

Off target

If a new bill becomes law, nearly a million households could be paying for renewable energy that does nothing to reduce Australia's greenhouse gas emissions.



ILLUSTRATIONS BY GREGORY BALDWIN

nutshell

► The voluntary purchase of government-accredited GreenPower or carbon offsets by consumers helps Australia meet its targets under the Kyoto Protocol, but can't help us exceed those targets.

► Unless changes are made, from 2010, voluntary actions to reduce emissions will make it easier and cheaper for big industry to pollute more.

When CHOICE members Cath and Wally signed up for GreenPower in 2007, they wanted to make a difference to the environment. They knew government-accredited renewable energy would cost extra, but were prepared to pay a premium on their monthly electricity bill to help lower Australia's greenhouse gas emissions.

Elsewhere, Anthony and Louise's motivation for installing solar panels on their roof to generate electricity was also environmental, not economic. The system cost more than \$26,000, even after substantial federal rebates.

Now both households are among the hundreds of thousands paying extra for renewable energy that helps Australia achieve its carbon emission reduction targets. The catch is, a major flaw in government policy means their contributions are doing little to reduce Australia's carbon footprint. At worst, they are helping to prop up polluting industries. If the proposed Carbon Pollution Reduction Scheme (CPRS) goes ahead, the scenario looks even more grim. The CPRS could result in many of our individual efforts to reduce emissions enabling big industry to pollute more, with overall emissions staying the same as they would without our efforts.

Consumers subsidising big polluters

When Australia signed the Kyoto Protocol in late 2007, a new mandatory target was set to restrict our national emissions to 108% of their 1990 levels. But since the beginning of 2008, almost all voluntary actions that households take to reduce emissions are counted towards that mandatory target. So if you pay for renewable energy to offset your household's annual electricity use, the resulting emission reductions are counted by the government towards the national target. Similarly, if you buy Australian carbon offsets, the emissions saved by those actions count towards the legally binding targets.

From bad to worse

This problem will soon be exacerbated by the Carbon Pollution Reduction Scheme legislation, details of which were released in March 2009. The CPRS is the primary mechanism to achieve the mandatory Kyoto emission reductions and other long-term targets beyond 2012.

The government will give away and auction emissions "permits" that restrict large businesses' pollution to certain levels. Under the scheme, Australia will commit to a medium-term national emissions-reduction target of 5% below 2000 levels by 2020 (15% if an international agreement comes into place), and a long-term target of 60% emissions reduction below 2000 levels by 2050. The government has also reaffirmed its commitment to 20% of our energy being produced from renewable sources by 2020.

While there's still some hope of a reprieve (see Window of Opportunity, opposite), consensus is growing that after the CPRS is introduced, most voluntary actions, including buying GreenPower, installing solar panels or using less electricity, won't result in additional emissions reductions beyond the binding targets. In other words, consumers are disempowered – our direct actions to reduce greenhouse pollution are ineffective.

Did you know ?

"**Additionality**" means "the demonstrable ability to reduce emissions beyond what would otherwise have occurred". It is considered by the federal government and just about everyone else to be one of the most important attributes of voluntary actions, such as carbon offsets. "Mandatory" emissions reductions must happen; "voluntary" actions should reduce emissions beyond that mandatory amount.

"Nothing households do to reduce their use of fossil fuels will reduce Australia's emissions by one kilogram," says Richard Denniss of the Australia Institute think tank. "Under this scheme any emission reductions achieved by Australian households will actually allow the big polluters to increase their emissions by an equivalent amount."

"The signing of the Kyoto Protocol and announcement of the CPRS has rendered all voluntary action since the beginning of 2008 ineffective and non-additional to the mandated targets," the Carbon Reduction Institute wrote in a submission prior to the CPRS white paper. Even the Department of Climate Change confirmed that while buying GreenPower increases the amount of energy produced from renewable sources, it will not change total greenhouse gas emissions from sources that are covered and capped by the CPRS.

GreenPower scheme at a crossroads

GreenPower is the national accreditation scheme for renewable energy, managed by the NSW Department of Water and Energy. As previous CHOICE reports explained, it increases the amount of renewable energy generated in Australia. But as it no longer helps to create additional greenhouse gas abatement, the scheme may have to change in order to retain and grow its 878,000 household customers and find new ones. The following three options are being considered.

- **Do nothing** Buying GreenPower won't achieve additional greenhouse reductions but remains a way for consumers and businesses to support the renewable energy industry.

- **Change the scheme** so GreenPower sales result in a CPRS permit being retired (see How the Permits Work, Against Consumers, below). Australia's greenhouse emissions would be reduced and "additionality" would be achieved. The domestic renewable energy industry would also be supported. The likely price for such a package is unknown – it could be much higher than the current price for GreenPower alone.
- **Package GreenPower** with a carbon offset or renewable energy credit from a developing country that doesn't have emissions limits under the Kyoto Protocol. This would also achieve additionality, however, money would flow out of Australia to other economies, businesses and overseas renewable energy industries.

Window of opportunity

The CPRS hasn't been through parliament and won't come into force until 2010, so there's still hope that the problems around voluntary actions can be fixed. The Total Environment Centre (TEC) says that for now, consumers who want to help reduce greenhouse gas emissions should continue as before, but also lobby for change. It accepts that as things stand, buying GreenPower won't reduce Australia's emissions, but notes that your money would still support the renewable energy industry and can reduce the emissions for which you're personally responsible. >



CHOICE believes consumers shouldn't have to pay more to pollute less so that major emitters can pay less to pollute more.



HOW THE PERMITS WORK AGAINST CONSUMERS

Under the CPRS, the federal government will issue and sell a limited number of pollution permits to the 1000 greatest polluters in Australia, covering 75% of national greenhouse emissions. The permits will restrict the companies' pollution to a set level that enables Australia to meet its emissions reductions targets. The CPRS places a price on every unit of carbon emission for big polluters, making cleaner options more attractive.

