

Senate Standing Committee on Economics

ANSWER TO QUESTION ON NOTICE Inquiry into the Renewable Energy (Electricity) Amendment Bill and a related Bill – 6 August 2009

Question: (Senator Boswell)

What effect will the RET and the CPRS have on retail electricity prices in each state and territory for each year from 2010 to 2020?

Answer:

The Treasury modelling report, *Australia's Low Pollution Future – the Economics of Climate Change Mitigation*, contains detail on the expected household electricity price impact of the Carbon Pollution Reduction Scheme (CPRS) and the Renewable Energy Target (RET).

The table below outlines these electricity price impacts as a percentage change from the reference scenario for the CPRS and the RET by state and territory.

**Average household electricity price impact of the CPRS and the expanded RET*
– % change from reference scenario****

	2010 – 2015	2015 - 2020
	%	%
Queensland	21	25
New South Wales (and ACT)	23	27
Victoria	23	30
Tasmania	16	25
South Australia	21	22
Western Australia (SWIS)	11	14
Northern Territory	5	5
Australia	20	25

Source: MMA, contained in table 6.15 of *Australia's Low Pollution Future* report, page 176. Values shown are averages across each period.

*CPRS-5 scenario with an emissions allocation that leads to a reduction in emissions of 5% on 2000 levels by 2020. The expanded RET is included.

**The reference scenario does not include the CPRS but includes pre-existing policy measures such as the MRET and VRET.

The report prepared by McLennan Magasanik Associates (MMA) for the Department of Climate Change (DCC), *Benefits and Costs of the Expanded National Renewable Energy Target January 2009* (available on DCC's website) contains the expected retail electricity price impact of the expanded RET compared to a reference case containing the CPRS (CPRS-5 scenario) for the period 2010 to 2020 (table 3.3 on page 42 of the report).

In both cases, the data is presented as multi-year averages which provide a more useful indication of the impacts than year-on-year data as it smoothes the volatility inherent in the modelling outputs.

Question: (Senator Cameron)

Critique of the report by Gabriel Calzada Alvarez PhD, *Study of the effects on employment of public aid to renewable energy sources March 2009*.

Answer:

In the time available, the Department of Climate Change (DCC) was not able to obtain a copy of the response by the Government of Spain to the report by Gabriel Calzada Alvarez, *Study of the effects on employment of public aid to renewable energy sources March 2009* (the Alvarez report). However, a letter from the Spanish Secretary for State of Climate Change, Teresa Ribera Rodriguez, to the Chairman of the United States House of Representatives, Mr Henry Waxman, outlines the Spanish Government's views in regards to the report. The letter states that "the thesis in the Alvarez report is based on a simplistic, reductionist and short-term view of the problem". In the letter, the Spanish Government questions the economic methodology employed by the study, and points to more comprehensive analysis of the net employment impacts of renewable energy support policies. In the letter the Spanish Government also questions the focus on short-term economic outcomes at the expense of the medium to long-term impacts of lowering the carbon-intensity of electricity production.

Policies to encourage the deployment of renewable energy such as the RET tend to change the composition of the way people are employed, but they have very modest, if any, effects on the aggregate level of employment or unemployment.

From preliminary analysis of the Alvarez report by DCC, the report uses a simplistic equation to estimate the amount of jobs that would otherwise have been created if the 'green job' was not created. This is measured through a simplified equation that compares the subsidy to renewables against the average productivity of a worker.

Question: (Senator Xenophon)

Has any analysis been done by the Department of the efficacy of giving a REC for an electric air source heat pump compared to a solar heat pump?

Answer:

Renewable Energy Certificates (RECs) are allocated to both solar and heat pump water heaters according to a methodology that considers the amount of renewable heat energy the water heater can deliver over a 10-year period, netting out any supplementary energy (electricity or gas) used in heating the water. The relative efficiencies of different models of solar water heaters and heat pump water heaters of a similar size is reflected in their RECs allocation.

Details of the methodology are available on the website of the Office of the Renewable Energy Regulator, who administers the MRET scheme.

(www.orer.gov.au/manufacturers)