

The Chamber of Minerals and Energy WA

Responses from Aileen Murrell, CME Assistant Director, to questions taken on notice at the Joint Standing Committee on Treaties (Reference: The Kyoto Protocol, Friday 19 December 2008)

- 1. The Chair's question, 'The chamber claims that, if the current MRET is reached, the market for renewable will be saturated. Can you tell us how the chamber arrived at this conclusion? ...Can you tell us why it would not complement and emissions trading scheme?'**

In response to this questions, please refer to section 6 of the CME submission to the *Garnaut Climate Review on emissions trading design*. In this section we state:

The CME is concerned that the efficient operation of the ETS will be deleteriously affected by other policy interventions such as the Mandatory Renewable Energy Target (MRET). MRET has the potential to direct investment toward higher cost abatement options, in direct contradiction to the intent of an efficient market based ETS.

Aside from the negative interaction effects between the MRET and the ETS, the CME considers that the MRET target of an additional 45,000GWh by 2020 is flawed. The magnitude of this target neglects consideration of the backup generation requirements needed to support such massive increases in intermittent renewable generation. The MRET also overlooks the capacity of the existing transmission network and network management systems to handle such large volumes of renewable energy, which will primarily be wind. Wind generation is notoriously variable and at these volumes difficult to manage.

Moreover, it is likely that when the MRET is reached at 2020, the market will be saturated and there will be a long gap before more renewables can be justifiably built and added to the grid. In the meantime the MRET will have pushed up electricity prices beyond their efficient levels that would have been established under the ETS. The CME considers the implications of these inefficiently high electricity prices will have negative consequences for its members.

At the very least, if the current MRET is to remain in place, it should be expanded to include Low Carbon Emission Technologies which may help to generate investment in carbon capture and storage (CCS), low carbon emission diesel power generation and/or improve abatement from the transport sector. In this way the revised MRET would lessen the regulatory burden associated with picking just a few winners from the array of cleaner energy options.

Ultimately a global consensus on a comprehensive response to climate change that includes the development of low emissions technologies is necessary and the government needs to consider lobbying strenuously for the inclusion of CCS in the Clean Development Mechanism under the Kyoto Protocol.

The CME supports the consideration put forward in the MCA submission for R&D incentives for innovation, research and development by Australian businesses to assist in meeting climate policy goals. Companies seeking to develop and commercialise clean technologies face long lead times, spill over effects, and high technical and commercial risks. It is essential to develop and deploy all forms of low emissions technology commercially if emissions reductions are to come close to those required into the future.

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The ETS will generate significant revenue from the auction of permits and this income presents a clear opportunity for the government to reinvest these revenues into programs that support the development of low emissions technology and energy efficiency. Greater support is needed in relation to the existing R&D funding program, and the CME supports the following:

- Increase the deduction on eligible clean technology R&D expenditure (from 125 per cent to 200-250 per cent) to provide further incentives for industry to undertake R&D activities;
- Extend the scope of tax offsets by removing the thresholds for companies developing clean technologies; and
- Implement these incentives in addition to the provision of grants under various schemes which are targeted at basic research and early stage high risk research.

2. Senator Cash's question, 'under the heading "The unique affects of an ETS upon Western Australia" the CEM claims that electricity generators should be protected during the initial stages of an ETS. Can you elaborate on why you say that would occur?'

In response to Senator Cash's question, unfortunately CME is unable to find this heading and the quote referred to in either our submission to the Garnaut Climate Change Review or the CPRS Green Paper.

3. Senator Cash's question, 'can I get you to elaborate further, in particular in relation to Western Australia, on the types of low emissions technologies that you are referring to and how you see us being able to go forward in actually achieving lower emissions technology?'

Please refer to examples provided in response to the first question.

4. Senator Ludlam's question, 'Do you have an idea of what the carbon footprint of the Western Australian mining sector is?'

The CME does not collect this information on behalf of members. Suggest reference to data held by Department on Climate Change.

5. Senator Ludlam's question, 'whether the chamber participate in [the Investor Group on Climate Change Australia/New Zealand] group?'

CME does not directly participate in this group.