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Adelaide

12 July, 2009

The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

economics.sen@aph.gov.au,

Dear Senate Economics Legislation Committee,

RE; Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill

THIS SUBMISSION IS NOT CONFIDENTIAL

Thank you for providing the opportunity to comment on this important legislation.

It is because the legislation is so important and at a scale of significance compared with the compromised Carbon Pollution Reduction Scheme that we must get the both the voluntary aspects and mandatory aspects of this Bill right.

It is with concern that legitimate issues raised in previous consultation processes of Government in regard to renewable energy policy and now proposed legislation, have been largely ignored and some matters have yet to be acknowledged in any way by the Federal Government (see Appendix 1 – Links to related submissions). In this submission, I briefly reiterate these issues and trust that the Committee will at least acknowledge and hopefully address these matters. I also attach my recent posting on Solar Credits – Just Bad Policy.

Summary of Recommendations

Recommendation 1

The Committee should advocate that the actual 20% target promised by Government is reached by 2020, by changing Schedule 1 of the bill for years 2020 to 2030 such that the annual 45,000 GWh targets read 'Minimum of 20% of Australia's electricity generation and minimum mandatory 45,000 GWh'.

Recommendation 2

The Committee should recommend that Solar Credits concept be scrapped because it is based on false achievements, is misleading and results in less renewable energy and more greenhouse gas emissions Australia wide, compared with no household action and no such concept.

Recommendation 3

The Committee should recommend that a genuine householder support mechanism based on a National Feed In Tariff be introduced, which leaves the sustainability benefits (renewable, greenhouse etc) with the householder, and simply provides reward for the electricity generated.

Recommendation 4

The Committee should recommend that this Bill mandate full disclosure in RECs transactions such that householders are properly advised that when they sign across RECs or Solar Credits they are displacing other renewables already required by law, achieving zero additional renewable energy and zero reduced emissions for Australia.

Recommendation 5

The Committee should advocate that the components of the 20% expanded RET are fully and clearly described, including the pre 1997 baseline component (15,000 or 16,000 GWh) + the expanded MRET component (45,000 GWh by 2020) and,

The Committee should consider advocating the creation of an additional voluntary renewable energy component where voluntary GreenPower sales, household and business generator-user systems would contribute, without the additionality being stolen or tricked from householders and businesses to count towards mandatory targets.

Recommendation 6

The Committee should advocate that Renewable Energy Certificates are fully described in this Bill, including what they are, what they are not, and what they truly represent. There can only be distrust of voluntary mechanisms until this whole area is reformed.

Recommendation 7

The Committee should advocate that 100% GreenPower Customers receive exemption from mandatory MRET costs as they have already voluntarily purchased the same amount of renewable energy and much more (as far as is possible under Australian Law).

Specific Issues for the Senate Economics Legislation Committee to address

1) The Bill does not assure that the Government's 20% commitment will be reached

Even within the description of this inquiry, it becomes clear that the Bill only covers an increasing of the mandatory component of the renewable energy target from 9,500 gigawatt-hours (GWh) in 2010 to 45,000 GWh in 2020. It is not good enough to simply imply that this will achieve 20% from renewable sources by 2020. If Australia's energy demand grows at a faster pace than the assumptions of a single projection, then the 20% target will not be reached.

Recommendation 1

The Committee should advocate that the actual 20% target promised by Government is reached by 2020, by changing Schedule 1 of the bill for years 2020 to 2030 such that the annual 45,000 GWh targets read 'Minimum of 20% of Australia's electricity generation and minimum mandatory 45,000 GWh.'

2) Solar Credits – Not only false creation but cause more harm than good

There are so many aspects that are wrong with the Solar Credits proposal that I have attached my discussion article as Appendix 2, to cover the detail. In brief, where a such a system is creates 1 MWh of deemed renewable electricity, and the system owner sells the Solar Credit, 5 MWh worth of RECs enter the market displacing 5 MWh of renewable energy already required by law. **Australia goes backwards** producing a net 4 MWh less renewable energy and increases greenhouse gas emissions by nearly 4 tonnes for every MWh of displaced renewable energy.

