**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

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| **Outcome:** | 1 | **Question No:** | 94 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Clean Technology Investment Program | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

What, if any, aspects of the answer to May 2012 Budget Estimates Question on Notice 80 would have changed as a result of the Government-wide grant pause, as applied to the Clean Technology Investment Program to which the answer in part refers?

**Answer:**

The Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) is responsible for administering the Clean Technology Program. DIISRTE advises that there has been no change.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 95 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Contract for Closure Program closure | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

Does the Department agree with Dr Frank Jotzo of the Australian National University that, everything else being equal, the closure of the Contract for Closure program will likely mean increased abatement will have to be purchase from European and other international carbon markets, specifically his statements reported in The Australian Financial Review of 7 September that [CHECK] “everything else being the same, there will be greater emissions domestically as a result and that will be made up by buying more EU permits ... it will shift that balance away from domestic reductions and towards purchasing international permits. It is a budgetary saving but is not a saving to the economy.”

**Answer:**

The Contract for Closure program was designed to promote energy security by providing certainty to new investors in low-pollution generation. The Government negotiated in good faith to attempt to secure the closure of up to 2,000 megawatts of very highly emissions-intensive coal-fired electricity generating capacity. This negotiation was always on the basis that the outcome needed to provide value for taxpayers’ money.

The Government has stated that it could not be satisfied that the Contract for Closure program would achieve good value for money against its energy security objectives. In these circumstances, it could be expected that continuing with the Contract for Closure program would be likely to increase the economic costs of responding to climate change, not reduce them.

The decision not to proceed with the Contract for Closure program does not affect projected domestic emissions, international abatement purchases or economic costs because the aim of the Contract for Closure program was to provide certainty to new investors in low-pollution generation and to begin the electricity sector’s transformation to a clean energy future.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 96 |
| **Program:** | 1.1 | | |
| **Division:** | ASCD/CER | | |
| **Topic:** | Market Research | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

Is the Department and/or Clean Energy Regulator still undertaking market research, through Hall and Partners | Open Mind or any other contractor, into the carbon tax (carbon price)? Please detail the nature of any such contracts including their tenure, the amounts to be paid and their purpose.

How much has been paid to date in market research, by contractor and in total? Why, if there are no plans for further advertising of the Clean Energy Future package, has it been necessary to continue market research many months after the conclusion of the last media buy?

**Answer:**

The Clean Energy Regulator has not conducted any market research. As at 15 October 2012, no further market research has been commissioned by the Department with Hall and Partners | Open Mind or any other contractor.

As at 15 October 2012, the total spend on market research for 2010-11 and 2011-12 has been $1,397,200. Hall and Partners | Open Mind was the sole contractor procured to provide market research services during this time.

Regular market research is essential to help guide the focus of communications activities to ensure the Australian public is effectively informed of policy changes that may impact them.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 97 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Landfill shifting | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

Have any of the Minister, Parliamentary Secretary or Department received representations from landfill operators concerned at a loss of contracts due to landfill being shifted to sites operating below the carbon tax threshold? Is the Department aware that such landfill shifting is occurring? To what extent does the Department believe it is occurring? What action, particularly any action to minimise the impact on larger landfill operators, is the Department taking as a result of this? Is it possible that landfill is being diverted from more efficient landfill sites into less efficient landfill sites?

**Answer:**

As at 20 November 2012, the Department is aware of three representations having been made to the Government concerning the potential for waste to be diverted from above threshold to below threshold landfill facilities. These representations are based on two situations where the carbon price is suggested to be contributing to a risk of waste diversion from a large landfill facility (which has more than 25,000 tonnes of carbon dioxide equivalent ($CO_2$-e) greenhouse gas emissions each year) to smaller facilities nearby (which have less than 25,000 $CO_2$-e of emissions each year).

On the basis of the information provided to date, it is not clear whether there is any actual diversion which is driven by carbon pricing, or whether there is a risk that it may occur, or whether other commercial drivers are involved.

The Government has invited those making the representations to contact the Department to provide additional evidence to support claims of waste diversion caused by the carbon price. As at 20 November 2012, the Department has not been provided with any further information.

The Department is not presently aware of any other claims of diversion of waste due to the carbon price. In the absence of evidence to the contrary, the Department believes that the risk of such diversion is low due to:

- recent rationalisation of landfill facilities to address local councils' concerns about their environmental impacts and the associated costs of mitigating these;

- the existance of long-term contracts with waste contractors and local councils, which are not affected by the carbon price; and

- regional planning requirements that may constrain disposal practices in some areas.

The Department continues to monitor this issue and, as noted above, has invited relevant stakeholders to submit evidence of diversion.

Furthermore, the Government has committed that the Climate Change Authority will review the issue no later than 2015-16. As part of this review, landfill operators will have the opportunity to provide any evidence of waste diversion.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 98 |
| **Program:** | 1.1 | | |
| **Division:** | ASCD | | |
| **Topic:** | Clean Energy Future website | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

How many questions and answers appear on the 'question and answer' page on the Government's 'Clean Energy Future' website – http://www.cleanenergyfuture.gov.au/question-and-answer? Does this webpage allow members of the public to submit questions? If so, how many of those published were submitted by members of the public? If not, as would appear to be the case, what is the point of a 'question and answer page' and who has written the published questions?

**Answer:**

The web page www.cleanenergyfuture.gov.au/question-and-answer currently includes 96 questions and answers in 13 searchable categories.

This web page does not provide a facility for members of the public to submit questions. There are many ways the public can, and do, pose questions about the Clean Energy Future package, including via the Department's call centre, mail, public email addresses or social media channels including Facebook and Twitter.

