THE GREEN ELECTRICITY WATCH

AUSTRALIAN CONSERVATION FOUNDATION

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Do big power companies 'walk the talk' when they publicly claim support for a clean energy economy? The Australian Conservation Foundation's *Green Electricity Watch* deciphers the jargon behind an electricity retailer's policy position on the Renewable Energy Target and uncovers how it impacts the development and growth of clean energy in Australia.

Australia has a mandated target to generate at least 20 per cent of our electricity from clean energy sources by 2020.

The Renewable Energy Target (RET) will be Australia's biggest driver of domestic action in addressing climate change, until Australia's price on carbon pollution increases. And we already have proof that it works – to date, the RET and the carbon price have already crowded out 3,000 megawatts of coal-fired power generation.[1]

The RET is also a vital component of the current suite of policies aimed to drive Australia into a clean energy economy.[2] If the RET, the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) work together efficiently, it provides investor confidence and can unlock a clean energy boom that is just waiting to happen in Australia (Appendix 2).

These policies will strengthen Australia's position in a successfully growing global clean energy industry. In 2011, a record $260 billion was invested in clean energy worldwide;[3] an investment that outstripped global fossil fuel investment for the first time. Australia's inherent advantage – its world class clean energy resources across a range of technologies from solar and wind, to hot rocks and oceans – is just waiting to be tapped.

It doesn't make sense then when big power companies and industry groups lobby for the massive cut backs to policies such as the RET while the rest of the world is scrambling to be as competitive as they can in the global clean energy market. Some of these companies might have the biggest market reach in retailing clean energy in Australia but they are undermining its development and growth.

WHAT IS THE RENEWABLE ENERGY TARGET (RET) SCHEME?

The Renewable Energy Target (RET) scheme is designed to deliver the Government's commitment that by 2020 the equivalent of at least 20 per cent of Australia's electricity will come from clean energy sources.

As of 1 January 2011, the RET functioned as two parts, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

The LRET intends to drive the development of large-scale clean energy projects such as wind farms, concentrated solar power and geothermal energy.

The SRES, on the other hand, intends to drive the development of small-scale projects such as roof-top solar panels and solar-powered water heaters.

For more information, please refer to Appendix 1.

1 Australian Conservation Foundation (17 October 2012). "Yallourn decision shows climate policies are working." http://www.acfonline.org.au/news-media/media-release/yallourn-decision-shows-climate-policies-are-working

2 Peter Hannam. Sydney Morning Herald (17 October 2012). "Yallourn's power cut proof of carbon policy success: ACF." http://www.smh.com.au/business/carbon-economy/yallourns-power-cut-proof-of-carbon-policy-success-acf-20121017-27qgx.html

3 Bloomberg New Energy Finance (12 Jan 2012). "Solar surge drives record clean energy investment in 2011." http://www.newenergyfinance.com/PressReleases/view/180

EXECUTIVE SUMMARY: THE GREEN ELECTRICITY WATCH

The energy industry lobby against clean energy started even before the Climate Change Authority opened the review of the RET in July 2012.[4 5]

As a consumer it is difficult to access, let alone understand, the views of power companies on clean energy. Their positions are often cloaked in jargon and avoid taking clear, unambiguous positions. An electricity retailer that claims it has a diverse and substantial clean energy portfolio can often be the same company that publicly claims that clean energy drives up electricity prices for consumers. Despite being debunked by the Productivity Commission, these claims become the basis for a push against action to increase clean energy investment in Australia.

The Green Electricity Watch deciphers the jargon, parses the public statements and uncovers how a company's position on the RET may impact the development and growth of clean energy in Australia. For electricity retailers, it's an opportunity to set the record straight. For consumers, it provides a valuable method of evaluating the environmental merit of electricity retailers beyond the websites swathed in green, and promising competitive prices.

BASED ON THE GREEN ELECTRICITY WATCH'S FINDINGS:

1. More than half of the electricity retailers in the Green Electricity Watch want to lower the current Large-scale Renewable Energy Target (LRET) which will result in less installed capacity from clean energy by 2020 in Australia, therefore missing out on investment and job opportunities.
2. None of the electricity retailers support making CEFC projects additional to the RET from the outset. This means that the $10 billion dollar from the CEFC will likely increase the diversity of the LRET, but it will not result in additional installed capacity from clean energy beyond the RET thus missing out on additional investment and jobs. It will also result in the crowding out of wind energy projects under the LRET.
3. Half of the electricity retailers that have a policy position on the Small-scale Renewable Energy Scheme (SRES) proposed to amend its current target or mechanism in ways which will most likely hamper the development and growth of viable technologies such as roof-top solar and solar-powered water heaters. These technologies benefit a growing number of households in Australia (latest data show at least 10 per cent of households at present).
4. Although most of the biggest electricity retailers acknowledge the need to increase the RET and extend its timeframe, only one company's policy position to date recognize the need to do it now. Without targets beyond 2020, clean energy investment is likely to stall as we approach the end of the scheme.
5. Based on the ranking:
    a. Diamond Energy has the highest total score as its overall policy position is the most constructive in driving the increase of clean energy development in Australia. However, in ACF's view, their opposition to making CEFC projects additional to the RET will most likely hinder the development of the same technology it is supporting.