The Senate Economics Legislation Committee simply cannot support such Zimbabwe economics if we are to have credible Australian climate change policies. I would not be able to use a multiplier to repay my house loan or to meet my tax liabilities, so the Australian Government should not be able to use a false multiplier as a quick fix for shifting its Solar system rebate costs to electricity consumers.

In addition, the whole concept of encouraging householders to sell their RECs is riddled with double counting and failure to disclose exactly what this means to the householders and to total achievements in renewable energy. Householders still remain largely unaware that when they sell or sign across their RECs that they are displacing other renewable energy required by law. By failing to mandate full disclosure of information about RECs transactions for almost a decade, Governments have effectively been tricking the vast majority of householders who take action to believe that their voluntary actions are additional, when in fact they are used to deliver mandatory targets. Such behavior must stop!

Recommendation 2

The Committee should recommend that Solar Credits concept be scrapped because it is based on false achievements, is misleading and results in less renewable energy and more greenhouse gas emissions Australia wide, compared with no household action and no such concept.

Recommendation 3

The Committee should recommend that a genuine householder support mechanism based on a National Feed In Tariff should be introduced, which leaves the sustainability benefits

(renewable, greenhouse etc) with the householder, and simply provides reward for the electricity generated.

Recommendation 4

The Committee should recommend that this Bill mandate full disclosure in RECs transactions such that householders are properly advised that when they sign across RECs or Solar Credits they are displacing other renewables already required by law, achieving zero additional renewable energy and zero reduced emissions for Australia.

3) Targets continue to be presented in a confusing way, with no proper place for voluntary achievements

Even in the description of this inquiry, there is confusion in describing what the Government is doing. The description reads “The bill seeks to implement the Government's objective of increasing the renewable energy target from 9,500 gigawatt-hours (GWh) in 2010 to 45,000 GWh in 2020”.

This description does not adequately describe that the expanded Renewable Energy Target includes both old (pre 1997) renewable energy, and newer mandatory renewable energy which is the 45000 GWh. In my submission on the Design Options for the Expanded National Renewable Energy Target, I urged that there be clarity in describing components of the expanded RET which includes:

1. The pre 1997 Renewable Energy Baseline of 15,000 GWh (or 16000 GWh described in the 2003 MRET Review¹)
2. Expanding the mandatory component from 9500 GWh to 45,000 GWh

These two components form the basis of the Governments 20% pledge.

In addition, I urged that a third voluntary component be added that would be additional to the 20%. I believed then and strongly believe now that a Voluntary Renewable Energy Aspiration (Voluntary RET) component be established for the voluntary efforts of individuals, households and businesses to be meaningful and additional to the mandatory component and to the 20% Government pledge. If voluntary actions cannot do better than that which is already required by law, there is less purpose for the voluntary action

To date, the Australian Government has been too dismissive of concerns of the Australian public and voters in regard to their voluntary actions under both Renewable Energy policy and proposed Climate Change legislation. As a 100% GreenPower customer I would like to see a proper place for my purchase to appear in contributing to Australia's Renewable Energy Target that takes the National achievement above 60,000 GWh by 2020 and above 20% by 2020.

Recommendation 5

¹ MRET Review Panel, 2003, *Renewable Opportunities, A Review of the Operation of the Renewable Energy (Electricity) Act 2000*, <http://www.mretreview.gov.au/report/pubs/mret-chapter2.pdf>, p.11, accessed online July 11, 2008.

The Committee should advocate that the components of the 20% expanded RET are fully and clearly described, including the pre 1997 baseline component (15,000 or 16,000 GWh) + the expanded MRET component (45,000 GWh by 2020) and,

The Committee should consider advocating the creation of an additional voluntary renewable energy component where voluntary GreenPower sales, household and business generator-user systems would contribute, without the additionality being stolen or tricked from householders and businesses to count towards mandatory targets.

4) Inadequate description of Renewable Energy Certificates

Part 4 Division 2 of the current Renewable Electricity Act 2000 describes how renewable energy certificates are created, but not what they are or what they represent.

