



Australian Government
Department of Climate Change

Office of the Secretary

13 May 2008

Mr John Carter
Committee Secretary
Senate Employment, Workplace Relations and Education Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Carter

National Market Driven Energy Efficiency Target Bill 2007 and the Renewable Energy Legislation Amendment (Renewable Power Percentage) Bill 2007

You have invited the Department of Climate Change to provide comments on the two above-referenced private Bills. In developing comments in relation to the National Market Driven Energy Efficiency Target Bill 2007, we have sought the advice of the Department of the Environment, Water, Heritage and the Arts (DEWHA). Our comments in relation to this Bill reflect the DEWHA advice.

The National Market Driven Energy Efficiency Target Bill 2007 proposes to create a market for energy savings through energy efficiency certificate trading, building in part on the Mandatory Renewable Energy Target (MRET) framework.

The Government has already announced a number of energy efficiency measures which will employ direct financial incentives, strengthened energy efficiency regulations and targeted information to help households use less energy while saving money. Key measures include \$10,000 low interest loans for Australian households to implement energy and water savings, rebates for energy-efficient insulation for 300,000 rental homes, \$8,000 rebates for rooftop solar photovoltaic panels and \$1,000 rebates for solar hot water systems, improved energy and water efficiency standards for new homes and appliances, and making every school a 'solar school' within eight years.

Further, the Council of Australian Governments (COAG) Energy Efficiency Sub-Group is currently exploring options to accelerate uptake of energy efficiency measures to ensure a nationally consistent approach to climate change. Given that the Wilkins Review, the Garnaut Review and the COAG process will be providing further guidance on the role and composition of complementary measures alongside the proposed Emissions Trading Scheme, it is premature to comment on potential application of an Energy Efficiency Target at this stage.

The Renewable Energy Legislation Amendment (Renewable Power Percentage) Bill 2007 amends the portion of the associated regulations setting the annual renewable energy targets under the Mandatory Renewable Energy Target (MRET) scheme. The Bill substantially increases the annual targets from 2008 to 2020, consistent with the Government's commitment to a national renewable energy target (RET) scheme which expands the legislated target under the current MRET scheme to 45 000 gigawatt-hours in 2020.

The Bill reflects Senator Allison's view that under the Government's current timetable, new targets for renewable energy under the national RET will not come into force until 2010, resulting in the renewable energy industry stalling and the capacity and continuity of the renewable energy industry being put at risk.

The Department welcomes Senator Allison's contribution to the public debate around the design and implementation of the national RET scheme. In considering the scope and timing of this Bill the following observations are relevant.

As Senator Allison noted in her second reading speech on this Bill, the Government is already engaged in a cooperative process through the COAG to design the RET scheme, which includes absorbing the existing and planned state and territory targets into the national scheme.

The profile of annual targets to 2020, while an important element, is one of a number of interrelated parameters that need to be considered together in developing a design to successfully achieve what is a much larger target that extends beyond the current MRET's 2020 expiry date.

In addition, the successful integration of the current MRET and existing and planned state and territory schemes involves resolving differences in approach between these schemes.

In this complex context, it is important that design considerations, including the annual target profile, be informed by consultations with a wide range of relevant stakeholders, and by expert modelling and analysis of design options. Stakeholder consultations will soon commence and a tender process to select an expert analyst/modeller is underway.

In this situation, it would not be appropriate to pre-empt the outcomes of the consultations and analysis/modelling, nor would it be advisable to set the pre-2020 target profile in isolation from the settling of interrelated design parameters necessary to fully define the national scheme.

The Government recognises the importance of maintaining investor confidence during the design period, and the timeline for implementation recognises the need for careful consideration of all important design issues, while striving toward their timely resolution. The design is to be finalised later this year and the required amendments to the current MRET legislation are expected to be in place by mid-2009. To further assist with investor confidence, the Government has committed to ensuring that projects accredited under existing state schemes will be eligible under the national RET.

We also consider that the clear policy commitment to a 45,000 gigawatt-hour target in 2020, which represents nearly a four-fold increase above the existing MRET, combined with public release of the details of the RET scheme design later this year will provide confidence and information in an appropriate timeframe to mitigate investment uncertainty during the design period.

Thank you for the opportunity to comment on the private Bills.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Parkinson', written in a cursive style.

Martin Parkinson
Secretary