

21 September 2011

Chair of the Committee
Joint Select Committee on Australia's Clean Energy Future Legislation
Parliament House
CANBERRA ACT 2600

jscacefl@aph.gov.au

Dear Ms Burke MP

Re: Australia's Clean Energy Future Legislation

Climate change presents a physical business risk to Hydro Tasmania. As a predominantly hydropower and wind generator, Hydro Tasmania is particularly vulnerable to changes in rainfall, temperature and wind speeds that may occur as a result of climate change. We support action to address anthropogenic climate change and believe that Australia must contribute to meaningful global action.

As the largest clean energy producer in Australia and as a material participant in the National Electricity Market (NEM) carbon pricing and the transition to a low carbon economy are significant issues for Hydro Tasmania. For many years Hydro Tasmania has acknowledged the need for carbon pricing and appropriate complementary measures in order to support clean energy development and deployment. The introduction of a carbon price will appropriately value the clean energy output from all renewable energy producers and prospective developments. We believe it is an essential reform if Australia's energy sector emissions are to be reduced in a market-based cost-effective manner. Hydro Tasmania believes that a cap and trade Emissions Trading Scheme (ETS) is the preferable long-term approach to reducing Australia's emissions. In the short-term however, we acknowledge that in order to provide certainty to business and a more predictable economic transition, the option of using an initial, escalating fixed price period is a pragmatic first step.

Hydro Tasmania believes that continued delay in the introduction of a carbon price for the Australian energy sector will result in the deferral of vital long-term investment decisions. Ultimately this will make the task of meeting Australia's 2020 emissions reductions harder.

For each of these reasons Hydro Tasmania supports the swift passage of the Clean Energy Future legislation and the introduction of a carbon price for Australia starting on 1 July 2012.

Hydro Tasmania comments on the Clean Energy Bill and Associated Legislation

Hydro Tasmania acknowledges the tight timeframe within which the Government is working but notes that key information regarding the workings of the scheme will be contained in yet to be released regulations. There will remain some uncertainty over the scheme's implications without these important regulations and so, where possible, they should be

released for consultation as soon as possible. As Australia's largest clean energy generator Hydro Tasmania is well placed to provide a unique perspective on issues of electricity market reform, the operation of environmental product markets and on clean energy financing. To this end, we look forward to consultation regarding the nature of draft regulations to help ensure the effective achievement of the policy objective underpinning their design. Specifically and as soon as practical, it is important to provide further clarity on the key areas of:

1. Emissions Caps out to 2020;
2. Auction design and the early auctioning of permit vintages;
3. International Unit Surrender and Operation of the Price Floor; and
4. The guiding principles/objectives and operational context of the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA).

We welcome the opportunity to provide the Committee with further information about the contents of this submission or any other issues. Should you have any queries or require further information, please contact Mr Colin Wain (email: colin.wain@hydro.com.au or telephone: 03 6230 5661).

Yours sincerely

A handwritten signature in black ink that reads "Roy Adair". The signature is written in a cursive style and is followed by a horizontal line.

Roy Adair
CEO Hydro Tasmania