

Senate Finance and Public Administration Legislation Committee
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Budget Estimates Hearing–May 2009

Written question reference: CC37a-c

Outcome/Output: Outcome 1, Output Group 1.1 – Response to climate change

Topic: Renewable Energy Target

Hansard Page: Not relevant for written QoN

Question: (Senator Boswell)

- a) What is the market failure that the 20 per cent renewable energy target seeks to address?
- b) Does the renewable energy target undermine the cost-effectiveness of the ETS in reducing greenhouse gas emissions?
- c) Has the cost effectiveness of the renewable energy target been investigated against its objectives through a regulatory impact statement?

Answer:

- a) Electricity generation accounts for more than one-third of Australia's current greenhouse gas emissions, so Australia's transition to a low pollution future will require a significant transformation in this sector.

While the Carbon Pollution Reduction Scheme (CPRS) will help bring renewable energy technologies into the market over time, the Renewable Energy Target (RET) will accelerate their uptake, helping to transition the energy sector to lower carbon production earlier than would otherwise occur. The RET scheme has been designed to operate in parallel with the CPRS. As a transitional measure, the RET will conclude in 2030, by which time the CPRS is expected to be the primary driver of renewable energy.

- b) A report by McLennan Magasanik Associates on the 'Benefits and Costs of the Expanded Renewable Energy Target', January 2009 (available on the Department's website at www.climatechange.gov.au) indicates that the economic cost of the RET, above the CPRS, will be small, estimated at around 0.01 per cent of gross national product (GNP) from 2010 to 2030.
- c) The Government made a decision in December 2007 to implement through the Council of Australian Governments (COAG) its election commitment to achieve a national expanded renewable energy target. No formal Regulation Impact Statement was undertaken for this decision. However, COAG considered the costs and benefits of the scheme against the objective of having 20 per cent of Australia's electricity supply coming from renewable energy by 2020. The findings were made public (see answer (b) above), as part of consultation with stakeholders on scheme design. COAG agreed the scheme on 30 April 2009.