The questions and answers reflect those questions most frequently raised with the Department by the general public, rather than being specific answers to individual questions from Australians. Providing answers to frequently asked questions is a standard way of addressing questions from the general public about many government programs and policies. Answers were prepared by staff of the department.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 99 |
| **Program:** | 1.1 | | |
| **Division:** | ASCD | | |
| **Topic:** | Climate Change Grant Program – ACTU – seminars | | |
| **Hansard Page EC:** | Written | | |

**Senator Birmingham asked:**

With reference to seminars in Granville, Perth, Wollongong, Morwell and Geelong, as identified in the answer to May 2012 Budget Estimates Question on Notice 86:

1. When were these seminars held?

2. Were any travel costs paid for delegates or others in attendance? If so, what costs?

3. For each seminar, which unions were represented and by how many delegates and/or officials?

4. What was the total cost of conducting these seminars?

5. Does the Department consider these to be good value for money and why?

**Answer:**

1. The seminars in Granville, Perth, Wollongong, Morwell and Geelong were held between March and June 2012 as follows.

| **Seminar location** | **Date** |
|---|---|
| Granville | 14 March 2012 |
| Perth | 29 March 2012 |
| Wollongong | 22 March 2012 |
| Morwell | 4 April 2012 |
| Geelong | 18 pril 2012 |

2. Of the ACTU's total Climate Change Grant Program grant budget of $93,000 (GST excl), $14,555 (GST excl) was used to pay for presenters' travel and accommodation expenses for all 10 one-day seminars.

3. The unions that were represented and the number of delegates and/or officials for each seminar follows.

| Seminar location | Union represented and (number of delegates and/or officials) |
|---|---|
| Granville | – Australian Manufacturing Workers Union National Sydney Office (2)<br>– Australian Education Union NSW Teachers Federation (1)<br>– United Voice National Office (8)<br>– Media, Arts and Entertainment Alliance (1)<br>– Australian Manufacturing Workers Union State Branch (3)<br>– Australian Council of Trade Unions Organising Centre Sydney Office (1)<br>– Construction, Forestry, Mining and Energy Union, Construction and General Division NSW Branch (1)<br>– Independent Education Union (1) |
| Perth | – Australian Council of Trade Unions Organising Centre Perth Office (1)<br>– Australian Maritime Officers' Union Western Area (1)<br>– Community and Public Sector Union/State Public Services Federation (Civil Service Association) WA Branch (4)<br>– Unions WA (1) |
| Wollongong | – United Voice National Office (1)<br>– National Tertiary Education Union Wollongong Branch (1)<br>– Australian Workers' Union NSW Port Kembla South Coast and Southern Highlands Branch (4)<br>– TAFE/Australian Education Union (1)<br>– Construction, Forestry, Mining and Energy Union (1) |
| Morwell | – Construction, Forestry, Mining and Energy Union, Mining & Energy Division - VIC District (5)<br>– Construction, Forestry, Mining and Energy Union, Construction Division (1)<br>– Australian Manufacturing Workers Union VIC State Office (1)<br>– National Tertiary Education Union VIC Division (1)<br>– Australian Services Union VIC/TAS Authorities and Services Branch (3)<br>– Electrical Trades Union (1) |
| Geelong | – Australian Workers' Union VIC Branch (5)<br>– Construction, Forestry, Mining and Energy Union, Construction and General Division VIC Branch (5)<br>– Australian Manufacturing Workers Union VIC State Office (2)<br>– Australian Nurses' Federation VIC Branch (1)<br>– Australian Services Union (2)<br>– Textile, Clothing and Footwear Union of Australia (1)<br>– Electrical Trades Union (2) |

4. In accordance with the Finance Minister's instructions, the Department publishes the details, including total cost, of all grants administered by the Department at http://www.climatechange.gov.au/about/grants.aspx. The ACTU's Climate Change Grant Program grant to conduct 10 one-day seminars was for a total of $93,000 (GST excl).

5. The ACTU's Training Workers for a Clean Energy Future project met the overall goals of the Climate Change Grant Progarm by developing and conducting 10 one-day seminars in regional areas with carbon intensive industries. Through these seminars, the project successfully equipped union officials and organisers with the knowledge necessary for them to then hold informed meetings and one-on-one conversations with employees in workplaces across Australia. This approach ensured value for money was achieved and in a manner more cost effective than if the Department had sought to run multiple information sessions at multiple venues across Australia.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 100 |
| **Program:** | 1.1 | | |
| **Division:** | ASCD | | |
| **Topic:** | Regional National Resource Management Planning for Climate Change | | |
| **Hansard Page EC:** | Written | | |

**Senator Edwards asked:**

1. With reference to written question on notice 208 (May Budget Estimates 2012) how many applicants have applied for Stream 2 funding so far?

1. When will decisions be made on successful applicants?

2. What kind of applicants have applied so far?

4. Why is over half ($7.575 million) of the funding for Stream 2 allocated in the 2012-13 year?

**Answer:**

1. Thirty-two applications were received to the $8 million Grants Program by the closing date of 27 September 2012.

2. The evaluation process is underway. An announcement will be made once final decisions have been made.

3. Applications were received from higher education institutions, publicly funded research agencies, and other Australian research organisations.

4. The budget profile was designed to enable Stream 2 projects to be initiated in 2012-13 to provide information to support the update of regional NRM plans under Stream 1 of the Regional National Resource Management Planning for Climate Change Fund.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 101 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Clean Technology Program | | |
| **Hansard Page EC:** | Written | | |

**Senator McKenzie asked:**

In response to QON #80 it was confirmed businesses are eligible to receive assistance through the $1.2 billion Clean Technology Program. How much is allocated per businesses?

**Answer:**

The Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) is responsible for administering the Clean Technology Program (CTP). DIISRTE advises that CTP grants are competitive and pre-allocations are not made per business.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 102 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Emissions-intensive trade-exposed assistance | | |
| **Hansard Page EC:** | Written | | |

**Senator McKenzie asked:**

It was also confirmed around 170 businesses or entities will qualify for emissions-intensive trade-exposed (EITE) assistance in Australia.

How many of these businesses are based in regional Australia and how much of the assistance went to supporting regional industry?

