



14 September 2012

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

Email submissions@climatechangeauthority.gov.au

Dear Ms Harris

Climate Change Authority – Renewable Energy Target Review – Issues Paper

The Chamber of Minerals and Energy of Western Australia (CME) welcomes the opportunity to provide comment on the Climate Change Authority – Renewable Energy Target (RET) Review.

CME is the peak resources sector representative body in Western Australia funded by its member companies who generate 95 per cent of the value of all mineral and energy production and employ 80 per cent of the resources sector workforce in the State.

The Western Australian resources sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 50 different types of mineral and energy resources. The sector plays a significant role in locating, analysing, and developing water resources in regional and remote areas.

In 2011, the value of Western Australia's mineral and petroleum production reached \$107 billion, and accounted for 95 per cent of Western Australia's total merchandise exports and 46 per cent of Australian merchandise exports. Furthermore, royalty payments to the state government totalled \$4.8 billion for the 2010-11 year.

Western Australia is a geographically vast state. As a result, our energy market is not universally interconnected making it very different to the majority of markets in the Eastern States. To facilitate the production processes in remote locations, many of our member companies have developed stand-alone energy generation as an integral part of their operations.

Some of our members are unable to adequately use renewable energy sources in their remote operations. Currently available renewable sources are notoriously variable and are therefore, too difficult to balance and back up in stand-alone continuously-operating mining and mineral processing situations.

CME believes that having now 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 CME views the RET is non-complementary to the Clean Energy Scheme, the purpose of CME submission is to focus on the particular issue around the self-generator exemption canvassed in the Issues Paper.

The Issues Paper identifies the self-generation exemption pre-dates the partial exemptions for emissions-intensive, trade exposed (EITE) activities and questions if both are still required. CME would strongly argue both are required and should remain in the RET legislation.

As stated in the CME submission to the *National Renewable Energy Target Scheme Draft Exposure Legislation*, dated 20 February 2009, the self-generation exemptions are essential for remote operation self-generators.

The RET self-generator exemption was implemented to account for the different circumstances facing renewable power development for remote generators. Remote self-generators are unable to access the grid to manage supply when renewables may be offline and would be required to buy Renewable Energy Certificates on the market. This would render many self-generator facilities unviable if the exemption was removed.

The EITE partial exemptions were developed to manage cost impacts for those industries under the scheme that couldn't pass on costs. This is a different justification to that of the self-generators and CME believes both exemptions should continue.

Removal of either exemption would place increased stress on remote operations, which jeopardises income generation, jobs and small local communities. We also note that the March 2012 report to the Council of Australian Governments' Select Council on Climate Change recommended maintaining the self-generator exemption.

The current wording of the self-generation provision has also led to potentially significant unintended consequences. As the RET Issues Paper notes:

"Certain self-generators are not liable under the RET... To be exempt, self-generators must produce the electricity themselves, consume it and deliver it on transmission/distribution lines which operate solely for the purpose of transferring electricity between those two points. An entity cannot sell any part of the electricity to a third party..."

The *"solely for the purpose"* phrase has created the situation where incidental off takes from the distribution line disqualify the exemption. CME believes the self-generation exemption should remain intact if the supply is incidental; such as to telecommunications, emergency services, community radio, and water supply facilities. Many operations are therefore faced with the situation of either disconnecting these incidental uses or losing the self-generation exemption. The intent of the restriction was to avoid significant on-sale of electricity being covered by the self-generation exemption; however, this can still be achieved by allowing for incidental uses without disqualifying the exemption.

For further information regarding the above please contact Kane Moyle, Manager – Environment, on (08) 9220 8511 or k.moyle@cmewa.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Reg Howard-Smith', written over a horizontal line.

Reg Howard-Smith
Chief Executive