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Dear Sir / Madam

Feedback on the Renewable Energy Target Review Discussion Paper

Energy Developments Limited (**EDL**) thanks the Climate Change Authority for the opportunity to provide feedback on the RET Review Discussion Paper.

1. ABOUT EDL

EDL is an international provider of low emissions, renewable and remote energy. The Company currently owns and operates a diversified international portfolio of 76 power stations in Australia, the United States, Europe and the United Kingdom with a total capacity of over 700 MW from a range of fuel sources operating in four main areas:

- Landfill gas power generation and abatement;
- Waste coal mine gas (**WCMG**) power generation and abatement;
- Remote energy generation; and
- Liquefied natural gas and compressed natural gas energy solutions.

EDL is involved in project development, finance, design, construction, operation and maintenance of international small scale power-generating and energy delivery projects.

The Company is one of Australia's largest, clean-energy companies listed on the Australian Securities Exchange.

EDL abates over 10 million tonnes CO₂-e per annum from its worldwide projects (see www.energydevelopments.com.au)

2. COMMENTS ON THE RET REVIEW DISCUSSION PAPER

2.1 General

Investment certainty is required to achieve the bi-partisan objectives of the RET. Investment certainty requires policy stability. It is therefore critical to investment certainty in clean energy in Australia that there be no changes to the existing framework of the RET.

We acknowledge that the Climate Change Authority has recognised this issue in its Discussion Paper and has broadly recommended that there be minimal changes to the RET.

EDL strongly supports those of the Climate Change Authority's recommendations to maintain the RET in its current form. That includes the need to maintain the transitional provisions for eligible existing WCMG power generation on the basis those transitional provision are critical to support the ongoing and significant abatement and clean energy that those existing projects provide.

In relation to the changes the Climate Change Authority has recommended, EDL submits that there is no strong policy case for regulatory changes to the RET and the legislative and regulatory framework of the RET should remain as it currently stands. Of the changes recommended EDL requests the Climate Change Authority consider our further submission on Recommendation 20 that the self-generation exemption be removed. We address our concerns with that recommendation below.

2.2 Self-Generation provisions

Case for self-generation exemption

The Discussion Paper states *“The preliminary view of the Authority is that there is no strong case for the exemption from liability under the Renewable Energy Target for self-generation, and that the exemption should be removed for new self-generation (but retained for existing self-generators).”*

EDL submits that the original case for the self-generation exemption remains valid. The 22 June 2000 explanatory memoranda to the self-generation provisions of the RET concluded that exclusion of self-generators represented only a small reduction in the size of the target and would promote more efficient cogeneration and less greenhouse gas intensive fuels. Relevant arguments from the explanatory memoranda are copied below:

“The exclusion of self-generators represents a small reduction in the size of the target (100 GWh) and the amount of emissions reduction achieved (0.06Mt), a relatively small (\$8 million) decrease in the costs of the measure but increases the potential for discrimination between business in a number of industry sectors.

There are strong arguments for both the inclusion and exclusion of self-generators under this measure. It could be argued that the measure would operate more effectively, and achieve greater greenhouse gas reductions, if it was targeted at the consumption of electricity and not the purchase of electricity. However, the exclusion of self-generators could be considered as supporting the development of self-generation, of which a substantial proportion uses more efficient cogeneration technologies and the less greenhouse intense fuels of natural gas or renewables.”

One of the objectives of the *Renewable Energy (Electricity) Act 2000 (RET Act)* is to reduce the emissions of greenhouse gases in the electricity sector. It is apparent from the Explanatory Memoranda to the RET Act that the drafters had this objective in mind when drafting the self-generation exemption. The intent of the self-generation exemption was twofold –

- provide an incentive to more efficient, lower greenhouse gas emission self-generation; and
- avoid the perverse outcome that a RET liability would act as a disincentive to those seeking lower greenhouse gas emission solutions to their energy requirements.

The Discussion Paper notes the current self-generation provisions do not specify an emissions intensity criteria. The drafters appear to have considered the issue in the Explanatory Memoranda, concluding that *“a substantial proportion of self-generation uses more efficient cogeneration technologies and the less greenhouse intense fuels of natural gas or renewables”*.

Self-generation also avoids the greenhouse gas emissions associated with “line losses” - energy wasted when transporting electricity along transmission lines from power stations, often hundreds of kilometres away from the electricity consumer. Generally, self-generation also avoids the emissions of supplying electricity from predominantly coal fired generation of the National Electricity Market.

EDL submits that the case for the self-generation exemption remains as stated in the Explanatory Memoranda and to achieve the objective of the RET to reduce emissions of greenhouse gases in the electricity sector.

Removing self-generation exemption could cause administrative complexity for the RET

EDL notes that much of the discussion of the self-generation exemption has focussed on its limited application to remote mining. However, we submit the Climate Change Authority should also consider the broader administrative implications of removing the self-generation provisions for on-grid applications.

Generally, RET liability is imposed on energy retailers and other relatively large entities that are capable of administering their RET obligations. The collection of RET liability functions well because it is imposed on this limited number of sophisticated liable entities. However, if the RET Act were amended to remove the self-generation exemptions in s.31(2)(b) and s.33(3) it would be necessary to consider if the re-drafting caused a proliferation of relatively unsophisticated liable entities and added to the administrative burden, not only on them, but on the Clean Energy Regulator, including:

- owners of buildings with back-up generators;
- owners of roof top solar PV;
- owners of waste to energy power generation powering industrial processes with grid backup (eg sugar mills, paper factories or mines)

Subject to the re-drafting of the RET Act, it could extend liability obligations to hundreds of small self-generators.

Accordingly, the removal of the self-generation provisions goes beyond including a limited number of remote mines as liable entities.

Please do not hesitate to contact the writer should you have any queries regarding this submission.

Yours sincerely

[original signed]

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