**Answer:**

The Clean Energy Regulator estimates that around 60 per cent of businesses that have applied under the Jobs and Competitiveness Program are based in regional Australia.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 103 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD | | |
| **Topic:** | Impact of the carbon price on refrigerants | | |
| **Hansard Page EC:** | Written | | |

**Senator McKenzie asked:**

Has the Department had any feedback from small independent businesses on how they have coped with the rise of the cost of refrigerant?

**Answer:**

The Department has had feedback from some small independent business in relation to higher refrigerant costs through correspondence addressed to the Minister for Climate Change and Energy Efficiency and the Parliamentary Secretary for Climate Change and Energy Efficiency.

The principal issue raised in such correspondence is that some businesses have been deliberately or inadvertently led to believe that recent price increases for refrigerant gases are wholly due to the equivalent carbon price when they are not. Where such issues are raised, the Department has referred these matters to the Australian Competition and Consumer Commission (ACCC) for its consideration.

The Department understands that, in many cases, price lists published recently by refrigerant wholesalers, which may be the basis of the representations made to those writing to Ministers, show price increases in July 2012 which are, in some cases, significantly higher than the equivalent carbon price that applies to these refrigerants.

For example, the most commonly used refrigerant in Australia, R134a, attracts an equivalent carbon price of around $30 per kilogram. However, recent list prices published by two major refrigerant wholesalers show price increases taking effect in early July 2012 which are in the order of $120 per kilogram. It is clear that such increases cannot be fully attributed to the equivalent carbon price.

Any representation that the carbon price is entirely the cause of such price increases runs the risk of breaching the prohibition in the Australian Consumer Law on misleading and deceptive conduct and enforcement action being taken by the ACCC.

**Senate Standing Committee on Environment and Communications**
**Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 104 |
| **Program:** | 1.1 | | |
| **Division:** | LD | | |
| **Topic:** | Coal seam gas – emissions measurement | | |
| **Hansard Page EC:** | Written | | |

**Senator Milne asked:**

The Pitt and Sherry study (Review of Literature on International Best Practice for Estimating Greenhouse Gas Emissions from Coal Seam Gas Production) recently released by the Department of Climate Change and Energy Efficiency found "there is effectively no public information about methane emissions associated with unconventional gas production in Australia.  This is a matter of some public policy concern, given the projected large growth in production of CSG" (p.15).

The Pitt and Sherry study proposed 4 steps to correct this:

1. Undertake a rough assessment of the possible relative magnitude of the various individual sources.

2. Obtain sample measurements of emissions from the sources identified in step (1) as likely to be the most important.

3. After analysing the results of the sample measurements, decide what amendments should be made to the NGERS reporting requirements.

4. Prepare amendments to the Measurement determination.

Q1. Has the Department reviewed these recommendations?

Q2. Will the Department implement these recommendations? Please explain why or why not?

Q3. Has the Department developed a strategy and work-plan to develop emissions methodologies and factors based on on-ground measurement for coal seam gas production in the National Greenhouse Accounts and National Greenhouse and Energy Reporting (NGER) Measurement Determination 2008?

Q4. If so, can the Department report on the key activities, milestones and timeframes?

Q5. If not, when will the Department develop a strategy and work plan to do so?

**Answer:**

1. Yes. The Department received the Pitt and Sherry *Review of literature on international best practice for estimating greenhouse gas emissions from coal seam gas production* (Report) in August 2012 and has reviewed its recommendations.

2-3. As part of the process of continuous improvement for the national inventory and the National Greenhouse and Energy Reporting system (NGER), the Department will improve estimation and measurement approaches to coal seam gas (CSG) emissions in the first instance through a collaboration with CSIRO to investigate fugitive emissions from coal seam gas in Australia.

The project is intended to provide preliminary data based on field measurements, and modelling of methane emissions from a sample of production facilities in New South Wales and Queensland.

The primary aims of the project are to:

- make close-in measurements at selected CSG operations to quantify fugitive emission fluxes from various parts of the production process (for example: wells and surface infrastructure); and
- develop atmospheric techniques to monitor and quantify methane fluxes from production facilities from distances of many kilometres away from the source.

This research is an important next step in filling the existing knowledge gap by establishing scientifically robust and consistent methods for fugitive emissions monitoring and measurement.

Ultimately this research will lead to the development of suitable Australian-specific methods for monitoring and quantifying fugitive emissions from the CSG industry. Doing so will enable a better understanding of the magnitude and effect of fugitive emissions.

The project will begin in early 2013, and a report on the research findings will be published and made publicly available at the completion of the work.

The Department will also consult further with stakeholders in early 2013 on options for enhancing approaches for the measurement of CSG.

4. Key activities and timeframes are listed below:

| **Key activity** | **Milestone - Key Date** |
|---|---|
| Publication of the Pitt and Sherry *Review of literature on international best practice for estimating greenhouse gas emissions from coal seam gas production* commissioned by the Department | September 2012 |
| Closing date for public submissions on emission estimation for coal seam gas | 19 October 2012 |
| Website update confirming that the CSIRO and the Department will be collaborating to investigate fugitive emissions from CSG in Australia.<br><br>The project is intended to provide preliminary data based on field measurements and modelling of methane emissions from a sample of production facilities in New South Wales and Queensland. | 4 December 2012 |
| Further stakeholder consultations on potential amendments to the *NGER (Measurement) Determination 2008* | December 2012 – June 2013 |
| Amendments to the *NGER (Measurement) Determination 2008* | Before 30 June 2013 |

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 105 |
| **Program:** | 1.1 | | |
| **Division/Agency:** | CPMD/CER | | |
| **Topic:** | Jobs and Competitiveness Program | | |
| **Hansard Page EC:** | Written | | |

**Senator Milne asked:**

The operation of the European Union Emissions Trading Scheme has been blighted by wind-fall gains from the over-allocation of free permits to emissions-intensive industry, transferring revenue from taxpayers to emitters and displacing the cost of emissions reduction from heavy industry to households and other industries.