    b. Country Energy, Energy Australia (formerly traded as TRUenergy), Integral Energy and Origin Energy each have overall policy positions on the RET that in ACF's view will most likely hinder the generation of electricity from clean energy in Australia. ACF's assessment also shows a contrast between their policy position on the RET and their public statements on clean energy and sustainability[6] (Appendix 6).

Their knowledge of the industry, their market reach and their influence in decision making makes it critical for electricity retailers to take progressive policy positions on the RET, which can impact on the long-term development and growth of clean energy in Australia. It affects the health of our environment and their balance sheet in the long run.

4 Origin Energy (2-4 May 2012). "Presentation at Macquarie Australia Conference: Flexibility to Respond." http://www.originenergy.com.au/files/Macquarie_Conference_presentation_20120502.pdf

5 The Australian (10 July 2012). "RET to trump carbon slug on power bills, say Origin." http://www.theaustralian.com.au/national-affairs/carbon-tax/ret-to-trump-carbon-slug-on-power-bills-says-origin/story-fndttws1-1226422043915

6 ACF's Hypocrometer www.renewabletargetpractice.com

TIMELINE OF THE RET REVIEW

The newly-formed Climate Change Authority finished its first mandated[7] review of the RET (*Renewable Energy (Electricity Act 2000)* on 19 December 2012. Subsequent reviews will happen every 2 years thereafter.

13 July 2012 Climate Change Minister Greg Combet released the Terms of Reference for the RET Review. This officially opened the process.

20 August 2012 The Climate Change Authority released the RET Review Issues Paper which includes a list of questions and issues that stakeholders can respond on.

14 September 2012 Stakeholders were given 4 weeks to respond to the RET Review Issues Paper. Stakeholders had the option whether to present a public or a confidential submission. According to the Climate Change Authority "around 8700 submissions were received; this includes around 8500 campaign submissions and around 170 non-campaign submissions."

18 October 2012 The Productivity Commission announced that "the costs of electricity networks — the wires and poles criss-crossing Eastern Australia — now represent as much as one-half of people's average power bills".

26 October 2012 The Climate Change Authority released the RET Review Discussion Paper which includes the Authority's initial recommendations which considered the results of the independent modelling it commissioned and the submissions from various stakeholders. This was the initial point of discussion at the invite-only roundtable consultation the week after. 4 days after its initial release a correction on the modelling was released and revisions were aptly made on the Discussion Paper.

1 and 5 November The Climate Change Authority held four sets of invite-only stakeholder roundtable consultations; two in Melbourne and two in Sydney.

1 November 2012 The Australian Conservation Foundation (ACF) and 100% Renewables Community Campaign released the results of the People's RET Review.[8] It showed overwhelming public support for clean energy in Australia and was a call to increase the target and extend the timeframe of the RET. The results were presented at the Climate Change Authority's invite-only roundtable consultation.

5 November 2012 AECOM released third-party, modelling on how the CEFC will affect the development and growth of clean energy if it is made additional to the RET. The results were presented at the Climate Change Authority's invite-only roundtable consultation.

14 November 2012 Stakeholders were requested to provide their feedback on the RET Review Discussion Paper. This was the last round of public consultations under the RET Review.

16 November 2012 Climate Change Minister Greg Combet announced a reduction to a solar incentive (solar multiplier) prior to the release of the Climate Change Authority's final recommendation on the RET. The reduction will now take effect in 1 January 2013, six months earlier than the agreed end-date.

22 November 2012 The Climate Change Authority released the summary of the invite-only stakeholder roundtable consultations for the RET Review.

19 December 2012 The Climate Change Authority released its final recommendation on the RET.

Climate Change Minister Greg Combet is then required to respond in a written statement to the recommendations made by the Climate Change Authority. Proposed changes must be tabled in both Houses of Parliament within six months of receiving the final recommendation.

