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Ms Anthea Harris
Chief Executive Officer
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Attention - Submissions

Dear Ms Harris,

Renewable Energy Target Review – Issues Paper

Chevron Australia (Chevron) appreciates the opportunity to provide comments on the Climate Change Authority's review of the Renewable Energy Target and the associated Issues Paper.

Chevron is currently developing two of Australia's largest resources projects in the North-west of Western Australia. The Chevron-operated Gorgon and Wheatstone Projects represent over \$70 billion of investment and will position Australia as a leading liquefied natural gas (LNG) supplier in the Asia-Pacific region. Together, these projects are expected to bring significant benefits to Australia including direct and indirect employment, government revenues, economic growth, investment in local goods and services and security of natural gas supply.

Chevron has had the opportunity to review the submissions of APPEA and the Australian Industry Greenhouse Network. We support the recommendations contained in those submissions. In particular, Chevron endorses the view that having established an economy wide carbon price, the Federal Government should allow market forces to determine the lowest cost emission reduction and resulting energy supply mix. With the Clean Energy Scheme now in operation, the removal of policy measures such as the RET that drive emissions reduction at high cost, should be a priority.

While in Chevron's view the RET is non-complementary to the Clean Energy Scheme, the purpose of Chevron's submission is to focus on the particular issue around the self-generator exemption canvassed in the Issues Paper. Chevron has committed to its Gorgon and Wheatstone Projects with the understanding those operations would not incur a liability under the RET given the projects' remote locations. Any move to limit the application of the self-generation provisions would impose considerable additional costs on these projects and would further erode Australia's international competitiveness and potentially increase sovereign risk in Australia.

Chevron is also concerned the self-generator exemption is being reviewed by the Climate Change Authority. As recently as March this year, the Council of Australian Governments received a report¹ commissioned in 2009 specifically considering the RET, including the self-generator exemption. This report recommended no change to the self-generator exemption

¹ COAG Review of Specific RET Issues – Report to the Council of Australian Governments' Select Council on Climate Change, March 2012.

provisions. Not only does this continual re-review of programs represent a waste of resources it also creates uncertainty for industry looking to invest in Australia's energy industry.

The Issues Paper released by the Climate Change Authority raises a specific question with regard to the interplay between the self-generator exemption and emissions intensive trade exposed industry (EITE) provisions, which were recently included in the RET. Chevron is of the strong view that these two processes were developed to meet distinct and separate policy requirements and the presence of one should have no bearing on the operation of the other.

The provision of partial exemption certificates under the EITE is designed to mitigate the cost impost for firms that are exposed to increased costs as a result of the operation of the RET. This mechanism recognises that such firms cannot pass on those costs, given the price for their goods are set on international markets.

The self-generator exemption was included in the RET from its inception for the reason that it would be complex and costly for remote electricity users to comply with a 20% renewable energy target, for a number of reasons, as follows:

- Remote electricity users have few options with regard to sourcing their electricity, they must generate their own, usually at a much higher cost than applies to grid connected users - remote electricity users do not have the option to simply contract with a renewable energy provider to supply electricity over the grid.
- If a remote electricity user was to install renewable generation capacity it would not reduce the amount of installed conventional generation capacity given the need of continuity of supply when the renewable source is offline. The additional renewable capacity would further increase the already high cost of electricity to the remote electricity user.
- Remote electricity users could meet a RET obligation by the purchase and surrendering Renewable Energy Certificates but this would again further add to the very high electricity costs being faced by the remote user.

A review of the list of EITE activities eligible for partial exemption certificates suggests the vast majority are likely to be grid connected. Very few EITE activities are likely to be operating in remote areas and subject to the self-generator exemption. This would suggest the inclusion of EITE assistance in the RET will have little relevance to the majority of electricity users that are currently subject to the self-generator exemption. This further highlights the separate policy objectives behind EITE assistance and the self-generator provisions.

Chevron recommends the review find that for as long as the RET is in place, the scheme should only apply to grid connected energy and that the self-generation provisions in subsection 31(2) of the *Renewable Energy (Electricity) Act 2000* be should be retained.

Chevron appreciates the opportunity to provide input to this review. Should you wish to discuss any aspects of this submission, please contact John Torkington on trkn@chevron.com or (08) 9216 4025.

Yours sincerely



Peter Fairclough
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