1. Is it true that the over-allocation of free permits under the Job and Competitiveness Program can and will lead to windfall gains for aluminium smelters – such as $12.3 million to Tomago over and above its actual carbon liability in the first year of the carbon pricing mechanism?

2. In appearing before the Committee, the Secretary of the Department of the Climate Change and Energy Efficiency noted the linkage to the EU scheme increased the effective rate of assistance to eligible emissions intensive trade exposed liable parties as they can acquit 12.5% of their liability in lower-priced CDMs – enabling them to re-sell higher-valued free permits issued under the Jobs and Competitiveness Program. Has the Department undertaken its own analysis of the value of this amendment to eligible recipients and the impact on the effective rate of assistance?

3. Will the Department direct the Productivity Commission to assess the impact of these changes, and take them into consideration in reviews of the Job and Competitiveness Program?

4. Some eligible emissions intensive trade exposed liable parties have electricity contracts that do not permit pass-through of carbon. In appearing before the Committee on October 15, the Secretary of the Department of the Climate Change and Energy Efficiency stated that the permit allocation for Tomago had been adjusted to reflect this contractual arrangement. Could you confirm that is correct?

5. Was the allocation of free permits adjusted for any other eligible emissions intensive trade exposed liable parties on the basis of contractual arrangements that do not permit the pass-through of carbon costs?

6. If not, does the authority exist to adjust free permits based on contractual arrangements that do not permit the pass-through of carbon costs?

7. Will the Department and/or the Clean Energy Regulator undertake investigations to confirm if other recipients of free permits under the Job and Competitiveness Program have such contractual arrangements?

8. Was the allocation of free permits to other eligible emissions intensive trade exposed liable parties adjusted for contractual arrangements with hydro-electric generators that will not attract a carbon liability?

9. Has the allocation of free permits been adjusted to any eligible emissions intensive trade exposed liable parties on the basis of subsidised carbon liability from State Governments?

10. Will the issue of recipients of free permits under the Job and Competitiveness Program making windfall gains due to electricity contractual arrangements be included in the terms of reference for the scheduled review by the Productivity Commission in 2014-15?

11. In view of this evidence, and the requirement to provide businesses with three years notice of any revision to assistance, will the scheduled review of the Job and Competitiveness Program be brought forward from 2014-15? If not, please explain why not.

12. Could the Department explain the criteria that need to be satisfied for scheduled reductions in free permit allocations to be paused at 90 per cent for a highly emissions intensive activity, and 60 per cent for a moderately emissions intensive activity?

**Answer:**

1. Under the Jobs and Competitiveness Program (JCP), free carbon units are allocated to emissions-intensive trade-exposed (EITE) activities based on historical industry average emissions-intensities. Actions by companies to reduce emissions and improve energy efficiency do not change these baselines. This means that recipients are fully incentivised to reduce the emissions-intensity of their production and improve energy efficiency.

   To maximise incentives to reduce emissions, there is no cap on the allocations to existing facilities. This means that some companies could receive an effective assistance rate of greater than 100 per cent in respect of an activity where they take action to reduce their emissions or are highly efficient.

   Aluminium smelters receive assistance at the highly emissions-intensive rate starting at 94.5 per cent of industry average baselines that are reduced at a rate of 1.3 per cent per annum. Assistance provided to EITE entities will be reviewed by the Productivity Commission (PC) in 2014-15. Paragraph 156(2)(f) of the *Clean Energy Act 2011* (the Act) specifies that the PC must have regard to whether windfall gains are being conferred.

2. Linking with the European Emissions Trading Scheme does not change the legislated rates of assistance provided to EITE activities established in the Act. However, it is possible for the effective rates of assistance to increase in the flexible price period, taking into account possible price differentials between Kyoto units and European Union Allowances and Australian Emissions Units. For example, if a liable entity was able to source Kyoto units for three quarters of the European Union price, the industry average effective assistance rate for highly emissions intensive activities in 2015-16 would increase from 90.9 per cent to 93.8 per cent under the JCP. For moderately emissions intensive activities, the rate would increase from 63.5 per cent to 65.5 per cent in 2015-16.

3. Under the Act, the Productivity Minister is required to refer the JCP to the PC for review in the third year of the carbon price mechanism (2014-15) and thereafter at regular intervals in line with the general scheme reviews. The matters to which the PC must have regard when undertaking reviews of the JCP are outlined in section 156 of the Act. Paragraph 156(2)(f) of the Act outlines that the PC must have regard to whether windfall gains are being conferred on persons carrying on EITE activities as a result of the JCP.

4. The Secretary of the Department of the Climate Change and Energy Efficiency referred to provisions in the *Clean Energy Regulations 2011* (the Regulations) which allow for assistance to large electricity users to be amended to reflect carbon costs pass through in individual contracts. In total, these provisions require large electricity users to either: a) have assistance modified to reflect the level of carbon costs passed through in pre-existing contracts via a large user certificate; b) re-negotiate their contracts to allow for the pass through of carbon costs; or c) receive no assistance in relation to electricity used.

   The Clean Energy Regulator has advised that it had not received any applications for a large user certificate by the due date of 1 August 2012. Given the framework set out in the regulations, this implies that all large electricity users with pre-existing electricity contracts are likely to have re-negotiated their contracts to allow a sufficient level of carbon cost pass through.

5-6. There are no provisions in the Act or Regulations which provide authority for the Government to adjust assistance to reflect carbon costs being passed through to JCP recipients other than where large electricity users are party to pre-existing contracts for the supply of electricity. The PC, in conducting its reviews of the JCP, may recommend changes to assistance rates when having regard to whether windfall gains are being conferred.

