

Minority Report from Labor Senators

The Bill is a huge missed opportunity to ensure our children have a clean, healthy energy future

When our children look back, they will judge the Howard Government very harshly for not taking stronger action to support clean energy and avoid dangerous climate change.

True to form, the Howard Government's *Renewable Energy Amendment Bill 2006* does very little to help avoid dangerous climate change.

The Bill is another missed opportunity for clean energy, and another example of the Howard Government fiddling while Australia burns.

While this Committee has been considering this Bill, the Howard Government has once again shown it does not support renewable energy.

Over the last month the Minister for the Environment, Senator Ian Campbell, has blocked a wind farm in Victoria because one parrot every 667 years was threatened, and then the Minister tried to stymie a Western Australian wind farm which his own Department had given the green light to.

Instead of blocking clean energy projects and presenting Bills such as this one which do very little to help avoid dangerous climate change, the Howard Government should seize the economic opportunities of the worldwide push to clean, renewable energy.

Sadly, the Howard Government's approach to wind farms specifically and renewable energy more generally is all about politics and not about the environment.

The Howard Government is taking Australia down the wrong path.

By not taking stronger action in this Bill to support clean energy and avoid dangerous climate change, the Howard Government has shown that its own political interests are a higher priority than providing a clean, healthy environment for our children.

Labor Senator's main concern is that the Bill is a missed opportunity for renewable energy, but we are also concerned with one specific and unintended consequence of the Bill, namely that the anti-gaming provisions in Clause 30D of the Bill are quite likely to have some unintended consequences for the sugar industry.

Section 30D creates considerable risk and uncertainty for some renewable industry sectors. It is particularly the case for the sugar industry, where a number of sugar

mills operate in a local area. It is important that the definition of gaming be clarified in the legislation and not to be left to the Regulator by doing so has the potential to put at risk future investment in renewable cogeneration in the sugar industry.

Cane transfers between sugar mills (which are also renewable generators) are a normal operating practice. The practice is likely to increase over the coming years as the industry restructures to optimise operations and reduce costs to compete internationally. Under the proposed changes this has the potential to be defined as gaming.

It is disappointing that the Committee has not accepted the clear and cogent arguments made in submissions by industry on this matter.

Recommendation 1

To address the unintended consequences of the anti-gaming provisions, Clause 30D should be amended to ensure the definition of a gaming arrangement focuses on arrangements where the predominant outcome is to create more renewable energy certificates without an increase in total electricity generated.

The Bill is a huge missed opportunity for clean energy

Announced in 1997 and implemented in 2001, the Mandatory Renewable Energy Target has been responsible for the deployment of renewable energy projects and technologies.

This has meant the 2010 MRET target of 9500 GWh of generation is likely to be achieved by the end of 2006.

The Government should have taken advantage of the *Renewable Energy Amendment Bill 2006* to increase and extend the MRET target to 2020.

When MRET was first announced the Government's stated intention was to increase the market share of renewable energy generation as a percentage – to increase market share by 2%. This is what the Government said:

*On the eve of the third Conference of the Parties (COP3) under the framework convention on climate change, the Prime Minister announced that 'targets will be set for the inclusion of renewable energy in electricity generation by the year 2010. **Electricity retailers and other large electricity buyers will be legally required to source an additional 2% of their electricity from renewable or specified waste-product energy sources by 2010**'.*

(Senator Ian Campbell, Second Reading Speech, Renewable Energy (Electricity) Bill 2000, Hansard 14 August 2000).

Senator Campbell on MRET (Hansard 14 Aug 2000):

And what else does this mean for Australia? It means jobs, particularly in regional areas.

However in its design MRET became a Gigawatt Hour (GWh) target rather than a percentage of market share. That is, by making the target in GWh rather than as a percentage of electricity generated, the target became a dead target.

The result is that market share of renewable energy in 2010 will be approximately 10.5% - exactly the same as it was in 1997.

In other words, MRET hasn't increased the market share of renewable energy, it has simply enabled it to keep pace with our growing demand for energy.

Implications of the Government's current 'dead' MRET target

The renewable energy industry is currently facing a significant down turn in project activity and investment. Without an increase in MRET, Australia is at risk of 'stranding' industry capability, technology, skills and intellectual property. This will come at a time when the world increases global constraints on greenhouse emissions.

In other words, while MRET helped build industry capacity in the face of greenhouse constraints, its ability to respond in the future will be diminished.

By making the MRET target a dead target in GWh rather than as a percentage of electricity generated, the Howard Government will be allowing the potentially huge greenhouse friendly renewable energy industry fall over.

The importance of industry stimulus measures such as the Mandatory Renewable Energy Target (MRET)

All around the world governments are putting in place policies to facilitate the growth of the renewable energy industry.

