

27 July 2009

The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House ACT 2600
Email economics.sen@aph.gov.au

Dear Sir / Madam

Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009

The Clean Energy Council (the Council) is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- Create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies
- Develop effective legislation and regulation to reduce energy demand and improve its efficient use, and
- Work to reduce costs and remove all other barriers to accessing clean energy.

The 'clean energy' industry and its members includes generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as the emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

The Renewable Energy Target Bill needs to pass immediately

The clean energy industry seeks the swift and streamlined passage of an expanded renewable energy target in Australia. This is not novel policy. Australia's first Mandatory Renewable Energy Target (MRET) was introduced by the Coalition in 2001. In November 2007 the Rudd Government was elected having promised an expanded 20 per cent by 2020 Renewable Energy Target (RET) to be introduced immediately. Nearly two years later that promise remains unfulfilled.

Aggressive measures to expand clean energy deployment and drive energy efficiency should lead a comprehensive climate strategy. Their early deployment will help reduce the cost and uncertainty of deploying a cap on national greenhouse emissions. An expanded renewable energy target will deliver most of the early gains in turning around Australia's greenhouse emissions profile.

A draft exposure bill for the RET was released in December 2008. The Council proposed and welcomed important changes in the trajectory of the RET to provide enough certainty to deliver continued investment in clean energy projects in the second half of the next decade. The penalty price has also been increased from AU\$40 to AU\$65.

These are welcome reforms and demonstrate a clear commitment by the Federal Government to ensuring the RET bill works as intended: to drive investment in the development and deployment of a range of renewable energy technologies, to help drive down cost and help evolve a more dynamic and flexible energy market in Australia.

On 18 June 2009, the Senate referred the provisions of the Renewable Energy (Electricity) Amendment Bill 2009 and the Renewable Energy (Electricity) (Charge) Amendment Bill 2009 (the Bill) to the Economics Legislation Committee (the Committee).

The original MRET legislation only requires minor adjustments to deliver the expanded target. Most have already been made or require only simple amendments. Renewable energy has the support of government, the coalition, the Greens and both independent Senators Fielding and Xenophon. It is therefore remarkable that a policy measure supporting the growth of renewable energy is still yet to be debated by Parliament.

As a result, Australia's clean energy industry remains in a state of uncertainty. A survey of CEC members reveals the delay is costing the industry at least \$2 million a week. The value of renewable energy certificates fell by 29 per cent immediately following the deferral of the bill, wiping off millions of dollars in value and adding immediate extra cost to existing clean energy projects.

The solar PV industry in Australia has expanded significantly in the past two years, backed by a generous federal government rebate which ended on June 9. The industry was promised a smooth transition to the new solar credits scheme under the proposed RET bill, but as this is not yet in place, the industry has stalled. Many businesses have been forced to lay off sales teams or attempt to find other work for them.

At a time when annual investment in clean energy globally reached \$200 billion and passed the expenditure on conventional fuels for the first time in human history, the Australian market is atrophying. Confidence in investment planning in Australia is eroding as a result of the continued political uncertainty. Continued delay of the RET bill risks completely undermining the confidence of investors, even if the bill eventually passes.

The bill only requires minimal and simple amendments

The CEC recommends the following simple amendments to the RET legislation:

1. Decoupling from CPRS

The CPRS and the RET are separate bills and should be decoupled. They are currently linked by sharing the same reference to provisions for trade exposed, energy intense industries listed in the Carbon Pollution Reduction Scheme Bill. Under the current design, if government wants to provide some sectors relief from the full cost of the RET then the CPRS must also be passed. The RET should pass immediately and not be delayed until the more complex and challenging CPRS bill also passes.

The Council wants to see both pieces of legislation pass, however cannot support the continued deferral of the RET. The Council has developed simple amendments to remove this linkage which are detailed in Appendix 1.

2. Adjustment of the target to account for creation of the multiple RECs under the Solar Credits scheme

Eligible small generation units deployed under the RET bill are able to claim multiple Renewable Energy Certificates (RECs) for every unit of energy they generate (up to 1.5 kW in size). This "solar credits" scheme provides a transition mechanism from the previous rebate provided under the Solar Homes and Communities Plan (SHCP). While the solar credits scheme is endorsed by

the Council, it will result in the creation of “phantom RECs” that are produced as part of the multiplier, but not actually linked to any clean energy generation.