7. Other than in circumstances mentioned in the response to Question 4, the Act does not provide the Department or the Clean Energy Regulator with authority to investigate the details of private contracts between parties. In undertaking its reviews of assistance provided under the JCP, the PC may be minded to consider issues of carbon cost pass-through in determining whether windfall gains are being conferred.

8. Allocations of free carbon units to eligible entities under the JCP are not adjusted to reflect individual contractual arrangements they may have with particular electricity generators. Allocations are intended to assist for the uplift in electricity prices in Australia's major electricity markets as a result of the carbon price.

9. No, allocations of free carbon units to eligible entities under the JCP are not adjusted to reflect subsidies provided by State Governments.

10. As set out in the response to question 3, section 156(2)(f) of the Act establishes that, in undertaking the reviews, the PC must have regard to whether windfall gains are being conferred on persons carrying on EITE activities as a result of the JCP.

11. As established in section 155 of the Act, the JCP will be reviewed by the PC in the third year of the mechanism (2014-15). The review in 2014-15 by the PC follows reviews by the Climate Change Authority on pollution caps and the Renewable Energy Target (RET). It also follows the PC's review of fuel excise arrangements, and any requested ad hoc industry reviews and reviews in relation to steel industries. The review by the PC in 2014-15 provides sufficient time for the PC to develop a detailed understanding of the scope of matters in section 156 of the Act that are to be considered.

12. As established in section 156 of the Act, the PC can recommend pausing assistance rates for a specific industry at either 90 per cent for highly emissions-intensive activities or 60 per cent moderately emissions-intensive activities. In making this recommendation, the PC must consider whether less than 70 per cent of the relevant competitors in each emissions-intensive trade-exposed industry are located in foreign countries where the impact on those competitors of emissions reduction measures (including assistance) is comparable to the impact on the industry of Australian emissions reductions measures (including assistance).

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 106 |
| **Program:** | 1.1 | | |
| **Division:** | EMPCD | | |
| **Topic:** | Energy Security Fund | | |
| **Hansard Page EC:** | Written | | |

**Senator Milne asked:**

1. Since the Energy Security Fund was established, Contracts for Closure has been abandoned and a Bill has been introduced to link the Australian emissions trading scheme with the European Union scheme. Similarly there have been changes in the energy market, including a significant reduction of electricity demand that has forced the (temporary or permanent) closure of coal-fired power stations and generation units at Munmorah, Tarong, Swanbank and Playford power stations. Given all of these changes, has the Department of Climate Change and Energy Efficiency reviewed payments under the Energy Security Fund? If so, is the assessment of the Department that they remain necessary and are at the appropriate level?

2. Has the Department undertaken any analysis of the potential for windfall profits to be experienced by generators receiving Energy Security Fund payments?

3. If not, given the failure of Contracts for Closure was a consequence of the generators valuing their assets more highly than the Government was willing to pay, will the Department undertake a review Energy Security Fund payments – or request the Productivity Commission to do so? If not, why not?

4. Would you classify Energy Security Fund payments as a fossil fuel subsidy?

**Answer:**

1. The current arrangements for the Energy Security Fund were developed over an extended period of time and are based on the best available information collected between 2007 and 2011, including detailed financial analysis. A consultation process took place with both industry and energy market bodies, including the Australian Energy Market Operator (AEMO) and the Australian Energy Market Commission. The Department does not consider that circumstances have changed to the extent that a review of the energy security package is warranted. It would be undesirable, and is unnecessary, to reopen the question of transitional assistance to generators.

The Australian Government's priority is to ensure Australia's energy security in the transition to a clean energy future. Consistent with the expectation that a carbon price will affect power generators with a higher emissions intensity, the Government is directing transitional assistance to those generators in order to improve security of energy supply.

AEMO recently released a report which included an analysis of the impact of the carbon price on wholesale prices in the National Electricity Market. AEMO's analysis found a rise in the wholesale prices of around $21 per megawatt hour, which is consistent with analysis underpinning the Energy Security Fund.

Now that carbon pricing has been introduced, the market decides where industry transformations will occur at lowest cost. Already, the market has led to the closure or curtailment of hundreds of megawatts of high-polluting electricity generation capacity such as at the Playford B and Northern power stations in South Australia, and at Energy Brix in Victoria. On 23 November 2012, AEMO advised the intention for the Collinsville power station to be deregistered effective 31 December 2012. These outcomes have not required payments to the owners of these generators under contract for closure.

The Energy Security Fund arrangements were included in the Government's Clean Energy Future Plan and the Multi-Party Climate Change Committee Agreement. The Energy Security Fund transitional assistance (free carbon units) is now legislated under the *Clean Energy Act 2011*. The Clean Energy Regulator has assessed eligibility and issued certificates of eligibility in respect of those eligible generation complexes. Changes to the legislated entitlements would directly influence investor perceptions of sovereign risk in the energy market.

2. The Department is aware of some media reporting that brown coal generators are better off under the Clean Energy Future plan, in particular relating to claims by Frontier Economics.

This claim is based on approximations, rather than detailed energy market modelling. It does not take into account the long lived nature of the assets or the increasing level of global action on climate change which will factor into carbon prices in the years ahead. As outlined in the response to Part 1, current arrangements for the Energy Security Fund were developed over an extended period of time and are based on the best available information collected between 2007 and 2011. This information included detailed energy market modelling by two consultancies, SKM MMA and Roam Consulting, for the Treasury's *Strong Growth, Low Pollution* report. The Department does not consider that circumstances have changed to the extent that further analysis or a review of the Energy Security Fund transitional assistance is warranted.

Assistance rates under the Energy Security Fund are determined according to the emissions intensity of the generation complex and the amount of electricity it produces. Coal-fired power stations with higher emissions intensity will receive more assistance than those with lower emissions intensities.

3. As outlined in the response to Parts 1 and 2 (above), the Department has investigated claims that some generators will be better off under the Clean Energy Future plan, and does not consider that a review of the energy security package is warranted.

