

19 September 2010

Committee Chair Anna Burke MP
Joint Select Committee on Australia's Clean Energy Future Legislation

Email: jscacefl@aph.gov.au

Dear Anna Burke MP,

Re: INQUIRY INTO THE CLEAN ENERGY BILLS

The Clean Energy Council (CEC) is the peak body representing Australia's renewable energy and energy efficiency industries.

The CEC strongly supports a price on carbon and believes the Australian Parliament should move without delay to legislate the Clean Energy Future Bills so as to provide certainty to Australian clean energy investors and developers and unlock Australia's massive renewable energy and energy efficiency potential.

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.

In addition to a price on carbon, a range of complementary measures will continue to be needed to achieve Australia's emission reduction goals and ensure that 20 per cent of our electricity is generated from renewable sources by 2020. These policy measures will help provide least cost abatement to the wider economy by accelerating the use of - and bringing down the cost of - clean energy technologies. This will ensure such technologies can be readily deployed when carbon price signals make them cost-competitive.

Benefits of a carbon price on clean energy

A price on carbon is the critical success factor in attracting investment in clean energy. Over the next 20 years, the private sector will invest more than \$600 billion globally in clean energy technologies, manufacturing and system upgrades. Australia can lead in attracting this investment.ⁱ Investors are ready to spend capital on clean energy in Australia if the right price signal is put in place. A price on carbon is needed to provide the degree of market predictability investors require to price the cost of carbon in or include the value of carbon in their investment decisions. Without such certainty investment in clean energy will remain on hold and ultimately risk Australia's energy security.

Benefits of a carbon price for rural Australia

A price on carbon would maximise the benefits of clean energy investment and jobs in rural and regional Australia. Research suggests that if all planned and committed clean energy projects go ahead, around 26,000 new jobs will be created. This includes almost 2,500 new permanent positions, over 15,000 construction jobs and more than 8,600 indirect jobs in supporting sectors.ⁱⁱⁱ Over \$31 billion will be invested in these new clean energy projects, injecting around \$10 billion into local economies in regional Australia.^{iv}

Using carbon price revenue to turbo-charge clean energy

The CEC has welcomed the use of carbon price revenue to establish a Clean Energy Finance Corporation. This can assist turbo-charge a range of early stage clean energy technologies and ensure Australia can take advantage of its various world leading renewable energy resources, achieve high levels of renewable energy deployment and low costs.

A carbon price is the most cost efficient means of lowering abatement levels

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 lowering abatement levels. 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.^{vi}

A carbon price is needed to keep Australia internationally competitive

Australia needs to make the transition to a low carbon economy to remain internationally competitive. A direct price on carbon is required for Australia to ensure that its international competitiveness is not lost to other countries gaining early mover advantages in the transition to a low carbon economy and clean energy investment.

The CEC is concerned that Australia is already falling behind its major trading partners in implementing a price on carbon and attracting clean energy investment. Australia's major trading partners have higher direct and indirect carbon pricing in their electricity sectors in order to drive cleaner energy investments. Investment in clean energy in the UK reached around US\$ 11 billion in 2009. The UK's low pollution economy now compares to its healthcare and construction sectors. Over 900,000 people are now employed in the UK in low pollution businesses and jobs in these sectors.^{vii}

A carbon price is needed to lessen rising electricity prices

Delaying the introduction of a price on carbon has major implications for electricity prices. In the absence of market certainty provided by a price on carbon, household electricity prices are predicted to increase by between \$3.97/MWh and \$8.60/MWh. Based upon a final 2008 financial year residential tariff of around \$140/MWh, this involves increases of around 3% to 6% in the price of electricity for an average household.^{viii}

More information on the role and benefits of a carbon price for Australia's clean energy sector can be found at www.cleanenergycouncil.org.au/cec/policyadvocacy/Committees/Carbon-Price-Working-Group/fact-sheets.html

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

Yours sincerely

[original signed]

Matthew Warren
Chief Executive

i 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>

ii Ibid

iii The Climate Institute. *Clean Energy Jobs and Investment in Regional Australia*. June 2009. Web. 28 October 2010. Available at: <http://www.climateinstitute.org.au/images/J1742Report.pdf>

iv Ibid

v Australian Conservation Foundation. *Creating Jobs – Cutting Pollution, the Roadmap for a Cleaner, Stronger Economy*. Web. 28 October 2010. Available at:

http://www.acfonline.org.au/uploads/res/ACF_Jobs_report_190510.pdf^{vi} Ibid

vii 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

viii Tim Nelson, Simon Kelley, Fiona Orton and Paul Simshauser. *Delayed carbon policy certainty and electricity prices in Australia*. March 2010. Web. 28 October 2010. Available at:

http://www.climateinstitute.org.au/images/electricityprices_july2010.pdf