If these additional RECs are not replaced then the overall target of 45,000 GWh will not be achieved. To ensure the integrity of the renewable energy target and the overall REC market the target needs to be increased to reflect the generation of these additional (phantom) credits created by the multiplier mechanism. The REC multiplier is only available until 2015. At that time the total number of phantom RECs created can be calculated and the target for future years adjusted to account for these additional RECs.

An amendment, drafted by the Council, to allow for the re-introduction of the ‘phantom’ RECs, under the Solar Credits scheme is detailed in Appendix 2.

Additional comments

The following are some issues that been raised as potential further amendments that are not supported by the Council:

Banding

The Council is aware of a number of representations to introduce banding to the RET to guarantee a share of the target to specific emerging technologies. Banding will undermine the integrity of the RET and seriously impede the deployment of least cost proven renewable energy technologies.

Banding is a complex addition to the RET and may not help an emerging technology push faster through the costs and risks of development and commercialization. Banding assumes near perfect information on both the time path and cost of emerging technologies. The very nature of accelerated development of new technologies means such information is not available. Banding can therefore risk carving out a market for a technology which fails or delivers at an unacceptably high cost, at the expense of other technologies which push faster through technical and cost barriers. Banding is little more than educated guesswork that will increase the cost of the RET without guaranteeing the success of emerging technologies.

The Council recognises that there are significant issues being faced by emerging technologies that will not be solved by the RET alone. We think that this will require a separate policy measure to encourage these technologies to develop to a point when they are competitive. We look forward to working with the government to develop these as part of a more comprehensive clean energy development strategy.

Eligible technologies

As part of the election promise and as reiterated by COAG, the current Bill does not recommend any changes to the existing definitions of eligible technologies. The Council agrees with this and does not support any changes to the eligible technologies. Specifically, Heat Pump Water Heaters are providing a base line amount of RECs and are a recognised form of solar water heating that has particular applications in Australia.

COAG has agreed to examine the eligibility provisions for technologies. This will provide the simplest and most appropriate forum for further refinement of the scheme to ensure it delivers accelerated reduction in greenhouse emissions and an effective vehicle to accelerate development of clean energy technologies in Australia.

The CEC is very please to have accepted the invitation to present to the Committee on August 5 and looks forward to answering any questions that seek clarification that arise from any of the issues raised in this paper.

Please do not hesitate to contact the undersigned or the Council's General Manager Policy, Mr Rob Jackson on (03) 9929 4105 or email rjackson@cleanenergycouncil.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matt Warren', with a long horizontal flourish extending to the right.

Matthew Warren
CEO

Appendices

Background

The Clean Energy Council (CEC) commissioned Finlaysons Lawyers to draft amendments to the Federal Government's Exposure Draft Renewable Energy (Electricity) Amendment Bill (RET Bill) that will enable two key outcomes:

1. The decoupling of the RET Bill from the CPRS to ensure the two bills can be considered separately by the Parliament; and
2. Measures to ensure the proposed renewable energy targets under the RET Bill given the proposed introduction of a multiplier to enable the renewable energy target is delivered with a phantom RECs scheme.

This advice has been prepared in consultation with the Aluminium Council of Australia which has been preparing parallel amendments.

Technical details of the proposed amendments and explanatory notes to both sets of amendments are provided below. Two options are provided for both proposed amendments.

Appendix 1: Decoupling of the RET Bill from the CPRS

Explanatory Note

Amendment to Schedule 2 of the Exposure Draft 'Renewable Energy (Electricity) Amendment Bill 2009 (RET Bill)' and consequential amendments to the 'Carbon Pollution Reduction Scheme Bill 2009' (CPRS Bill) and the 'Draft Carbon Pollution Reduction Scheme Regulations 2009' (Draft CPRS Regulations).

The proposed amendments are in the form of Option A and Option B. An introduction on each option is set out below:

Option A

The key issue is the separation of the RET Bill from the CPRS Bill. Option A takes most of the clauses relating the compensation mechanism from the CPRS Bill and imports them into the RET Bill, to have the CPRS Bill refer to the RET Bill.

