply liabilities to retailers and large wholesale purchasers of electricity, consistent with the requirements of the Commonwealth and Victorian schemes.

- WA SEA agrees that this will be achieved through compliance with MRET.

3.7 Exemptions

3.7.1 Stakeholder views are sought on how the competitiveness of trade exposed energy intensive industry can be best maintained, and how exemptions should be administered.

3.7.2 Comment is also sought on other factors that should be considered in determining the criteria for exemption.

- The best way to support trade exposed industries in the long term is by taking immediate steps now to ensure they are less carbon exposed in their energy sources, including making use of renewable energy sources. This will provide a direct competitive advantage for Western Australian industry into the future as internalised carbon costs naturally become a part of the global trading market.
- In the short term, trade exposed industries can be given time to adapt by the WA State Government taking a heavier load of a shared state target. The State Government should ensure that all government and government-owned operations move to 100% renewable energy as soon as possible – including all elements of water services, and in transport systems, for the entire government owned transport fleet including the rail and bus fleet.

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3.8 Eligible parties & certificate creation

3.8.1 Stakeholder comments are sought on generation outside of the South West electricity grid being eligible to contribute to the target.

- Contributions should be allowed, as a 20% RET should apply to the whole State. In the absence of a whole-of-State RET, contributions from outside the grid should still be allowed to ensure incentives for the production of renewable energy projects outside of the SWIS.

3.9 Eligible Sources

3.9.1 Stakeholder views are sought on establishing generator eligibility to participate in the WA Scheme from 1 January 2008.

3.9.2 Views are also sought on the treatment of baselines for existing renewable energy generators, in particular, how to set them and other issues for consideration.

- WA SEA members have a diversity of views on this issue, but WA SEA is of the view that existing facilities should not be excluded. In cases where exclusion may occur through the design of the scheme, alternative means need to be put in place to ensure that systems that might otherwise become uncommercial through the operation of the scheme do not close and as a consequence then have a negative impact on WA GHG emissions reductions.

3.9.3 Comments are sought on the exclusion of solar water heaters.

- Solar water heaters should be included as the use of solar hot water provides real reductions in greenhouse gas emissions. If solar were to be excluded from the RET, then an alternative mechanism to support the uptake of solar hot water in Western Australia must be established to turn around the state's poor rate of solar water heater installation.

3.10 Shortfall charge

3.10.1 The views of stakeholders are sought on the appropriateness of a shortfall allowance for liable parties.

3.10.2 Views are also sought on the use of an indexed shortfall charge for the WA Scheme.

3.10.3 Comments are sought on other factors that should be considered in setting penalty rates.

- Based on the approach in the MRET, and with the caveat discussed in the introductory comments that certificates should be sourced from WA, WA SEA endorses the approach for a short fall allowance, which in our view should be up to 10% based on a 'best endeavours' approach as with MRET.
- WA SEA agrees with the position in the paper, that MRET provides an appropriate mechanism, the penalty should be state based, and suggest that the shortfall charge be indexed to the CPI.

3.11 Banking and Borrowing

3.11.1 Stakeholder views are sought on the adoption of the banking and borrowing rules used under the Commonwealth and Victorian schemes for the WA Scheme.

- Banking should be allowed as with the MRET scheme, but borrowing should not be allowed.

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3.12 Administration

3.12.1 Stakeholder comments are sought regarding:

- The role(s) of the State Administrator in relation to the functions performed by the Office of the Renewable Energy Regulator.
 - Who should be responsible for accreditation and validation of certificates?
 - Design features necessary to minimise transaction and administration costs.
 - How administration should be structured to ensure transparent and efficient market operation.
- The main administration is covered by the Office of the Renewable Energy Regulator, and should be regularly reviewed by the State Auditor General, particularly in relation to compliance of origin of RECs.

3.13 Review Processes

3.13.1 Stakeholder's comments are sought on the appropriate review period for a WA Scheme.

- Given a potential start of a revised MRET in 2008, and the initiation of NETS in 2010, a review in 2011 seems appropriate.

OTHER COMMENTS ON THE SCHEME

Additional measures.

While the response of the new Rudd Federal Government and clearly larger in scope than that of the previous Federal Government, the Howard Government had produced some valuable policy initiatives that should not be lost as elements of an overall plan to tackle greenhouse gas emissions. For example, the clean energy target mooted by the Howard Government had some well thought out mechanisms to stimulate the Energy Efficiency market. The good elements of those measures should be captured and rolled out at state level as a separate and additional measure to provide a stimulus to the clean energy market.

In addition, any measures must recognise that 2020 is not an end point, but a point on the journey to higher levels of emissions cuts, to greater investment in renewable energy and other low emissions technologies, and infrastructure investment and planning, including development of utility corridors, must take this into consideration.

In closing, it is WA SEA's view that the State Government should act to prevent any growth in emissions through a combination of generation capacity from renewable sources, while simultaneously mandating the retirement of the most inefficient, highest emissions power stations in the state within two years, with these to be replaced by larger capacity, higher thermal-efficiency generation.

To tackle the enormous problem of climate change and to actively reduce our greenhouse gas emissions, we need to do more than just that which is convenient - we need to do that which is required.

Tackling climate change will require multiple measures across all available technologies and using all available energy efficiency measures.

Market competition is important in the long term, but in the short term new technologies will need support to make it to the commercial phase – the urgency of dealing with climate change is that these cannot be left to natural market processes to grow to that point, but that significant measures must be in place to ensure that the potential of new technologies is reached as fast as possible.

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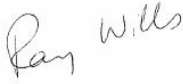
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The State Government must partner with the Federal and other State Governments to ensure that the unique opportunity of collaborative Labor Governments is not lost to help contribute real changes in the Australian economy that create a sustainable future for all Australians.

If you would like to discuss this submission, please call (08) 9481 3169 or email ceo@wasea.com.au.

Yours sincerely

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

Dr Ray Wills

CEO

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