



The Hon Mark Butler MP
Shadow Minister for Environment, Climate Change and Water

11/11/14

The Hon Ian Macfarlane MP
Minister for Industry
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister *Ian*

I write further to our previous meetings of 22, 28 October 2014, 3 November 2014 in relation to the Renewable Energy Target (RET). I thank you for arranging briefings from your Department and the Clean Energy Regulator regarding the impacts of different policy options.

As I have previously stated, Labor remains committed to doing everything we reasonably can to restore a bipartisan consensus around the RET. However, Labor will not support certainty if that means certainty of destroying the renewable sector.

Labor's position has always been guided by the need for Australia to have a sustainable renewable energy sector. Labor supports growing our renewable energy sector because it is important to Australia's energy future. A strong renewable energy sector will keep downward pressure on power prices, support new clean energy jobs through continued investment and contribute to reducing Australia's carbon emissions.

The Government's own Warburton Review found that the RET keeps power prices lower through downward pressure on wholesale power pricing, finding that "Lower wholesale prices outweigh the direct cost of certificates over the period 2020 to 2030, meaning that retail electricity prices over this period are lower with the RET in place". This view is also supported by Bloomberg analysis which found that a cut to the RET of 40 per cent (your stated position) would push up power prices by 9.3 per cent from 2015-2030, increasing prices by \$35 per year after 2020. This analysis makes clear that renewable energy leads to lower power prices.

The RET is also driving a new wave of manufacturing jobs, with 24,000 Australians already employed in the sector. These jobs are a result of the more than \$18 billion invested in Australia's renewable energy sector, and which saw Australia ranked fourth in the Renewable Energy Country Attractiveness Index. At a time of elevated unemployment, and recent job losses in manufacturing (specifically automotive manufacturing), creating high-skill clean energy jobs is a priority for Labor. Bloomberg predicts that a cut to the RET of 40 per cent would destroy 6,600 jobs in the renewable energy sector.

Importantly, the RET is a central element in meeting Australia's carbon emission reductions target. With the price on carbon abolished, the CEFC and ARENA both marked for abolition, and the ERF nearly universally condemned as insufficient to meet Australia's 2020 target, the importance of a strong RET cannot be overstated.

I note that the RET has received bipartisan political support since it was first legislated in 2000 by then Prime Minister John Howard. I also note the Prime Minister's personal commitment prior to the last election that an Abbott Government would not to make any changes to the Renewable Energy Target.

Labor has given serious consideration to the points outlined in your correspondence which you have expanded upon in our recent discussions. I note that the Government's position - of advocating for a 40 per cent cut to the RET ('real 20 per cent') - has not changed over the course of these discussions.

Labor has been willing to engage constructively with the Government to achieve certainty in respect of the RET. We have considered alternative positions including the need to protect aluminium and other emissions intensive industries (I refer to my letter of 1 October 2014). However we remain opposed to the deep and devastating cut to the sector proposed by the Government.

Labor will not stand by and watch billions of dollars of investment in the Australian renewable energy sector - along with thousands of jobs - go overseas because of deep cuts to the target.

Labor will continue to advocate for a strong and growing renewable energy sector for Australia - we will not be party to a plan that kills jobs and investment, increases pollution and forces power prices to rise.

Labor remains concerned that the Government's intervention on the Renewable Energy Target has already created significant uncertainty and undermined investment and jobs. We are not willing to see these negative impacts continue and worsen.

Considering the Government's fundamental position remains a 40 per cent cut to the RET, I do not see there being any value in continuing discussions at this point in time.

Yours sincerely



MARK BUTLER