The Department of Climate Change and Energy Efficiency will also draw on the findings of the Climate Change Authority's RET Review to assist with completing the Council of Australian Governments' (COAG) Review of complementary measures which is scheduled to report on 8 February 2013.

7 *Climate Change Authority Act 2011*
8 Australian Conservation Foundation (1 November 2012). "People's RET Review." http://www.acfonline.org.au/sites/default/files/resources/PeoplesRETReviewFlyer.pdf

METHODOLOGY AND METRICS

The Green Electricity Watch rates a selection of energy retailers[9] (Table 1) on their policy positions on 4 specific issues that were evaluated by the Climate Change Authority during the RET Review. Depending on what is proposed,[10] and how the Federal Government respond, these can either increase or hinder clean energy development in Australia.

SPECIFICALLY, ACF RATED RETAILERS' POLICY POSITIONS ON:

1. Increasing the current level of the LRET target of 41,000 GWh
2. Making projects funded under the CEFC additional to the RET
3. Maintaining the current operation of the SRES
4. The opportunity to extend the combined RET to 2030

ACF REVIEWED:

- Publicly available RET policy positions that electricity retailers submitted to the Climate Change Authority in response to the Issues[11] and Discussion Paper[12]
- For those electricity retailers who did not submit a policy position to the Climate Change Authority, their responses to the Green Electricity Watch invitation and survey ACF sent to electricity retailers
- Public statements released by companies to the media, on the internet or to its stakeholders (annual reports, press release, public presentations, etc.)

HOW ACF ASSESSED THEM:

A company's policy position for each issue was given a mark based on a rating system that ACF developed (Appendix 3). The highest 'mark' was given to companies where their positions translated to a greater installed capacity for and investment in a clean energy economy in Australia (Table 1).

Amongst the electricity retailers in Table 1, ACF ranked companies that have the broadest residential market-reach across Australia (supplies to at least four States / Territories) based on their responses on all four issues (Table 2).

A list of electricity retailers who were contacted by ACF but is not included in the Green Electricity Watch can be found in Appendix 5. If their respective retailer is part of this list, consumers might need to do their own inquiry to verify an electricity retailer's position on the RET.

ON ELECTRICITY RETAILING IN AUSTRALIA

Those who have switched electricity retailers or just moved to a new home can tell you that the energy market in Australia, even with efforts in making it simple, is a labyrinth of information and choices. If you want to know more about electricity retailing in Australia, here are some key facts to help you get started.

- There are over 40 electricity retailers that are registered and licensed to supply electricity across the country to either or both residential and commercial customers. Some of these companies, on their own, through a subsidiary or as part of a partnership also invest, develop and generate electricity which they can in turn sell to other electricity retailers.
- If you live in the Australian Capital Territory, New South Wales, South Australia, Queensland and Victoria, you can now compare and choose from the various products that different electricity retailers have to offer. If you live in the Northern Territory, Tasmania and Western Australia, an electricity retailer is assigned to you by the State Regulator depending on where you live.
- There are over 15 companies online offering their services to Australians in comparing, choosing, switching and sometimes even bulk-buying from electricity retailers. Most of these companies solely rate electricity retailers and products based on the product's cost to consumers.
- The *National GreenPower Accreditation Program*[13] is a program that enables electricity retailers to buy clean energy on your behalf. GreenPower bought by residential and commercial customers is above and beyond the legislated RET, so your money is truly leading to new clean energy generation.
- The GreenPower you buy does not feed directly into your power supply but is added to the electricity grid on your behalf. It effectively displaces the same volume of dirty coal-fired power from the grid as the energy you consumed.

9 Electricity retailers that were rated in the Green Electricity Watch are under at least one of the categories below:
• licensed under the Australian Energy Regulator (AER)
• licensed under the Economic Regulation Authority of Western Australia (ERAWA)
• supplies an accredited GreenPower product

10 Climate Change Authority (19 December 2012). "RET Review Final Report." http://climatechangeauthority.gov.au/sites/climatechangeauthority.gov.au/files/20121210%20Renewable%20Energy%20Target%20Review_MASTER.pdf

11 Climate Change Authority (20 August 2012). "RET Review Issues Paper". http://climatechangeauthority.gov.au/sites/climatechangeauthority.gov.au/files/RET-Review-20120820.pdf

12 Climate Change Authority (26 October 2012). "RET Review Discussion Paper". http://climatechangeauthority.gov.au/sites/climatechangeauthority.gov.au/files/DiscussionPaper-RET-Review-20121031.pdf

13 GreenPower website. http://www.greenpower.gov.au/

KEY FINDINGS

The RET has driven significant growth in clean energy development in Australia, on both the supply and demand sides. In its current form, it provides a transparent and stable market that inspires investment confidence. New projects built under the RET are expected to deliver approximately $20 billion of private investment into the Australian economy by 2020,[14] predominantly in the form of wind power projects.

