

Australian Energy Council, Additional information

During my evidence today, I made reference to a Clean Energy Regulator report that said the inclusion of below baseline generation is not likely to have impacts on the LGC price. This was mentioned in questioning to subsequent witnesses, namely the Clean Energy Regulator and DCCEE. There was some confusion at the time about which document was being referred to.

To avoid any confusion, the report I am referring to is the RET Administration Report 2022. It can be found here online: <https://cer.gov.au/node/4545>. A copy of the report is also attached.

Specifically, page 30 and 31 state:

Below baseline generation is the large-scale generation (mainly hydro) that was in existence when the RET commenced and that does not earn LGCs. This generation is on average about 12,000 GWh per annum. Under the policy proposal, this could add about 12 million RE-GO certificates each year. However, the government's policy proposal would only allow the use of these RE-GO certificates for voluntary purposes, including for programs such as Climate Active, GreenPower and the Corporate Emissions Reduction Transparency report. Unlike LGCs, RE-GOs would not be available to the market to redeem shortfall or to meet liability under the RET.

Much of the generation that would be eligible for RE-GO certificates is eligible for International Renewable Energy Certificates (I-RECs). It is our understanding that much of the potential supply of I-RECs (and possible RE-GOs) is already contracted and sold through power purchase agreements (PPAs). As a result, we think the effective extra supply of certificates available to the market may only be about 2 million certificates and only for voluntary purposes. RE-GOs would be expected to trade at a material discount to the price of LGCs because they can't be used for RET liability or shortfall redemption. Looking at the potential voluntary demand with NGER reporters, it is likely these surplus RE-GO certificates would be quickly consumed in additional voluntary demand and there will be no impact on the LGC price. This is all subject to potential legislative change in the future.

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