The future for United Kingdom wind power was brightened with the July 2003 approval of up to 6000MW of offshore wind by 2010. In Spain, Denmark and Germany alone the expansion of the renewable energy sector has created about a quarter of a million new jobs in the last few years.

John Howard's refusal to ratify the Kyoto Protocol has meant Australian companies such as Macquarie Bank are investing in massive renewable energy projects in Europe and Britain.

Wind continues to be the world's fastest growing energy source. Yet at home we must do better.

According to Business Review Weekly, Australia is missing out on \$3 billion worth of investment due to the inertia of the Howard Government.

If we are to grow our renewable energy industry effectively and reduce greenhouse gas emissions, we need a regulatory frame work that allows the market to operate with certainty. We need effective incentives to drive investment.

Mandatory Renewable Energy Targets (MRET) are part of this solution. MRET seeks to diversify our electricity mix and contribute towards greenhouse gas abatement in the long term. MRET is needed to ensure there is incentive and viability for the renewable energy industry.

The theory behind MRET is right and it works. The incentive is an effective subsidy provided by the market. But the Howard Government has set the target too low, and the Bill is a missed opportunity to increase the MRET.

As the current Mandatory Renewable Energy Target is expected to be reached within by the end of 2006, we are essentially capping our capabilities.

Avoiding further dangerous climate means long term vision, ambitious targets and multiple solutions. Small targets mean small returns.

Quickly achieved outcomes may look good for government, but short-sightedness is killing our potential and with it our environment. Our renewable energy market needs long term vision if we are to see the rewards, to boasts in jobs and investment. We need far reaching goals.

Why the Bill should have increased the MRET

Climate change is the greatest environmental challenge facing the global community. However, in Australia there is still no national climate change strategy and, because of the Howard Government's complacency, Australia is on track to *increase* its greenhouse pollution by 23% by 2020.

The Howard Government's complacency over climate change is placing our environment, economy and vital infrastructure at risk.

There is overwhelming scientific evidence that climate change caused by carbon pollution is making Australia hotter, the ocean warmer and more acidic, and that this directly threatens every city and town's water supply and the Great Barrier Reef and Kakadu.

The science says that climate change increases the intensity of cyclones and hurricanes. Climate change means we'll have more category 4 and 5 cyclones. If climate change is unchecked it will severely damage Australia's agricultural and

tourism industries, while also affecting many Australians with more severe weather events and further water restrictions.

2005 was the hottest year on record and the five hottest years have been in the last seven. The Bureau of Meteorology says this is because carbon pollution is changing our climate.

Climate change poses a challenge for Australia and the world, and Australians must rise to that challenge. All of us — industry, governments, communities and individuals — must do our fair share.

With this challenge comes opportunity: to enhance our health through cleaner air, and an opportunity to strengthen our competitiveness by transforming our economy to make it more efficient and more sustainable.

Doing so means drawing on the ingenuity and innovation of all Australians.

Our region holds many exciting investment possibilities yet only with a global mindset can there be the necessary transfer of know how and technical expertise to see a world-wide wind energy network.

Partnerships in our region have the potential to unlock huge economic and environmental opportunities for our nation. With the necessary mechanisms and support it is clear that the renewable energy can become the focal point for our region. Indeed, our full participation in the global network is essential to unlocking environmental and economic growth opportunities.

The Howard Government has so far failed to take up this opportunity. The Bill is another example of the Howard Government's slothful approach to supporting renewable energy and avoiding dangerous climate change.

We have the potential for a stronger renewable energy industry, yet the government's inaction has instead seen our jobs go overseas and our market isolated. The Government is deliberately frustrating the expansion of clean energy technologies which are already available – solutions that are already tried and tested – such as solar and wind energy.

The Bill is merely tinkering with the issues when stronger action is needed.

What is needed from Government are drivers of technology change and policies which promote the take up of renewable energy.

The Howard government's selective and isolationist attitude continues to inhibit further development of the renewable energy sector and subsequently our ability to avoid dangerous climate change.

Greater support for renewable energy and a national emissions trading scheme are necessary components of any serious policy to address Climate Change.

Leadership and vision is already being provided by state and territory governments around this country. Design propositions for an emissions trading market have been agreed to as the basis for further development and investigation.

If we deliver the right price signals, and provide the right incentives within a well developed and supported regulatory framework, Labor believes Australia can play its role in helping the world avoid dangerous climate change.

Recommendation 2

That the Bill be amended to:

- (a) Provide strong incentives for industry to move to clean energy,
- (b) Deliver a genuine and substantial increase in the percentage of Australia's energy generated from renewable sources and, in doing so, set the MRET at more than 5%, and
- (c) Highlight the important role clean, renewable energy will play in cutting Australia's greenhouse gas emissions.

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