It is therefore vital to Australia's ability to cut carbon pollution and maintain competitiveness in the coming boom in clean energy that the integrity and the stability of the RET is maintained.

Based on ACF's assessment, despite regular statements around the importance of clean energy and the need for investor certainty, most retailers have failed to take a constructive position that would maximise clean energy investment, investor confidence and efficient spending of public money.

ACF rated companies (Table 1) based on our evaluation of how their policy position affects the ability of the RET to drive additional generation of electricity from clean energy while reducing greenhouse emissions from the electricity sector. The key findings for each issue (Appendix 4) are summarized below:

1. On increasing the current Large-scale Renewable Energy Target (LRET) target:
   - Diamond Energy is the only company that recognizes the need (and associated benefits) to increase the LRET target immediately.
   - ActewAGL, AGL Energy, Infigen Energy, Momentum Energy, Power Direct, Pacific Hydro and Red Energy want the current LRET target to be maintained. Some, however, recommend that the target should be assessed in the next review period.
   - Alinta Energy, Australian Power and Gas (also trades as APG), Country Energy, Cogent Energy, Energy Australia (formerly traded as TRUenergy), Ergon Energy, Horizon Power, Integral Energy, Origin Energy and Stanwell called for a lowering of the current LRET target.
   - Horizon Power "prefers a single, national carbon price to a plethora of policies with different goals (from emissions reduction to uptake of renewables and energy efficiency)" which ACF views as preferable to scrapping the RET.
2. None of the electricity retailers support making CEFC projects additional to the RET rom the outset. This means that the $10 billion dollar from the CEFC will likely increase the diversity of the LRET, but it will not result in additional installed capacity from clean energy beyond the RET thus missing out on additional investment and jobs. It will also result in the crowding out of wind energy projects that are under the LRET.
3. On the current Small-scale Renewable Energy Scheme (SRES):
   - Half of the electricity retailers that have a policy position on the SRES propose to amend its current target or mechanism.
   - Origin Energy stated that its "...preference would be to return to a simple and more equitable rebate system for small scale systems of up to a certain size (say 5kW)." In ACF's view, this will most likely hamper the development and growth of viable technologies such as roof-top solar and solar-powered water heaters that benefit a growing number of Australian households (latest data show at least 10 per cent of households).
4. On extending the RET:
   - Diamond Energy is the only company that recognizes the need to increase and extend the timeframe of the RET immediately. The company argues that 60 per cent of Australia's electricity must come from clean energy by 2030.
   - Energy Australia (formerly called TRUenergy) prefers to retain the 2020 RET target that will be set in 2017 and make it constant from 2020 until 2030. This policy position, in ACF's view, means the installation of clean energy will continue until Australia achieves its 2020 target but growth in the sector will stall late in the decade as we approach the end of the scheme.

14 Australian Government (2011). "Securing a Clean Energy Future; The Australian Government's Climate Change Plan."

TABLE 1.

HOW DID THE RET POLICY POSITIONS OF ELECTRICITY RETAILERS FARE AGAINST ACF'S MARKING CRITERIA?

COMPANY by alphabetical listing	A	B	C	D
ActewAGL				
AGL Energy				
Alinta Energy				X
Australian Power and Gas (also trades as APG)		X		X
Cogent Energy				
Country Energy				
Diamond Energy				
Energy Australia (formerly traded as TRUenergy)				
Ergon Energy				
Horizon Power			NA	X
Infigen Energy				
Integral Energy				
Momentum Energy				
Origin Energy				
Pacific Hydro				
Power Direct				
Red Energy		X	X	X
Stanwell				

LEGEND

Will hinder clean energy development → Will increase clean energy development

A INCREASE THE LRET
B MAKE THE CEFC ADDITIONAL TO THE RET
C MAINTAIN THE CURRENT SRES
D EXTEND THE RET

X No policy position on the issue

NA "Not Applicable" means policy position is not aligned with the criteria to enable a reasonable assessment

RANKING

Amongst electricity retailers in Table 1, ACF ranked the companies with the broadest residential reach across Australia based on their responses on all 4 issues (Table 2). These companies supply electricity to at least three quarters – or over 6 million – of Australia's households through the grid.

Electricity retailers that scored from 3 to 5 have policy positions on the RET that in ACF's view would increase clean energy development in Australia; a score of 5 being the most supportive. Those who scored below 3 have policy positions on the RET that according to our criteria reduces the generation of electricity from clean energy sources; wherein 1 is the lowest.