Option A removes the reference in item 2 of Schedule 2 to the 'emissions-intensive trade-exposed assistance program' and its definition in item 3 of Schedule 2. The definition for "emissions-intensive trade-exposed activity" has been amended to provide that it takes its meaning from the regulations established under subsection 38BB (1) of the RET Bill. The relevant components of the Draft CPRS Regulations (as discussed below) are provided which are to appear in regulations to be made under the RET Bill to reflect that there needs to be some flexibility in defining emissions-intensive trade-exposed activities ('EITEA'), where regulations are more amenable to amendment than legislation.

We note that the compensation clauses for the CPRS are set out in the Draft CPRS Regulations. Section 167(1) of the CPRS Bill provides that the regulations may formulate an "emissions-intensive trade-exposed assistance program", under which activities may be taken to be EITEA. Part 3 of the Draft CPRS Regulations identifies specific EITEA. The EITEA identified, however, are only the first group of EITEA, and more will be added later.

Part 3 of the Draft Regulations does more than merely identify which activities are EITEA. Part 3 also specifies whether such activities are "highly emissions-intensive" or "moderately emissions-intensive". It also specifies the basis for the issue of free Australian emissions units in respect of the activities identified. Given that the purpose of the emissions-intensive trade-exposed assistance program under the Draft CPRS Regulations is not limited to just identifying EITEA and that it provides for a different type of compensation than that contemplated by the RET Bill, we consider that it may not be appropriate to import the entire compensation mechanism from the CPRS Bill into the regulations to be made under the RET Bill. Therefore only the definition component from the Draft CPRS Regulations is imported.

The suggested structure for regulations to be made under the RET Bill, which are based on Part 3 of the Draft CPRS Regulations, are drafted.

Also drafted are proposed amendments to the CPRS Bill. Specifically, a definition for EITEA is inserted and amended subsection 167(1) to reflect that EITEA are classified in a separate enactment. The proposed amendments are marked up against the current CPRS Bill.

Provided are proposed amendments to the Draft CPRS Regulations, which are consequential to removing the definition component. The amendments to Part 3 of the Draft CPRS Regulations continue to specify whether an activity is a highly emissions-intensive or moderately emissions-intensive, and the basis for the issue of free Australian emissions units. However, the deleted subsections that expressly state a particular activity is an EITEA, is otherwise dealt with under the regulations to be made under the RET Bill. Again, the proposed amendments are marked up against the Draft CPRS Regulations.

We note that if the regulations under the RET Bill are amended to incorporate/delete certain activities, the Draft CPRS Regulations would require amendment also. This would be consequential changes to reflect activities which cease to be classified as EITEA or such additional activities as the case may be, and to specify whether any such additional activities are either highly or moderately emissions-intensive.

Option B

Option B takes the definition of emissions-intensive trade-exposed compensation out of the CPRS Bill and puts it into a separate piece of legislation that both the RET Bill and the CPRS Bill could refer to.

Under Option B item 2 of Schedule 2 of the RET Bill is amended to provide that "emissions-intensive trade-exposed activity" has the meaning given by the "Emissions-Intensive Trade-Exposed Activities Act 2009" (or other similar title as considered appropriate).

By isolating the definition component of the emissions-intensive trade-exposed assistance program under the Draft CPRS Regulations is similar to the approach adopted in Option A, but in Option B the definition component is to be established as a standalone bill (to become an Act).

The drafted amendments to the CPRS Bill and Draft CPRS Regulations (marked up against the current documents) reflect that the definition component of the emissions-intensive trade-exposed assistance program is provided for in the "Emissions-Intensive Trade-Exposed Activities Act" (again, or other similar title as considered appropriate).

We note that the same amendments as drafted for Option A would apply to Option B in that the definitions remain the same.

Proposed Amendment Options

Option A

Delete column 2 of item 3 of section 2 and substitute:

A single day to be fixed by Proclamation or 1 July 2010, whichever is the earliest.

Delete all references to “Authority” in the Exposure Draft and substitute with “Regulator”.