   On 5 September 2012, the Australian Government announced it would not be offering financial support to close highly emissions intensive power stations under the Contract for Closure program and has ceased negotiations with electricity generators involved. There are a number of reasons why it would be undesirable, and is unnecessary, to reopen the question of transitional assistance to generators. As outlined in the response to Question 1, current arrangements were developed over an extended period of time and are based on the best available information collected between 2007 and 2011, including detailed financial analysis. In addition, proposals to review or change legislated entitlements will directly influence investor perceptions of sovereign risk in the energy market. This risk is exactly the type of risk the package was designed to minimise so that energy is secured until sufficient alternative capacity is available in Australia’s electricity markets. Increased risk in the market would also likely push up wholesale electricity prices and result in further cost pressures for electricity consumers unnecessarily. In addition, all investors in the energy market, including investors in clean energy technologies, would face higher costs for financing due to increased risk levels.

   The Department will not be seeking a review of the Energy Security Fund payments from the Productivity Commission.

4. No.

**Senate Standing Committee on Environment and Communications**
**Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 107 |
| **Program:** | 1.1 | | |
| **Division:** | LD | | |
| **Topic:** | Carbon Farming Skills Program – AgriFood Skills Australia | | |
| **Hansard Page EC:** | Written | | |

**Senator Nash asked:**

On the Climate Change website on October 5th "The Department of Climate Change and Energy Efficiency has contracted AgriFood Skills Australia to develop a national accredited Vocational Education and Training qualification in carbon farming as part of the Carbon Farming Skills Program. How much is the Government going to contribute to this education program?

a. When does this education going to start if it is only in the public consultation stage?

b. What qualification will participants of the Agriskills VET course in Carbon farming as part of the Farming Skills Program receive i.e. certificate 1, 2 or 3 etc?

c. Has a curriculum been developed for this course and what are the details?

d. If the curriculum has not been developed what is the time frame for when it will be finalised?

**Answer:**

a. AgriFood Skills Australia is developing a national qualification which they aim to submit to the National Skills Standards Council for endorsement in the second quarter of 2013. When a national qualification is endorsed, registered training organisations can then develop courses for the qualification. Timing for this is at the discretion of the training organisations.

b. AgriFood Skills Australia will determine the level of the final qualification following the completion of public consultation.

c. In October 2012, AgriFood Skills Australia released for consultation the draft units of competency that will underpin the national qualification in carbon farming. These are available at: www.agrifoodskills.net.au/?page=CarbonFarming.

d. Please refer to Part a.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 108 |
| **Program:** | 1.1 | | |
| **Division:** | LD | | |
| **Topic:** | Domestic Offsets Integrity Committee | | |
| **Hansard Page EC:** | Written | | |

**Senator Nash asked:**

1. Has the Domestic Offsets Integrity Committee approved any more methodologies other than the four methodologies listed on the Department of Climate Change website or any of the nine that are under review?
   - combustion of landfill gas
   - Destruction of methane generated from manure in piggeries
   - Environmental plantings
   - Savannah burning

2. How many projected methodologies are before the Domestic Offsets Integrity Committee to be approved other than the eleven proposed methodologies that are under review?

3. Does the Department/Minister have a time frame for when these proposed methodologies will be approved by the Domestic Offsets Integrity Committee?

4. How many proposed methodologies are before public consultation?

5. Does the Department/Minister have a time frame for the proposed methodologies at the public consultation stage will go to the Domestic Offsets Integrity Committee for approval?

6. Have the proposed methodologies that are before public consultation had a positive or negative response?

7. Are there any soil Carbon methodologies listed on positive list?

8. The 5 methodologies that have been uploaded on to the Department’s website, that are currently under public consultation, what is the time period that these potential methodologies will be approved to added to the positive list?

**Answer:**

1. In addition to the four methodology determinations listed in question 1, the Domestic Offsets Integrity Committee has endorsed the following four methodology proposals (as at 27 November 2012):

   - methodology for destruction of methane generated from dairy manure in covered anaerobic ponds (Department of Climate Change and Energy Efficiency);
   - destruction of methane from piggeries using engineered biodigesters (Sunpork Commercial Piggeries Pty Ltd / Department of Climate Change and Energy Efficiency);
   - reforestation and afforestation (CO2 Australia); and
   - diverting legacy waste from landfill for process engineered fuel manufacture (SITA ResourceCo).

2. As at 27 November 2012 the Domestic Offsets Integrity Committee was actively considering 18 methodology proposals.

3. Of the 18 methodology proposals referred to in Question 2, the Department expects the Domestic Offsets Integrity Committee will consider six methodology proposals for endorsement by the end of February 2013.

4. As at 27 November 2012 no methodology proposals were undergoing public consultation. Since June 2011, 19 methodology proposals have been subject to public consultation.

5. Please refer to the answer for Question 3.

6. The 19 methodology proposals that have been subject to public consultation have received a range of responses from stakeholders. Public submissions for methodology proposals are available on the Department of Climate Change and Energy Efficiency website at: www.climatechange.gov.au/government/initiatives/carbon-farming-initiative/methodology-development/methodologies-under-consideration.aspx.

7. There is currently one activity on the positive list related to soil carbon – the application of biochar to soil.

8. As of 27 November, there were 15 methodology proposals on the Department's website. All of these cover activities that are on the positive list.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 109 |
| **Program:** | 1.1 | | |
| **Division:** | CPMD/LD | | |
| **Topic:** | Galilee Basin – Climate Basin | | |
| **Hansard Page EC:** | Written | | |

**Senator Waters asked:**

1. In its September 2012 report into the climate emissions from the Galilee Basin, Greenpeace calculated that emissions if all the coal mines proposed in the Galilee Basin produced to maximum capacity would be 705 m tonnes of $CO_2$.