- Diamond Energy has the highest total score. Its overall policy positions are the most constructive in driving an increase in clean energy development in Australia. However, its position not to make CEFC-funded projects additional to the RET from the outset ranks poorly against the Green Electricity Watch criteria and will most likely hinder the development of the same technology it is supporting.
- Country Energy, Energy Australia (formerly traded as TRUenergy), Integral Energy and Origin Energy each have an overall policy positions on the RET that ranks poorly on the Green Electricity Watch criteria as their position will most likely hinder the generation of electricity from clean energy in Australia. It is noteworthy that their policy positions on the RET are not aligned to some of their public statements on clean energy and sustainability (Appendix 6).[15]
- There is limited variance between ratings as AGL owns ActewAGL (joint partnership) and Power Direct (full ownership) while Origin Energy owns Country Energy (full ownership) and Integral Energy (full ownership).

TABLE 2.

RANKING OF ELECTRICITY RETAILERS BASED ON THEIR RET POLICY POSITIONS

RANK	COMPANY	TOTAL SCORE
1	Diamond Energy	4.4
2	ActewAGL (Joint partnership between Actew and AGL)	3.2
	AGL Energy	3.2
	Momentum Energy (Fully-owned by Hydro Tasmania)	3.2
	Power Direct (Fully-owned by AGL)	3.2
3	Country Energy (Fully-owned by Origin Energy)	1.8
	Integral Energy (Fully-owned by Origin Energy)	1.8
	Origin Energy	1.8
	Energy Australia (formerly called TRUenergy)	1.7

Note: Highest total score is 5

15 ACF's Hypocrometer website www.renewabletargetpractice.com

WHAT DOES IT ACTUALLY MEAN?

1. INCREASE THE LARGE-SCALE RENEWABLE ENERGY TARGET (LRET)

The LRET intends to drive the development of large-scale clean energy projects such as wind farms, concentrated solar power and geothermal energy. Under the *Renewable Energy (Electricity) Act 2000*, electricity retailers were required to buy 41,000 GWh from such projects by 2020.

In June 2012, the Australian Energy Market Operator (AEMO) forecasted a reduction in energy by the year 2020 based on Australia's latest demand. Maintaining the current LRET target of 41,000 GWh and allowing the SRES to remain uncapped is likely to result in a 26 per cent RET by 2020. In ACF's view, the long-term benefits of going beyond the 20 per cent by 2020 target are worth the risk and costs outlined by the Climate Change Authority in it's RET Review Discussion Paper.

WHAT ACF WANTS:	The 41,000 GWh of clean energy by 2020 target must be maintained or increased ; and as a fixed GWh targets rather than changed to a floating percentage target.[16]
WHAT ELECTRICITY RETAILERS SAY:[17]	• Adjust the current RET to a"real"or"original"20 per cent by 2020 target. • Set a floating instead of a fixed GWh or output target. • Absorb baseline generation into the LRET but keep the 41,000 GWh target unchanged. • Combine the LRET and the SRES into a single target. • Extend the current LRET to a date beyond 2020 (this varies between retailers) with an adjusted yearly trajectory.
WHAT IT MEANS:	All the policy positions above amount to the same thing – lowering the current LRET target. The policy positions to adjust the current RET to a"real"target or to absorb the baseline generation into the LRET will result in an even more significant decrease.
IMPACT:	Lowering the LRET by adjusting it to a"real"target , based on some electricity retailers' position,[18] means turning our backs on 14,000 GWh of installed capacity from clean energy (the equivalent of 27 big solar farms[19] or 2,283 wind turbines[20]) therefore missing out on $6 billion worth of private investment[21] and 5,685 jobs[21]. Most importantly, it allows the release of an additional 94 Mt of carbon dioxide in the environment[22].

16 Australian Conservation Foundation (7 September 2012). "Submission to the Climate Change Authority RET Review Issue Paper." http://www.acfonline.org.au/sites/default/files/resources/ACF_RETreviewsubmission.pdf

17 Refer to Appendix 4 for exact quotes

18 ACF assumes that each 150 MW big solar-powered station with a 40% capacity factor produces an equivalent of 525.6 GWh of power per year.

Based on their respective responses to the Climate Change Authority's RET Review Issues Paper, Origin Energy and Energy Australia (formerly traded as TRUenergy) believe that the RET will overshoot to 26% by 2020 based on latest energy demands. A "real" 20% by 2020 target means installing clean energy power stations that will generate 27,000 GWh worth of electricity.