Whilst the National Greenhouse and Energy Reporting (NGER) Act 1997 and NGER Technical guidelines 2008 makes the legal situation clear that the concept of customers buying renewable energy in Australia **is extinguished**, there are still widespread marketing messages by Governments and Accreditation schemes that maintain confusion and double counting. The true legal situation of renewable energy for customers should be made clear in this renewable energy should align with NGER Legislation and make it clear that Australian Law:

- RECs **are** a certificate that renewable energy has been created.
- RECs **are not** a carbon credit.
- RECs **do not mean** use of renewable energy for the owner of a REC.
- RECs **do not reduce** emissions for a voluntary customer.
- GreenPower (based on RECs both with or without electricity) **does not mean** reduced emissions or use of renewables for a GreenPower customer.
- **No asset can be run or operated on renewable energy** in Australia unless it is directly connected to a source of renewable energy within a site or system before connection to the National Grid.

GreenPower and Voluntary RECs surrendered to ORER work only as a **donation** of reduced emissions and renewable energy to all customers, allocated in proportion of their use (Note: this has nothing to do with the electrons in the grid, and is solely caused by the legal assignment of renewable energy benefits under the national Greenhouse and Energy Reporting (NGER) Act 2007 and the NGER Technical guidelines 2008).

Recommendation 6

The Committee should advocate that Renewable Energy Certificates are fully described in this Bill, including what they are, what they are not, and what they truly represent. There can only be distrust of voluntary mechanisms until this whole area is reformed.

4) No protection for GreenPower Customers against paying for more than 100% renewable electricity.

Whilst the legislation goes to great lengths to partially exempt (significantly exempt) Energy Intensive Trade Exposed Industries (EITEIs), no effort has been made to protect GreenPower customers from paying for a mandatory component of renewable energy, when they have already paid for this and

much more. This is not only unfair but shows just how much we need a different approach by the Department of Climate Change and Government to respect and encourage a place for voluntary GreenPower customers in Australia's low emissions economy. Both in the CPRS Legislation, and this Bill, GreenPower customers are not covered and are therefore treated in a terrible manner. The *band aid* treatment to reduce a future emissions cap (which does not come into force until 2016) in line with GreenPower sales over a 2009 threshold is simply not sufficient and further reform is necessary to address a whole host of underlying problems which undermine GreenPower.

Recommendation 7

The Committee should advocate that 100% GreenPower Customers receive exemption from mandatory MRET costs as they have already voluntarily purchased the same amount of renewable energy and much more (as far as is possible under Australian Law).

Kind regards
Tim Kelly

Household GreenPower Customer

Appendix 1 Links to Related Submissions

Tim Kelly Submission on the COAG Expanded Renewable Energy Target
<http://www.climatechange.gov.au/renewabletarget/consultation/pubs/067timkelly.pdf>

Tim Kelly Submission on the RET Exposure Draft Legislation (First round released in December 2008)
http://www.climatechange.gov.au/renewabletarget/consultation/sub_ret/5Kelly.pdf

Tim Kelly Submission NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM - Regulations Policy Paper
<http://www.climatechange.gov.au/reporting/regulations/pubs/071timkelly.pdf>

Tim Kelly Submission on the Regulations Discussion Paper for the National Greenhouse and Energy Reporting Act 2007. <http://www.climatechange.gov.au/reporting/pubs/42timkelly.pdf>

Solar Credits – just bad policy!

Posted by [Barry Brook](#) on 14 June 2009



Guest Post by [Tim Kelly](#). *Tim works as a Principal Climate Change Advisor in the Water Industry and is a regular contributor to Brave New Climate.*

From June 9, 2009 when a householder is seduced into signing across Solar Credits associated with their small scale Solar, Wind or Hydro generation schemes, they will continue to reduce their emissions yet for every deemed megawatt hour (MWh) created, they will displace 5 MWh of accredited Renewable Energy already required under Australian Law. They will be causing a net 4 MWh to be continued to be produced from fossil fuel sources and therefore will cause more greenhouse gas emissions and do more harm to the environment than doing nothing.

When the Government released its exposure draft legislation on the design of the Renewable Energy Target in December 2008 there were many issues created in the legislation that should have been relatively straight forward. In [my submission on the Exposure Draft](#), I raised concerns including that the Expanded Renewable Energy Target did not necessarily secure the Government's 20% of electricity sourced from renewable energy by 2020 Election Pledge, and might also count the voluntary efforts of individuals and businesses towards the expanded target effectively creating a ceiling on what could otherwise be achieved.



