

**Western Australian
Sustainable Energy
Association
(WA SEA) Inc.**

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SUBMISSION

TO THE

ECITA LEGISLATION COMMITTEE

IN RESPONSE TO

**THE INQUIRY INTO THE RENEWABLE ENERGY
(ELECTRICITY) AMENDMENT BILL 2002**

Friday, 11 October 2002

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Mission:

'On behalf of the people of Western Australia, the Association will vigorously promote the development and adoption of sustainable energy so that by the end of this decade, 30% of the states fossil fuel use is displaced by sustainable energy practices.'

The Western Australian Sustainable Energy Association (WA SEA) is the peak body of the Western Australia Sustainable Energy Industry. The Association promotes the development and adoption of sustainable energy technologies and practices that minimise and/or displace fossil fuel use. The Association has 30 company members and 50 individual members, representing a broad spectrum of the industry including waste, solar hot water heating, renewables and energy efficiency.

WA SEA congratulates the Federal Government for taking the initiative and implementing a Mandated Renewable Energy Target (MRET) which aims to reduce Australia's greenhouse gas emissions and promote the development of the Australian renewable energy industry. However, there is significant concern within the WA sustainable energy industry that these objectives will not be met due to unintended problems in the baseline setting process, contained in the Renewable Energy (Electricity) Act 2000.

We believe strongly that if this issue is not addressed, it will mean limited development of new renewable energy projects within WA (and Australia) and no real reductions in greenhouse gas emissions.

WA SEA is pleased to see that the ECITA Legislation Committee have been appointed the task of reviewing the proposed amendments to the Renewable Energy (Electricity) Act 2000 which aims to improve the administrative integrity, effectiveness and efficiency of the Act and that the issue of baselines is to be considered.

WA SEA has two key concerns:

Concern 1: The way in which baselines have been calculated for old hydroelectric power stations and the lack of transparency in the baseline setting process

Concern 2: Potential to stall development - no real need to build new renewable energy projects until 2008.

These concerns will now be addressed.

Concern 1: The way in which baselines have been calculated for old hydroelectric power stations and the lack of transparency in the baseline setting process

WA SEA is concerned with the way baselines have been determined for existing large-scale hydro projects as was revealed by the Australian EcoGeneration Association (AEA). AEA's research showed that these power stations can obtain RECs if they increase electricity output above established baselines.

The analysis showed that existing large scale hydroelectric power stations could earn more than 30 million Renewable Energy Certificates (RECs) (this equate up to \$1 billion) under the MRET legislation. This **does not** result in new renewable energy projects being developed and/or any additional greenhouse abatement. In fact, AEA's research found that no new renewable energy projects are required to be built until 2008.

WA SEA fully supports the premise that the legislation was suppose to be an incentive for old hydro projects to improve their performance. However, the way in which the baselines were set has meant that RECs can be created without generating additional renewable energy. The lack of newly developed renewable energy projects will mean significant economic loss to the industry and consequently Australia.

WA SEA recommends:

- The baseline methodology needs to be clear and transparent in its application
- That the baselines that have already been set should be reviewed through an open and consultative process
- That the baseline setting process should be reviewed to make sure that it will deliver additional new renewable energy

Concern 2: Potential to stall development - no real need to build new renewable energy projects until 2008.

The Renewable Energy (Electricity) Act, 2000 was created to ensure that an **additional** 9,500 gigawatt hours (GWh) of energy is generated by new renewable energy sources by 2010. This equates to approximately \$6 billion dollars worth of new investment in the renewable energy industry. Focusing specifically on WA this equates to the potential for approximately \$650 million worth of investment if WA's renewable energy requirements are met locally.

As has been previously stated, there is concern that AEA figures show that under the existing operating environment, no new renewable energy projects need to be established until 2008. This does not support development of an eager and budding industry but acts to frustrate and stall development and greenhouse abatement.

In addition, it is of great concern to WA SEA that regional WA will be unfairly disadvantaged if no new renewable energy projects are built. A report by the Australian EcoGeneration Association (2000) states that almost three quarters of Australia's renewable energy projects proposed or under construction are located in regional areas. These projects provide employment opportunities, an additional income stream, the ability to use waste for energy (Eg. saw dust, sugar cane, poultry litter), and tourism opportunities for regional WA. Basically, renewable energy projects can contribute significantly to economic growth within regional areas.

WA SEA recommends

- Amendments made to the legislation must support the immediate development of **new** renewable energy projects