19 According to Infigen Energy, the annual energy production from 1,089.4 MW across 18 wind farms in the US with an average net capacity factor of 35% is 3,312.6 GWh. This is similar to an Australian setting where 556.6 MW across 6 wind farms with an average net capacity factor of 34% is 1,669 GWh. Based on these figures, ACF assumes that each 2MW wind turbine produces an equivalent of 6 GWh. http://www.infigenenergy.com/our-business.html

20 According to AECOM's Modelling of the Clean Energy Finance Corporation, under a "CEFC as proposed scenario by", by 2020 54,200 GWh of energy generation is equivalent to $22.1 billion worth of investment. Based on these figures, ACF assumes that each GWh is equivalent to $426,199.30 worth of investment (assuming that the impact of a decrease in installed capacity (GWh) to investment is a linear relationship).

21 According to AECOM's Modelling of the Clean Energy Finance Corporation, under a "CEFC as proposed scenario", by 2020 54,200 GWh of energy generation is equivalent to 22,000 jobs (total) employed in the clean energy sector. Based on these figures, ACF assumes that each GWh is equivalent to 3 jobs (assuming that the impact of a decrease in installed capacity (GWh) to jobs is a linear relationship).

22 Climate Change Authority (October 2012). Renewable Energy Target Discussion Paper.

2. MAKE THE CLEAN ENERGY FINANCE CORPORATION (CEFC) ADDITIONAL TO THE RET

The RET and the CEFC are part of a suite of policies that aims to unlock the clean energy boom in Australia. However, our ability to properly harness these policies efficiently will be hamstrung if the LRET and the CEFC are not both fully optimised to work constructively together.

WHAT ACF WANTS:	CEFC projects must be made additional to the 20 per cent target (in GWh terms) by increasing the RET to 60 per cent by 2030 or including a replacement Renewable Energy Certificates (REC) scheme[23].
WHAT ELECTRICITY RETAILERS SAY:[24]	• Do not adjust the RET to take into account CEFC projects. • Do not make the CEFC additional to the RET.
WHAT IT MEANS:	All the policy positions above amount to the same thing – if CEFC funded projects is not additional to the RET from the outset, the $10 billion dollar investment in the CEFC will not achieve an increase in the installed capacity from clean energy.
IMPACT:	In ACF's view, it is critical that CEFC projects contribute to clean energy above and beyond the 20 per cent target from the outset to encourage greatest additional clean energy generation while minimizing distortion of the market for existing projects. Making the CEFC additional to the LRET also encourages economic diversity as the CEFC can invest heavily in a new wave of emerging clean energy technologies, complementing the RET's favouring of wind (the cheapest clean energy source).[25] If CEFC projects are additional to the 20 per cent target, by 2020 Australia will have an additional 6,400 GWh of clean energy generation (the equivalent of 12 big solar thermal plants or 1,043 wind turbines). That is equivalent to an extra $8 billion in private investment and 5,000 jobs, with **no extra cost to households**.[26] Most importantly, Australia has the opportunity to lower its greenhouse emissions. Making the CEFC additional to the RET means we could: • Retire 850 MW of coal-fired plant and 200 MW of peaking plant by 2020 • Retire a further 550 MW of coal-fired plant and 200 MW of peaking plant by 2030 • Defer the development of 500 MW of Combined Cycle Gas Turbine (CCGT) plants and 500 MW of peaking plants until after 2030.[27]

23 Australian Conservation Foundation (7 September 2012). "Submission to the Climate Change Authority RET Review Issue Paper." http://www.acfonline.org.au/sites/default/files/resources/ACF_RETreviewsubmission.pdf

24 Refer to Appendix 4 for exact quotes

25 AECOM for Australian Solar Council and WWF (5 November 2012). "Modelling of the Clean Energy Finance Corporation".

26 AECOM for Australian Solar Council and WWF (5 November 2012). "Modelling of the Clean Energy Finance Corporation".

27 AECOM for Australian Solar Council and WWF (5 November 2012). "Modelling of the Clean Energy Finance Corporation".

3. MAINTAIN THE CURRENT SMALL-SCALE RENEWABLE ENERGY SCHEME (SRES)

The introduction of the SRES as a separate market to the LRET has encouraged diversity in clean energy development and is highly successful in driving investment in domestic solar technologies such as roof-top solar panels and solar-powered water heaters.

As of September 2012, approximately 860,000 homes in Australia have set up solar photovoltaic panels on their roofs since 2001, which is estimated to generate 2,700 GWh per year. Approximately 760,000 solar water heaters have also been installed over the same time frame, generating approximately 3,000 GWh of clean energy. It is projected that small-scale systems, in the SRES' current form, will displace around 11,000 GWh of installed capacity from fossil fuel by 2020-21.

