

23 December 2010

Cleaner Future Power Stations ITG Secretariat  
Energy and Environment Division  
Department of Resources, Energy and Tourism  
Industry House  
9/10 Binara St, Canberra City, ACT 2601  
E-mail: [cleanerfuturepowerstations@ret.gov.au](mailto:cleanerfuturepowerstations@ret.gov.au)

Dear Sir / Madam,

**Re: A Cleaner Future for Power Stations, Interdepartmental Task Group Discussion Paper**

The Clean Energy Council (CEC) welcomes the opportunity to comment on the discussion paper *A Cleaner Future for Power Stations*. The CEC is the peak body representing Australia's clean energy and energy efficiency industries. Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- develop effective legislation and regulation to improve efficient energy use; and
- work to reduce costs and remove all other barriers to accessing clean energy.

The CEC advocates the development of policies on behalf of its members at federal and state government levels. The clean energy industry includes generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as the emerging technologies and service providers in the energy efficiency sector, which includes solar hot water and cogeneration.

**A carbon price is the most cost efficient means of decarbonising the energy sector**

Australia has already implemented a broad range of policies which contribute toward decarbonising the energy sector. While these policies are generally effective in achieving their objectives, the emissions trading scheme and taxes already in place in countries such as Japan, South Korea, and the UK indicate that a direct price on carbon is the most cost efficient means of decarbonising the energy sector.

The CEC strongly believes a carbon price is necessary to drive long-term emissions abatement in the energy sector. This will encourage uptake of the lowest-cost opportunities to reduce emissions and drive efficient new generation build decisions.

Were Australia to reduce its emissions by 25 per cent by 2020 without a price on carbon, modelling indicates that Australia would see a reduction in benefits of \$126 billion by 2030, compared to an emissions reduction scenario with a carbon pricing structure.<sup>i</sup> By deferring a price on carbon, Australia faces long-term costs and the CEC strongly supports the implementation of an effective carbon price as soon as possible.

**Emissions Intensity Threshold (EIT)**

In the absence of a carbon price, the CEC supports measures needed to achieve carbon abatement quickly, safely, and at least cost with minimal disruption to the economy and quality of life of everyday Australians. The setting of an EIT for new coal-fired generators is one such measure by which Australia can achieve its emission reduction goals by preventing the production of emissions from new coal-fired generators.

The EIT should be set at a level which positions Australia's energy sector on a trajectory to play a major role in Australia achieving its emission reduction targets. An EIT at 0.86 tCO<sub>2</sub>/MWh is inadequate to limit the range of technologies currently available for coal-fired generation in Australia. The CEC believes an EIT at or below 0.70 tCO<sub>2</sub>/MWh would better ensure the comprehensive uptake of best practices technologies by all forms of coal-fired generation.

### **Benefits of an EIT on clean energy**

In the absence of a carbon price, an EIT can play an important role in avoiding future long-term investment in coal-fired generators. This would be a critical success factor in attracting investment in clean energy as investment is redirected to renewable technologies.

Over the next 20 years, the private sector will invest more than \$600 billion globally in clean energy technologies, manufacturing and system upgrades.<sup>ii</sup> In 2009, China totalled \$34.6 billion in clean energy investment while in Australia it totalled just \$1 billion.<sup>iii</sup> Investors are ready to spend capital on clean energy in Australia if the right policy framework is put in place. An EIT will work towards Australia successfully leading in securing this investment and positioning itself at the forefront in attracting new capital in the clean energy area.

### **National Approach**

The EIT should apply to all new generation proposals nationally. A national approach will minimize complexity and provide for a consistent approach across the various States and Territories that have already implemented conditions for new coal-fired generators.

### **Coverage**

The EIT should apply to the expansion or upgrade of existing coal-fired generators unless the expansion or upgrade improves the level of emissions abated by the coal-fired generator. This will work to providing an adequate disincentive to upgrade or expand emissions-intensive coal-fired generation.

### **Date of Commencement**

The CEC supports a commencement date as soon as possible, from the date of Royal Assent 2011.

### **Phase out**

The CEC supports implementation of the EIT as a transitional measure in the absence of a carbon price. To reflect this, the EIT should be phased out once a price on carbon has been implemented. It is expected that a carbon price will also render the EIT redundant.

The CEC and its members would be happy to discuss these issues further with you as your review progresses. If you have any further questions please contact Kane Thornton via telephone on 03 99294105 or by email: [kane@cleanenergycouncil.org.au](mailto:kane@cleanenergycouncil.org.au)

Yours sincerely

*[original signed]*

Kane Thornton

Director of Strategy

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<sup>i</sup> The Climate Institute. *The implicit price of carbon in the electricity sector of six major economies*. October 2010. Web. 28 October 2010. Available at:

[http://www.climateinstitute.org.au/images/reports/vivid\\_tci\\_implicitcarbonpricingreport.pdf](http://www.climateinstitute.org.au/images/reports/vivid_tci_implicitcarbonpricingreport.pdf)

<sup>ii</sup> House Climate and Energy Legislation. *Rev. of H.R. 2454, The American Clean Energy and Security Act of 2009 (ACES)*. American Council for an Energy-Efficient Economy. Web. 28 October 2010. Available at: <http://aceee.org/energy/national/houseenergyandclimate.htm>

<sup>iii</sup> Ibid