2. Has the Department examined this figure and claim?

3. Does the Department's analysis support that of Greenpeace?

4. Has the Department prepared any documents in response? (please identify)

5. How many meetings were held between the Department and mining industry groups or companies following the announcement that a Strategic Assessment would be prepared for the Great Barrier Reef? Identify:
   a. When meetings were held
   b. Who attended
   c. What was discussed
   d. Any documents tabled
   e. Any actions agreed to be taken by the Department

6. How many meetings were held between the Department and environmental NGOs regarding the same issue and over the same period?

**Answer:**

1-3. The Department of Climate Change and Energy Efficiency (the Department) considers that it is too early to say whether all mines in the Galilee Basin will proceed to production, as conjectured by the Greenpeace report. The Bureau of Resources and Energy Economics (BREE) released its most recent bi-annual *Major mining projects list* in April 2012. As at April 2012, BREE lists five potential projects in the Galilee Basin, although none of these projects are considered to be in the advanced stages of planning. However, based on the *Major mining projects list*, the maximum production of coal if all of the proposed projects were to proceed is around half of the production outlined in the Greenpeace report.

Greenpeace reports that the annual emissions from coal produced in the Galilee Basin could be as high as 705 million tonnes of carbon dioxide equivalent (Mt $CO_2$-e). This figure is based on the $CO_2$-e emissions which are produced from extracting and burning black coal. The vast majority of black coal produced in Australia is for export markets. The level of global emissions produced from coal is a function of global demand. If this coal was unable to be sourced from Australian production, coal to meet this demand would most likely be sourced from another country. In this context, the Department considers it is incorrect to assume that the mining projects undertaken in the Galilee Basin would increase global emissions as outlined in the Greenpeace report.

4. The Department has not previously prepared a response to the report.

5-6. The Department has not held meetings with mining industry groups, companies or environmental NGOs in relation to the Strategic Assessment of the Great Barrier Reef. The Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) is undertaking the Strategic Assessment with the Queensland Government and the Great Barrier Reef Marine Park Authority. DSEWPaC is consulting with industry and environmental stakeholders on the Strategic Assessment.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 148 |
| **Program:** | 1.1 | | |
| **Division:** | LD | | |
| **Topic:** | Carbon Farming Skills | | |
| **Hansard Page EC:** | Written | | |

**Senator McKenzie asked:**

The Carbon Farming Skills accreditation scheme is an element of the Australian Government's Carbon Farming Skills program. The scheme allows farmers and other landholders to earn carbon credits by storing carbon or reducing greenhouse gas emissions on land. Credits can be sold to offset their emissions. The program will help develop a national qualification in carbon farming.

1. How much will it cost to develop the training package to set up a VET qualification in carbon farming?
2. Who is developing the training course?
3. Is the training package on track to being completed by the first quarter of 2013?
4. How much has it cost to set up the Accreditation Scheme?
5. In answer to QON #73 from Budget Estimates this year, it was confirmed the government did not fund CFI projects. Does the Clean Energy Regulator keep such information on its records.

**Answer:**

1. The Department has budgeted $125,000 to develop the national qualification in carbon farming.
2. AgriFood Skills Australia is developing the national qualification. Registered training organisations such as TAFEs or universities will develop courses or training programs implementing the national qualification.
3. Feedback on the Carbon Farming Skills consultation paper indicated that stakeholders were seeking a longer consultation period than was originally planned. To accommodate this longer consultation AgriFood Skills Australia now expects to submit the training package to the National Skills Standards Council for consideration in April 2013.
4. The accreditation scheme is yet to be established, so no cost has been incurred.

5. The Clean Energy Regulator maintains the register of offsets projects at: www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Register-of-Offsets-Projects/Pages/default.aspx. It does not include funding information.

**Senate Standing Committee on Environment and Communications**
**Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 216 |
| **Program:** | 1.1 | | |
| **Division:** | LD | | |
| **Topic:** | Carbon Farming Initiative | | |
| **Hansard Page EC:** | Written | | |

**Senator McKenzie asked:**

I asked a series of questions last Estimates in relation to assessment of outcomes of the Carbon Farming Initiative – specifically in relation to the impact on capital values of proponents of CFI projects.

a. While the government does not provide funding for the CFI projects, what data does the government have on who's been successful in their application and how much they've received?

b. What is involved with the application process and what do those who have applied hope to achieve?

c. What consultation occurred with industry on impact on capital value of signing CFI agreements?

**Answer:**

a. The Clean Energy Regulator maintains a register of Carbon Farming Initiative (CFI) projects at http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Register-of-Offsets-Projects/Pages/default.aspx. It lists the project name, description, location, project area and status, as well as the number of Australian Carbon Credit Units issued.

b. Applicants for CFI projects must first apply and be approved as a Registered Offsets Entity. They may then apply for declaration of an eligible offsets project.
The application forms are available on the Clean Energy Regulator website at http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Forms-and-calculators/Pages/default.aspx.

To date the Clean Energy Regulator has approved 12 projects for the capture and combustion of methane in landfill gas from legacy waste, one project for the destruction of methane generated from manure in piggeries and one project for reducing emissions through early dry season savanna burning.

c. The impact on capital value of signing CFI agreements will depend on the project and the commercial arrangements between market participants. These are matters for the commercial entities involved.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 339 |
| **Program:** | 1.1 | | |
| **Division:** | EMPCD | | |
| **Topic:** | Impact of carbon pricing and Renewable Energy Target on electricity prices | | |
| **Hansard Page EC:** | Written | | |

**Senator Boswell asked:**

The two Commonwealth greenhouse measures that impact on the price of electricity are:

- the carbon tax; and
- the Renewable Energy Target (RET)

As far as the direct effects on electricity prices are concerned, the carbon tax in its present form is estimated to cost around $8 billion a year, and the RET by some estimates will cost $5 billion a year by 2020.

1. Could you indicate what these two measures mean to the cost of electricity to your members and what kind of impact they might entail for their on-going business operations?