The viability of the technology has also continually proven itself. For example, the price of solar energy has decreased 75 per cent in the last four years alone, while in the last decade international coal and gas prices have risen by 500 per cent and 300 per cent respectively.[28]

WHAT ACF WANTS:	Maintain the SRES in its current form.[29]
WHAT ELECTRICITY RETAILERS SAY:[30]	• Continue uncapped SRES but lower the size of eligible systems. • Cap the SRES.
WHAT IT MEANS:	All the policy positions above amount to the same thing – less electricity generated from small-scale clean energy systems.
IMPACT:	In ACF's view, the policy positions above will most likely hamper the development and growth of a viable technology and distort both the small scale and large scale markets, which currently work effectively. If the size of eligible systems under the SRES is lowered, it means forcing some small systems to compete with commercial-scale wind farms. This will recreate the problem that the SRES was introduced to remedy – market distortions by requiring large-scale technologies to compete with demand-side units that have the benefit of provisions intended to give them a leg up.

28 Bloomberg (17 May 2012). "Solar Power Prices More Competitive Than Thought: BNEF". http://www.bloomberg.com/news/2012-05-16/solar-power-prices-more-competitive-than-thought-bnef.html

29 Australian Conservation Foundation (7 September 2012). "Submission to the Climate Change Authority RET Review Issue Paper." http://www.acfonline.org.au/sites/default/files/resources/ACF_RETreviewsubmission.pdf

30 Refer to Appendix 4 for exact quotes

4. EXTEND THE RET

Government modelling shows that Australia can be expected to meet 46 per cent of total generation from clean energy in 2030 from the RET and the carbon price,[31] while a CEFC linked to the RET can generate approximately an additional 15 per cent[32]. Australia can therefore generate at least 60 per cent of its electricity from clean energy by 2030 if policies supporting clean energy are structured to work efficiently together.

WHAT ACF WANTS:	Extend the RET timeframe and set a target of 60 per cent by 2030[33].
WHAT ELECTRICITY RETAILERS SAY:[34]	• There is no need to extend the RET. • There is no valid case to make commitments now for a new higher target after 2020. • Retain a 2020 target and make it constant from 2020 until 2030.
WHAT IT MEANS:	All the policy positions above amount to the same message– do not set a target beyond the 20 per cent by 2020 target.
IMPACT:	In ACF's views, the industry's policy positions above undermine the purpose of the RET which is to encourage the additional generation of electricity from clean sources while reducing greenhouse emissions from the electricity sector. Currently, the RET provides a clear and stable framework which is driving the Australian clean energy sector to be globally competitive. However if the RET is not extended to 2030, it is highly likely to dampen market confidence for any year after 2020. This is particularly so, given the current threats to certainty in Australia's carbon market, and given the long time-frame of energy investment. Without targets beyond 2020, clean energy investment is likely to stall as we approach the end of the scheme.

31 Australian Government, Treasury (10 July 2012). "Strong growth low pollution: modelling a carbon price". http://archive.treasury.gov.au/carbonpricemodelling/content/default.asp

32 AECOM for Australian Solar Council and WWF (5 November 2012). "Modelling of the Clean Energy Finance Corporation".

33 Australian Conservation Foundation (13 November 2012). "Submission to the Climate Change Authority RET Review Discussion Paper." http://www.acfonline.org.au/sites/default/files/resources/ACFRETdiscussionpaper.pdf

34 Refer to Appendix 4 for exact quotes

CONCLUSION

Australia has the resources, the policies and the willpower to lead the world in averting the worst effects of the climate crisis and to move towards a clean energy future. Electricity retailers have a critical role and responsibility in making this happen.

However, the reality is that most electricity retailers have yet to fully commit to this.

BASED ON THE GREEN ELECTRICITY WATCH'S FINDINGS:

