AUSTRALIAN INDUSTRY

GROUP

Submission on the exposure draft Renewable Energy (Electricity) Amendment Bill 2008

February 2009

The Australian Industry Group (Ai Group) is Australia's leading industry organisation representing 10,000 employers in manufacturing, construction, automotive, telecommunications, information & technology, call centres, transport, labour hire and a growing range of industries.

Ai Group recognises the importance of developing a global response to climate change and has worked constructively with the Government in the development of the Carbon Pollution Reduction Scheme (CPRS).

Ai Group welcomes the opportunity to comment on the Australian Government's expanded national Renewable Energy Target (RET) scheme.

Ai Group is a member of the Australian Industry Greenhouse Network (AIGN) and supports the AIGN Submission on the RET. Our comments largely reinforce the AIGN submission. In addition we make specific comments on particular items.

Ai Group does not support the RET scheme

In keeping with Ai Group's proposals put forth in it's *Submission on the National Renewable Energy Target Scheme, August 2008*, Ai Group continues to regard the RET as an ill-advised and risky proposal that is likely to place an unnecessary financial strain on electricity-intensive businesses, and other users of electricity throughout Australia.

A fundamental principle underlying Ai Group's approach to climate change policy is that reductions in greenhouse gases should be achieved at the lowest possible cost. For this reason, Ai Group has supported a market-based approach such as the proposed CPRS.

Ai Group does not support the RET scheme.

- The policy goes directly against the CPRS principle of least-cost abatement. The RET is anticipated to achieve potential emissions savings at a significantly higher cost than the expected cost of abatement under the CPRS.

- Research from the Productivity Commission[1] has shown that the operation of an expanded RET in addition to an emissions trading scheme (ETS) would:
    i. not achieve any additional abatement;
    ii. only impose additional costs; and
    iii. likely lead to higher electricity prices.

- In the current economic context, it is particularly important that any emission reduction policy strives for least cost.

[1] Productivity Commission *What Role for Policies to Supplement an Emissions Trading Scheme? Submission to the Garnaut Climate Change Review*, May 2008, p. x.

The cost increases associated with implementation of the RET will have a considerable impact across Australian industry and the Australian economy. Ai Group estimates based on the MMA report[2] suggest that the cost of funding certificates will cumulatively amount to more than $25.7 billion by 2030.

The RET scheme will also have a substantial impact on both the retail and wholesale prices of electricity, as again demonstrated by the MMA report[3]:

Electricity Prices	% change due to expanded RET		
	2010-2015	2016-2020	2021-2025
Wholesale	3.5	-2.4	-0.6
Retail	3.5	2.6	3.6

In addition to increased electricity prices and operating costs, the RET and the CPRS combined stand to strip more than $5.8 billion dollars from Australian GDP by 2030[4].

Design of the RET

Ai Group does not support using the RET to subsidise the renewable energy sector. If such a subsidy is desired, we suggest it should be funded from general tax revenue. This would be less inefficient than a levy on the purchase of electricity.

If the Government chooses to proceed with the RET, Ai Group proposes that the costs imposed on businesses as a result of the scheme should be minimised. To this end, we support:

- Inclusion of a full range of renewable energy as proposed in draft legislation;
- Full banking of RECS as proposed in draft legislation;
- Assist renewable energy providers with subsidies funded by taxation revenue to lower the cost of renewable energy;
- A low shortfall charge; and
- Strong measures to reduce the impact on trade-exposed businesses without imposing higher costs on other electricity users.

Please refer to Ai Group's submission on the *Treatment of electricity-intensive, trade-exposed industries under the expanded national Renewable Energy Target scheme*. (see attached)

---

[2] MMA, *Benefits and Costs of the Expanded Renewable Energy Target,* Report to the Department of Climate Change, January 2009, p. 38.
[3] Comparison of additional impact of RET on top of costs associated with CPRS. MMA, *Benefits and Costs of the Expanded Renewable Energy Target,* Report to the Department of Climate Change, January 2009, p. 6, 39.
[4] MMA, *Benefits and Costs of the Expanded Renewable Energy Target,* Report to the Department of Climate Change, January 2009, p. 45.