There are four different types of measures in place designed to reduce carbon dioxide and other greenhouse gas emissions. These are:

- the carbon tax;
- the Renewable Energy Target (RET);
- direct budgetary expenditures, including the new Clean Energy fund; and
- standards on a range of products.

As far as the direct effects on electricity prices are concerned, the carbon tax, which in its present form is estimated to cost around $8 billion a year, and the RET – some estimates place that at a $5 billion a year cost by 2020 - are the main policies. Clearly, no policy formulation approach is worthwhile unless the government is aware of its costs in terms of regulatory and budgetary measures.

2. That being the case, could you indicate the aggregate level of costings for these measures combined, say, as of the current year and in 2020?

**Answer:**

The Department notes that Senator Boswell issued a clarification that question 1 and question 2 refers to price impacts of the carbon price and the Renewable Energy Target on households.

1. The Australian Treasury modelling estimated that the carbon price of $23 per tonne will increase household electricity prices by around 10 per cent or $3.30 a week, on average nationally. For 2012-13, retail price determinations for households on regulated offers announced by state and territory regulators are broadly consistent with this estimate, and range from $1.34 to $4.20 a week, allowing for differences in assumptions about consumption levels and modelling methodologies between jurisdictions.

   For 2012-13, estimates based on state and territory retail pricing determinations indicate that for households on regulated offers, the cost impact of the RET ranges from about 90 cents a week to about $2.20 a week in electricity prices, on average.

2. Please refer to Answer 1 for electricity price impacts on households in 2012. Estimates for 2020:

   - The Australian Treasury's *Strong Growth, Low Pollution* modelling estimated that the carbon price will contribute about $18 per megawatt-hour or 7 per cent of household electricity prices in the years 2018-22 (measured in 2010 dollars).

   - Modelling undertaken by the Climate Change Authority indicates that the RET will contribute about $9.60 per megawatt-hour or about 4 per cent to household electricity prices, over the period to 2020-21.

   - These figures should be treated as estimates in isolation from one another. The figures were produced using different economic models underpinned by different assumptions, and therefore should not be aggregated.

**Senate Standing Committee on Environment and Communications Legislation Committee**

**Supplementary Budget Estimates, 15 October 2012**

**Answers to Questions on Notice**

**Climate Change and Energy Efficiency Portfolio**

| | | | |
|---|---|---|---|
| **Outcome:** | 1 | **Question No:** | 340 |
| **Program:** | 1.1 | | |
| **Division:** | EMPCD | | |
| **Topic:** | Renewable Energy Target | | |
| **Hansard Page EC:** | Written | | |

**Senator Boswell asked:**

1. Do you agree with the Minister for Resources Mr Ferguson that the RET represents "a bonus to the renewable sector of the order of another $20 to $30 billion in Commonwealth Government support"?

2. Who bears the cost of this industry subsidy? It is the electricity consumer isn't it?

3. Are you aware of research by the NSW regulator, IPART that has found that some low income households, especially in regional areas, are paying around 13% of their income on electricity?

4. What compensation has the Federal Government made available to electricity consumers to meet the costs of electricity due to the RET?

5. Do you agree with the Productivity Commission and the Rudd Government's Strategic Review of Climate Change Policies that a Renewable Energy Target, when operating with an emissions trading scheme, 'will not encourage any additional greenhouse gas abatement'? In other words, the RET is an industry subsidy not an environmental measure?

6. In summary, isn't it true therefore that 1) the RET is an industry subsidy measure not an environmental measure, 2) that the cost is borne by electricity consumers and 3) that electricity price increase disproportionately affect low income Australians and especially those in regional areas?

**Answer:**

1. The Department estimates that the RET provides around $16 billion in support to the renewable energy sector over the period of 2011 to 2020.

2. The RET creates a guaranteed market for additional renewable energy deployment using a mechanism of tradable certificates. Demand for certificates is created by placing a legal obligation on entities that buy wholesale electricity (mainly electricity retailers) to source and surrender these certificates to the Clean Energy Regulator. Liable entities pass the costs associated with sourcing these certificates on to electricity consumers through higher retail electricity prices.

3. The IPART's final retail electricity price determination of July 2012 concluded that while lower income households may spend a greater proportion on their income on energy, there was 'wide variability in the bills of low-income households, as well as in the share of their disposable income spent on electricity', with estimates ranging from around 2 per cent to over 10 per cent of disposable income being spent on electricity and gas by lower income households.

4. The Government does not provide compensation to households to meet the small increase in electricity costs due to the RET. However, the scheme allows partial exemptions for businesses undertaking Emissions-Intensive Trade-Exposed activities. Furthermore, eligible households which install renewable systems receive significant assistance under the RET from the creation of Small-scale Technology Certificates.

   Furthermore, the RET also operates to reduce wholesale costs of electricity. Once built, renewable energy projects have lower ongoing costs to cover, along with higher revenue streams than existing fossil-fuelled power stations. This is because they do not have any fuel costs (as they are using wind or solar energy rather than coal or gas) and generate revenue from the sale of renewable energy certificates created under the RET.

5. The RET is an important measure under the Government's plan for a clean energy future that works alongside the carbon price to speed up the adoption of renewable energy technologies and help smooth the transition to a low carbon economy.

   Reviews by Professor Garnaut and the Productivity Commission which concluded that the RET will not encourage additional abatement when operations alongside a carbon price were undertaken before the design of the carbon pricing mechanism was finalised.

   In an internationally linked carbon trading scheme, the RET will encourage additional abatement in the Australian electricity sector that would not occur under the carbon price alone, and will also lead to a decrease in the number of units purchased internationally to meet carbon price obligations.

6. The RET is delivering on the important environmental outcome of obtaining at least 20 per cent of Australia's electricity supply from clean renewable sources by 2020. As explained above, the cost impacts of the RET are passed on to end users.

   While electricity price increases may have a greater impact on lower income households, a range of assistance measures are being delivered by the Australian, state and territory governments to assit them in managing their energy bills.