1. More than half of the electricity retailers in the Green Electricity Watch want to lower the current LRET target which will result in less installed capacity from clean energy by 2020 in Australia, therefore missing out on investment and job opportunities.
2. None of the electricity retailers support making CEFC projects additional to the RET from the outset. This means that the $10 billion dollar from the CEFC will likely increase the diversity of the LRET, but it will not result in additional installed capacity from clean energy beyond the RET thus missing out on additional investment and jobs. It will also result in the crowding out of wind energy projects that are under the LRET.
3. Half of the electricity retailers that have a policy position on the SRES proposed to amend its current target or mechanism in ways which will most likely hamper the development and growth of viable technologies such as roof-top solar and solar-powered water heaters. These technologies benefit a growing number of households in Australia (latest data show at least 10 per cent of households at present).
4. Although some of the biggest electricity retailers acknowledge the need to increase the RET and extend its timeframe, only one company's policy position to date recognize the need to do it now. Without targets beyond 2020, clean energy investment is likely to stall as we approach the end of the scheme.
5. Based on the ranking:
    a. Diamond Energy has the highest total score as its overall policy position is the most constructive in driving the increase of clean energy development in Australia. However, their opposition to making CEFC projects additional to the RET in ACF's view will most likely hinder the development of the same technology it is supporting.
    b. Country Energy, Energy Australia (formerly traded as TRUenergy), Integral Energy and Origin Energy each have an overall policy position on the RET that in ACF's view will most likely hinder the generation of electricity from clean energy in Australia. ACF's analysis also shows a contrast between their policy positions on the RET and their public statements on clean energy and sustainability[35] (Appendix 6).

Their knowledge of the industry, their market reach and their influence in decision making, makes it critical for electricity retailers to take progressive policy positions on the RET as it can impact on the long-term development and growth of clean energy in Australia. In other words, it affects the health of our environment and their balance sheet in the long run.

ACF CONSIDERS AUSTRALIA REQUIRES POLICY POSITIONS THAT WILL UNLEASH THE CLEAN ENERGY BOOM SUCH AS:

1. To provide investment certainty over the investment timelines of these projects, the targets legislated in the *Renewable Energy (Electricity) Act 2000* must be maintained or increased; and as firm GWh targets rather than changed to a floating percentage target.
2. To ensure separate policy mechanisms work together to provide the optimum long term outcome, without distortions to the existing RET market, CEFC projects must be made additional to the 20 per cent target (in GWh terms).

    Options to make the CEFC additional to the 20 per cent RET are:

    a. *Increase the RET*

    The RET is simply expanded to account for new installed capacity delivered through the CEFC, ensuring that the existing market is not distorted, and CEFC funding delivers new and additional investment.

    a. *Replace RECs for CEFC projects*

    The RET already includes a mechanism for projects which are eligible to create and sell RECs that are additional to the 20 per cent target. This rule currently only applies to waste coal mine gas projects. For every REC a waste coal mine gas project produces, the government replaces a REC back into the market. In this way the government supports waste coal mine gas projects without impacting on the 20 per cent target for clean energy projects.

35 Hypocrometer website www.renewabletargetpractice.com

While ACF does not support waste coal mine gas inclusion in the RET as it is not a clean technology, the mechanism could be transferred to CEFC projects.

Projects receiving support from the CEFC would be eligible to create RECs, which must be bought by energy retailers. These RECs would be marked as 'CEFC RECs' and would be replaced in the market to ensure they did not detract from the existing 20 per cent target.

3. Maintain the Small Scale Renewable Energy Scheme in its current form as the introduction of the SRES as a separate market to the LRET has encouraged diversity in clean energy development and is highly successful in driving investment in domestic solar technologies such as roof-top solar panels and solar water heaters.

4. The RET should be increased and extended to achieve 60 per cent of Australia's energy coming from clean energy in 2030, consistent with a real transition to a clean energy future.

   Government modelling undertaken for the carbon price indicated that the carbon price together with the existing RET will deliver approximately 46 per cent clean energy into Australia's energy mix by 2030[36], while a CEFC linked to the RET can generate approximately an additional 15 per cent[37] Australia can therefore generate at least 60 per cent of its electricity from clean energy by 2030 if policies supporting clean energy are structured to work efficiently together.

APPENDIX

http://www.acfonline.org.au/policy/publications

1 What are the LRET and the SRES?

2 Position of Federal Government policies along the clean energy innovation chain

3 Metrics on the Green Electricity Watch ranking

4 Policy positions of electricity retailers

5 List of electricity retailers contacted for the Green Electricity Watch

6 Hypocrometer

36 Australian Government, Treasury (10 July 2012). "Strong growth low pollution: modelling a carbon price." http://archive.treasury.gov.au/carbonpricemodelling/content/default.asp

37 AECOM for Australian Solar Council and WWF (5 November 2012). "Modelling of the Clean Energy Finance Corporation."

AUSTRALIAN CONSERVATION FOUNDATION

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The Australian Conservation Foundation (ACF) stands for ecological sustainability. We get to the heart of environmental problems by tackling the underlying social and economic causes. We work across society to influence urgent, transformative action to deliver lasting change on the scale required to secure a sustainable environment. We bring people together to champion the true value of our environment and its critical role in sustaining all other systems and in achieving human wellbeing.