



# Office of the Minister for Energy and Water Supply

Ref: EWS/001911

14 September 2012

Level 13 Mineral House  
41 George Street Brisbane 4000  
PO Box 15456 City East  
Queensland 4002 Australia  
**Telephone +61 7 3896 3691**  
**Facsimile +61 7 3012 9115**

The Hon Greg Combet MP  
Minister for Climate Change and Energy Efficiency  
Minister for Industry and Innovation  
Parliament House  
Canberra ACT 2600

Dear Minister

## **Re: Renewable Energy Target (RET) Review**

The Energy market in Australia is complex and interlinked. Changes to one part of the system have significant impacts throughout the system. The review of the Renewable Energy Target (RET) needs to recognise these linkages and the role renewables and green schemes are having on the electricity sector as a whole.

The RET has significant social and economic impacts as measured against stated environmental outcomes. A triple bottom line approach to the RET is essential in going forward. The single bottom line approach of the Federal Government has resulted in questionable environmental outcomes from the RET to date. This can only be resolved by having a transparent examination of the RET by the Productivity Commission similar to the limited review of regulatory frameworks by the Productivity Commission announced by the Federal Government on 9 December 2011. The review would also build on the work the Productivity Commission undertook in June 2011 (*Carbon Emission Policies in Key Countries*) which outlined the high cost of many renewable energy interventions.

Such an inquiry should also examine the contribution of the RET to carbon abatement. There is some evidence to suggest the unreliable nature of renewable energy has resulted in coal fired electricity generation to be maintained at pre-RET levels and claims of carbon abatement inflated by the Federal Government to justify its commitment to renewable energy. It is critical that any intervention in the electricity market delivers what it intends to at an efficient cost.

A Productivity Commission inquiry could also examine the significant subsidies and financial underwriting of renewable energy and identify the real costs underlying cost. While the full costs of renewable energy may not appear on electricity bills this does not mean renewable energy is currently economically sustainable. Such a review by the Productivity Commission should also look at the impact of feed-in-tariffs and other cross subsidies from other levels of government that underpin the final cost of the RET.

In examining the impact of the RET, the Productivity Commission will be able to ascertain whether electricity distribution networks are paying for upgrades of networks to support RET schemes. In the case of Queensland I believe that small scale solar PV programs are possibly to have resulted in network disruptions and which has resulted in capital expenditure to ensure reliability.

The current policy settings of the Federal Government are driving up the costs of electricity and this is having a significant impact on households and struggling families. The Federal Government acknowledged the impact of its Carbon Tax on household bills but has steadfastly refused to acknowledge that the RET similarly has cost impacts. Pensioner and low income electricity rebates offered by State Governments are being undermined by the RET policy settings of the Federal Government.

A serious examination of Federal renewable energy policies is long overdue. The Newman Government in Queensland has acted from its first day in office to tackle cost of living issues such as electricity costs. It is critical all policy interventions impacting on price are independently costed so taxpayers can be properly informed. While the Queensland Government's preference is this is undertaken by the Productivity Commission it will be providing a submission to the RET review outlining its concerns with the current design and how this is impacting on electricity prices.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mark McArdle', is written over the typed name and title.

Mark McArdle MP  
**Minister for Energy and Water Supply**