Now the Exposure Draft Legislation [has been re-released](#) and is due to be presented to Parliament next week. There have been some changes such as maintaining the mandatory component at 45,000 gigawatt hours

(GWh) per year from 2020 through to 2030, rather than eroding this requirement from year 2025 onwards.

In this posting I would like to concentrate on the policy consequences of the Solar Credits proposal.

Why has the Government moved to a Solar Credits mechanism?

The reason that the Government has moved from its *Small Scale Generation Unit Rebate Scheme* to a *Solar Credits Scheme* is simply about Government cost cutting. The current scheme was costing the Government too much money and the replacement Solar Credits scheme shifts the cost burden back to all electricity consumers.

What has the Government Actually proposed?

The Government has proposed that a multiplier be used in relation to the deemed output from small scale generation units that are eligible to create Renewable Energy Certificates (RECs). Between 9 June 2009 and 30 June 2015, instead of just 1 REC being created from 1 deemed MWh of generation, a multiplier can be used to 'create' more RECs.

To 30 June 2012 the multiplier will be 5, then from July 1, 2012 to 30 June 2013 it will be 4, and then from 1 July, 2013 to 30 June 2014 it will be 3, then from 1 July 2014 to 30 June 2015 it will be 2 and finally it will return to a 1:1 ratio from 1 July 2015.

What are the issues?

Even with the pre 9 June 2009 system, in addition to the rebate, householders were typically encouraged to sign across their RECs with little disclosure on what this actually means. Most householders consider their RECs sales as a rebate. Many are shocked to learn that these RECs are typically used in a way that displaces other accredited renewable energy that was already required under Australian law, such that there is zero gain in renewable energy and zero greenhouse gas reductions Australia wide.

The other potential use (much smaller) is that the RECs are used to create GreenPower that is promoted in such a way as to lead the GreenPower customer into a false belief that they are reducing their personal emissions. (legally the greenhouse benefits don't go to the customer under the National Greenhouse and Energy Reporting Determination 2008). It is not clear if GreenPower will continue to allow RECs from multiplied SGUs (Subsequent note, GreenPower will now exclude Small Generation Units (SGUs) from the GreenPower Program (June 2009)).

Now with the use of the multiplier of 5 for the first few years, 5 MWh of Accredited Renewable Energy that is already required under the Renewable Energy (Electricity) Act 2000 will be displaced. The greenhouse benefit and renewable energy use is still claimed by the householder, and 5 extra MWh for every MWh created are eliminated. *We actually go backwards 4 MWh for every MWh created.*

I regard the use of multipliers without any foundation in the actual energy output as being in the same category as counterfeit money.

Whilst the Government may have 'solved' its rebate cost problem, and the Solar industry is still being subsidised for a few years (as it needs to be because there is no adequate cost to greenhouse gas emissions pollution), it has failed to maintain sight of the fundamental objective of householders and businesses, **which is to reduce emissions**.

How on earth does Government come up with such a bad concept, which would fail any basic checking of whether the policy would work?

To cap things off

Under the latest Exposure Draft Legislation, partial exemption certificates may be issued to Energy Intensive Trade Exposed Industries so they can avoid a significant portion of the cost of the expanded Renewable Energy Target and the cost of subsidising Solar Credit RECs.

There is no exemption, however, for customers that are already paying for 100% accredited Renewable Energy, so they will end up paying for more than 100% renewable energy and will also pay for the Solar Credits subsidy — effectively paying extra for a policy that reduces Australia's renewable energy and increases greenhouse gas emissions from the Electricity Sector.

Should members of Parliament pass the Solar Credits sections of the Renewable Energy (Electricity) Amendment Bill 2009, it will, in my view, reflect very badly on their policy assessment skills, will harm the environment, and will ultimately be an ongoing detriment to the small scale renewable energy industry.

A different approach is needed, such as National Feed-in Payments for any surplus energy exported to the grid, but without displacing renewable energy already required by law.