The CPRS is an important first step in putting a price on greenhouse pollution. However, there are serious flaws in the design of the system. By setting a "cap" on how much industry can pollute, it also creates set limits on emissions reductions, making it unlikely that Australia will go beyond its targets.

A simplified example illustrates this point: say 1000 government permits were given away and sold to industry, each allowing one tonne of greenhouse pollution. The resulting emission levels would be exactly 1000 tonnes. If a company reduced its pollution, it could sell permits it doesn't need to another company, allowing that company to pollute more.

Emission levels are the same; all that changes is the polluter and the price.

An example from The Australia Institute's report *Fixing the Floor on the Emissions Trading Scheme* illustrates the detriment to consumers of this scenario. "After emissions trading is introduced, a number of concerned households decide to install solar hot water systems to reduce their climate impact. Demand for electricity falls as a result and electricity companies end up purchasing fewer permits to cover their emissions. Reduced demand causes the price of permits to fall, enabling other large polluters to purchase additional permits at a lower than expected price." A lower permit price would also reduce industry's incentive to find alternative solutions.

The only way consumers could reduce industry's emission levels would be to buy permits and "rip them up", taking them out of circulation. The Department of Climate Change has indicated that households will be able to buy and voluntarily surrender CPRS permits to reduce Australia's emissions beyond the government's current 5% commitment.

CHOICE wants all voluntary action taken by consumers to be counted as additional to the mandatory emissions reductions, so their efforts can make a real difference.

< “We think that consumers should still do everything they can to reduce their own emissions, including taking energy efficiency measures, buying GreenPower and buying credible carbon offsets,” says Jane Castle, Senior Campaigner with the TEC. “But they should also be calling on Prime Minister Rudd, and ministers Wong and Garrett, to ensure these efforts are additional to the weak emissions reduction target. Importantly, there is still a window of opportunity to achieve this change. TEC and the green industry sectors are campaigning on it at least up to when the Emissions Trading Scheme (CPRS) starts in 2010.”

The Energy Retailers Association of Australia (ERAA), which represents companies selling energy (including renewable), is also lobbying the federal government to make GreenPower additional. It says the door isn't closed to ensuring extra environmental efforts by consumers and businesses will count. The ERAA's Executive Director Cameron O'Reilly says that “878,000 households have signed up to GreenPower in good faith and to make a difference. GreenPower was developed with government support and now it's at risk of becoming obsolete.”



CHOICE SWITCH

Compare electricity prices, including GreenPower, at www.choiceswitch.com.au.



FREQUENTLY ASKED QUESTIONS

- **Does GreenPower reduce greenhouse gas emissions?** Buying GreenPower supports the renewable energy industry, but the NSW Department of Water and Energy, which manages the scheme, recently confirmed GreenPower no longer leads to additional greenhouse gas reductions. If you don't buy GreenPower, the equivalent emission reductions would have to be paid for by someone else anyway.
- **If I discontinue my subscription to GreenPower, what are the repercussions?** While some people argue that buying GreenPower reduces the greenhouse pollution you're individually responsible for, discontinuing your payment results in no net difference to Australia's – or the world's – greenhouse gas emissions. However, cancelling support for GreenPower would negatively impact on the Australian renewable energy industry. This is unfortunate, as the industry is trying to create a cleaner environment and GreenPower purchases support the development of new greener technologies. The industry's efforts are being stifled by the federal government's policies – we will be reporting on the renewable energy industry in the coming months.
- **After the CPRS starts, will turning off my air conditioner and plasma TV reduce Australia's greenhouse gas emissions?** No, but it will save you money.
- **After CPRS, will blasting my air conditioner all day with the windows open increase Australia's greenhouse gas emissions?** No, but you'll have very high electricity bills. And you may find it hard to get rid of these bad habits if and when Australia's climate change policy changes to require deeper emissions cuts.

Similarly, the Clean Energy Council also wants to see consumers' efforts recognised – particularly those who have spent thousands on solar panel systems. “These people wanted to make a difference and made a significant personal and financial commitment to reducing emissions,” says Matthew Warren, the council's chief executive. “That commitment should be honoured.”

Where do consumers go from here?

So what next for the consumers we met at the start of this story, and the hundreds of thousands more paying for emissions reductions that will make no net difference? If the proposed legislation is passed in its present form, Cath and Wally have the option to stop paying the extra premium for GreenPower. The Department of Climate Change has indicated solutions that offer environmental outcomes above what would have otherwise occurred, such as CPRS permits and credible carbon offsets, will become available to consumers. It is developing a standard for voluntary carbon offsets.

The situation isn't so clear cut for Anthony and Louise, who invested \$26,000 in a solar photovoltaic system. They'd probably like to see the government ensure that the effort and expense they went to has been worthwhile. They didn't spend all that money so that industry could increase its greenhouse gas emissions and pollute more freely at a lower cost. ■



CHOICE verdict

CHOICE wants voluntary actions by consumers to be counted as additional to the mandatory emissions reductions, so such efforts make a real difference. Otherwise, supporting initiatives such as GreenPower, energy conservation and energy efficient products, as well as the installation of solar panels and solar hot water systems and using other alternative energy sources won't make additional greenhouse gas reductions. Voluntary actions by households should result in permits to pollute being taken out of circulation.

You can help by lobbying the government for change before it's too late, both to ensure that voluntary actions by individuals are additional to what Australia has to achieve under mandatory targets, and join the call for stronger emissions reduction targets in line with the Intergovernmental Panel on Climate Change scientific advice. Go to www.choice.com.au/green.