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The Renewable Energy Sub Group Secretariat  
Renewables, Offsets and COAG Branch  
Department of Climate Change  
GPO Box 854  
CANBERRA ACT 2601

1 August 2008

Email [RET@climatechange.gov.au](mailto:RET@climatechange.gov.au)

Dear Sir / Madam

**Re: COAG Working Group On Climate Change And Water  
Design Options for the Expanded National Renewable Energy Target  
Scheme**

The Clean Energy Council (the Council) is Australia's national clean-energy industry peak body, formed in 2007 through the merger of the Australian Business Council for Sustainable Energy (BCSE) and the Australian Wind Energy Industry Association (Auswind). With several hundred members, the Council covers a quarter of Australia's total electricity production including gas, wind, hydro and bioenergy; and the spectrum of business in the low-emission energy and energy efficiency sectors including solar PV, solar hot water, biomass, geothermal and cogeneration. Our members are committed to tackling climate change, while developing financially viable businesses operating a robust clean energy industry.

Thank you for the opportunity to make comment on the COAG Working Group On Climate Change And Water Issues Paper on the Design Options for the Expanded National Renewable Energy Target (the Paper).

In 2001 the Government introduced a Mandatory Renewable Energy Target (MRET). This legislation was groundbreaking and has been the inspiration for a number of similar schemes around the world. The MRET has been successful in delivering a mix of many new projects from a range of different technologies as well as incentivising significant improvements and enhancements to existing renewable energy projects. The REC Registry show that there are currently 273 accredited power stations with a further 22 having applied for accreditation. Accredited power stations are located in every Australian State and major territory and cover just about every eligible technology listed in the legislation. The current MRET scheme has also been successful in encouraging the adoption of solar water heaters (SWH) by Australian households. The scheme has also given surety to solar water

heater manufacturers, and has underwritten the growth of the local manufacturing industry.

In 2006, amendments to the MRET legislation improved both the working and the transparency of the measure, but without an increase to the target, the renewable energy industry has stalled.

The Labor Party Renewable Energy Policy promises to increase the MRET to 45,000 GWh by 2020 to ensure that, together with existing renewable capacity, Australia reaches its 20 per cent target. It also promises that the eligibility criteria will remain the same as the current scheme (including the continued eligibility of Solar Water Heaters). The Council is therefore deeply concerned that the Paper includes an option for the phasing out of solar water heaters to 2020 and excluding them thereafter. It is essential to the continuing development and investment security of the solar water heating sector that this technology retains its eligibility for the life of the measure.

The Renewable Energy Target (RET) is an industry development and deployment program that will provide investor certainty to enable the renewable energy industry to develop to a stage where it is truly competitive and providing long-term least cost abatement. The worldwide renewable industry is rapidly growing and faces barriers as it attempts to compete against the mature fossil fuel technologies that have dominated the stationary energy sector for over 100 years. The RET will provide the enabling framework to assist Australia adopting a wide range of renewable energy technologies.

Australia has proven renewable technologies that are ready right now to meet our growing energy demand and evolve to a clean-powered, sustainable economy. Australia has some of the world's best supplies of readily available renewable energy resources including wind, solar (both PV and water), hydro, biomass, geothermal and ocean energy. It just needs the correct incentives to unlock that potential. The 20% RET will just be the start, and as the technologies mature, Australia has the potential for a significant increase in market share of renewable energy. Further the RET will cushion the early costs of emissions trading and be crucial to our successful transition to a low emissions future.

The renewable industry responded strongly to the MRET but by 2004 it was already in hiatus as the market saw that there were sufficient projects to meet the long term requirements of the MRET. While the VRET and the announcement of the NRET have lead to some new projects, the industry is anxiously waiting for the early implementation of the RET. Australia's international reputation as a place for renewable energy investment has suffered and any delay to the implementation of the RET will further damage that reputation. This will make companies reluctant to invest in Australia.

The Council believes that only minor amendments are needed to the Renewable Energy (Electricity) Act 2000 to implement the Government's election promises. It is critical for international investor confidence that the amended targets commence on 1 January 2009 or as soon as practical.

The only amendments that the Council believes are required are:

- changing the end date of the measure to 1 January 2036;

- adjusting the table detailing the required GWh of eligible renewable energy to show a target rising to 45,000GWh in 2020 and maintaining that figure to 2035; and
- raising the shortfall charge to a figure that will drive the required generation.

Attached are details some of the minor changes to the legislation that will be required to enact these changes.

These views are not necessarily representative of the individual views of all our members who may well make their views known through separate submissions.

If you are seeking clarification on any of the issues raised in this paper or answers to any questions that arise, please do not hesitate to contact the undersigned or the Council's General Manager Policy, Mr Rob Jackson on ph. (03) 9929 4105 or email [rjackson@cleanenergycouncil.org.au](mailto:rjackson@cleanenergycouncil.org.au).

Yours sincerely,



Rosemary Warnock  
CEO

## Key changes to MRET legislation

MRET Section	MRET Legislation	Suggested Amendment	Comments
<b>Part 1</b> Section 4 Years to which this Act applies	This Act applies to the year commencing on 1 January 2001 and to all subsequent years. However, no certificates can be created, and no liability arises, in respect of electricity generated on or after 1 January 2021.	This Act applies to the year commencing on 1 January 2001 and to all subsequent years. However, no certificates can be created, and no liability arises, in respect of electricity generated on or after 1 January 2036.	Legislation extends until the end of 2035
<b>Part 3;</b> Division 2; Section 40	Required GWh of renewable source electricity for a year is set out (see <b>Table 1</b> )	<b>Table 1</b>	
<i>Renewable Energy (Electricity) (Charge) Act 2000.</i> Section 6 Rates of Charge	(1) The <b>rate of charge</b> is \$40 per MWh	(1) The <b>rate of charge</b> is \$40 per MWh in respect of 2008. (2) For subsequent years the <b>rate of charge</b> is <b>to be determined</b> per MWh as varied in accordance with this section. (3) The amount referred to in sub-section (2) that is to apply in respect of 2009 and each subsequent year is to be increased in line with the CPI All Groups, Weighted Average of Eight Capital Cities published by the Australian Statistician.	We understand the Department is undertaking a modelling exercise that will provide an estimate of the future price of RECs. The legislated <b>rate of charge</b> for the years 2009 – 2035 should be set at a rate above the projected peak REC price and should be escalated with increases in CPI.

**Section 40**

**Table 1:** Required GWh of renewable source electricity

<b>Existing MRET Legislation</b>		<b>Suggested Amendment</b>	
<b>Year</b>	<b>Required GWh of renewable source electricity</b>	<b>Year</b>	<b>Required GWh of renewable source electricity</b>
2001	300	2001	300
2002	1,100	2002	1,100
2003	1,800	2003	1,800
2004	2,600	2004	2,600
2005	3,400	2005	3,400
2006	4,500	2006	4,500
2007	5,600	2007	5,600
2008	6,800	2008	6,800
2009	8,100	2009	10,000
2010 and later years	9,500	2010	13,200
		2011	16,400
		2012	19,500
		2013	22,700
		2014	25,900
		2015	29,100
		2016	32,300
		2017	35,500
		2018	38,600
		2019	41,800
		2020 and later years	45,000