
RENEWABLE ENERGY (ELECTRICITY) BILL 2000 AND RENEWABLE ENERGY (ELECTRICITY) (CHARGE) BILL 2000

GOVERNMENT MEMBERS REPORT

These bills implement the Government's mandatory renewable energy target. In his Second Reading Speech, the Minister noted that the measure incorporated in these bills has the multiple objectives of:

- Accelerating the uptake of renewable energy in grid-based applications, so as to reduce greenhouse gas emissions;
- Providing an on-going base for the development of commercially competitive renewable energy, as part of the broader strategic package to stimulate renewables; and
- Contributing to the development of internationally competitive industries which could participate effectively in overseas energy markets.

The Government members of the Committee note that the Committee's report as a whole endorses the Government's measure and its objectives, and we note that the majority of the report's recommendations reinforce and reiterate actions already provided for in the bills either by regulations, or by future review. However, the report also contains a small number of recommendations requiring changes to specific provisions of the bills. The Government members do not agree with two such changes in particular – the recommendation under 1.41 that native forest waste should not be regarded as biomass; and the recommendation under 1.72 that the \$40 per MWh certificate charge should be changed to an unspecified level.

The Government members are of the view that the exclusion of forest wastes from the description of eligible biomass is contrary to the objectives of the renewable energy measure and if included would damage its integrity. As to the value of the certificate charge, any arbitrary change at this late stage would negate the comprehensive and painstaking consultation process that all stakeholders have gone through to develop this measure. And to leave the value of the certificate in abeyance as this recommendation appears to suggest will certainly destroy any certainty the renewable energy industry and the liable entities representing the existing industries both demand.

In the course of this Inquiry, the Committee heard evidence from the Australian Greenhouse Office that the only other example of mandatory renewable energy target extant is in a limited number of states in the United States where the target is voluntary at the national level. These bills when brought into force will therefore put Australia in the forefront in the world-wide effort to reduce greenhouse gas emission systematically.

It is therefore encouraging to find an underlying mood of agreement throughout this Inquiry, as noted in the Committee's report. However, this same mood may have led the Committee into a false sense of optimism when assessing the evidence presented to it, to give greater weight in the balance of consideration to quantity rather than quality, to volume rather than precision, and to preference and inclination rather than rational analysis. This gives rise to a real concern that the issues identified as of significance may not be of real importance, so that the recommendations that follow do not serve to facilitate the purpose of this legislation, or indeed may impede it.

For example, the Committee report demonstrates considerable doubt as to whether biomass, in particular forest waste, should be counted as a renewable energy source. A number of witnesses including the Australian Conservation Foundation pressed the argument that this in combination with the existence of a target floor price "could potentially drive and really support existing woodchipping operations", and provide an economic reason to "actually drive the burning of native forest woodchips". The research that enabled this assertion was described by a witness as follows:

"... of the research I did in asking various environment groups and also in looking through newspaper articles at the cost of woodchips, the lowest cost woodchips that I could find were \$30 per tonne, a medium cost was about \$50 per tonne and, generally, from what I saw reported in the papers and from some other sources, it was between \$70 and \$100 per tonne. On that basis I made the classification of low, medium and high cost."

On the other hand, Professor Hamilton, representing the Australia Institute and who was by no means an uncritical witness, stated that:

"... if you have wood waste lying on the forest floor after logging, it will release its carbon dioxide either by being burnt on the forest floor or by rotting, or you can chip it and put into a coal fire power plant or a bespoke energy facility. It is better to turn it into energy rather than see the carbon just emitted into the atmosphere for no beneficial purpose."

And further,

“... the environmental problems associated with logging should be tackled not through ... renewables (sic) bill but through the other processes in place, particularly the RFA processes.”

Nevertheless, in the face of such contrary evidence, the Committee then goes on to reject the RFA process as a safeguard without a reasoned argument, and recommend native forest wood products and wood wastes be specifically excluded from the list of eligible renewable energy sources. It is this display of leap of logic that puts the Committee's recommendation in doubt. The Government members do not support the Committee's recommendation 1.41 with reference to the Renewable Energy (Electricity) Bill 2000.

The Committee also seems to have entertained an assumption – without justification - that the objectives of the measure will be and must be prioritised, that a balanced approach should not be attempted.

The issue of the appropriate level of penalty at \$40 per MWh was challenged by a number of witnesses representing environmental groups and some windpower generators. Australian Greenhouse Office in substantive evidence went to considerable details to explain that this penalty, or certificate charge as it is correctly termed, has a dual function, as an incentive for compliance and to meet a need to limit the exposure of liable parties to much higher than expected costs. The \$40 per MWh level was a “carefully modelled outcome” which has been workshopped, peer reviewed and publicly released during the two-year consultation process that has resulted in these bills. For the Committee to ignore this evidence, and to recommend that this consultation process should be revisited, will serve no other purpose than to delay the realisation of Australia's Kyoto commitment.

In view of the enthusiastic support given to this measure by the majority of submissions received the Committee with, as noted in the Committee's report, with even those suggesting amendments urging that its implement should not be delayed, the Government members believe that the Committee has erred to recommend changes to the certificate charge provided in the Renewable Energy (Electricity)(Charge) Bill 2000.

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