Schedule 2 – Partial exemptions from liability to charge

Delete item 3 of the Schedule (noting that the numbering of subsequent items will change, however, reference below is to unamended item numbers) and make the following amendments:

2 Subsection 5(1)
Insert:
emissions-intensive trade-exposed activity means an activity that meets the criteria specified in the regulations.

8 After Division 1 of Part 4
Insert:
Division 1AA – Emissions-intensive trade-exposed activities

38AA Object
The object of this Division is to establish criteria to enable certain activities to be identified as emissions-intensive trade-exposed activities.

38BB Criteria for emissions-intensive trade-exposed activities
(1) The regulations may formulate the criteria to enable certain activities to be identified as emissions-intensive trade-exposed activities.

(2) The regulations may provide:
(a) a general name for the activity;
(b) the description of the activity; and
(c) any other information that may be necessary to identify a particular activity as an emissions-intensive trade-exposed activity.

Proposed structure for the ‘Renewable Energy (Electricity) Regulations 2009’

Part 1 Emissions-intensive trade-exposed activities

Division 1 General

1 (1) This Part identifies emissions-intensive trade-exposed activities.

(2) A reference in this Part to an emissions-intensive trade-exposed activity includes the following information:
(a) a general name for the activity; and
(b) the description of the activity.

Division 2 Production of glass containers

2 (1) The production of glass containers is the physical and chemical transformation of silica (silicon dioxide (SiO₂)) and other raw and recycled materials (such as cullet) to produce

blown or pressed glass containers, by controlled melting and forming in a contiguous process.

- (2) The production of glass containers is an emissions-intensive trade-exposed activity.

Division 3 Production of bulk flat glass

3 (1) The production of bulk flat glass is the physical and chemical transformation of silica (silicon dioxide (SiO₂)) and other raw and recycled materials (such as cullet) to produce bulk flat glass products, including wired glass and patterned glass, by controlled melting and forming in a contiguous process.

- (2) The production of bulk flat glass is an emissions-intensive trade-exposed activity.

Division 4 Production of methanol

4 (1) The production of methanol is the chemical transformation of 1 or more of the following:
(a) hydrocarbons;
(b) hydrogen feedstocks;
(c) carbon feedstocks;
(d) oxygen feedstocks;
to produce liquid methanol (CH₃OH) in which the concentration of methanol is equal to or greater than 98% with respect to mass.

- (2) The production of methanol is an emissions-intensive trade-exposed activity.

Division 5 Production of carbon black

5 (1) The production of carbon black is the chemical transformation of gaseous or liquid hydrocarbons to produce a colloidal carbon material (known as "carbon black") in the form of spheres, or of fused aggregates of the spheres.

- (2) The particle size of the colloidal carbon must be below 1 000nm in at least 1 dimension.

- (3) The production of carbon black is an emissions-intensive trade-exposed activity.

Division 6 Production of white titanium dioxide (TiO₂) pigment

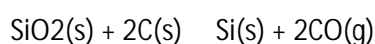
6 (1) The production of white titanium dioxide (TiO₂) pigment is the chemical transformation of 1 or more of the following:
(a) rutile (TiO₂);
(b) synthetic rutile (TiO₂);
(c) ilmenite (FeTiO₃);
(d) leucoxene;
(e) titanium slag that has an iron (Fe) concentration of greater than or equal to 7%; to produce white titanium dioxide (TiO₂) pigment.

- (2) The white titanium dioxide (TiO₂) pigment must:
(a) conform with ASTM classification D476-00; and

- (b) have an iron (Fe) concentration of less than or equal to 0.5%.
- (3) The production of white titanium dioxide (TiO₂) pigment is an emissions-intensive trade-exposed activity.

Division 7 Production of silicon

- 7 (1) The production of silicon is the chemical transformation of silica (silicon dioxide (SiO₂)) to produce silicon (Si) with a concentration of silicon equal to or greater than 98.0%, conducted in accordance with the overall chemical equation:



- (2) The production of silicon is an emissions-intensive trade-exposed activity.

Division 8 Smelting zinc

- 8 (1) Smelting zinc is the chemical transformation of either or both of:
(a) concentrated mineralised zinc compounds; and
(b) zinc-bearing secondary materials;
to produce zinc metal (Zn) with a concentration of zinc equal to or greater than 99.95%.
- (2) Smelting zinc is an emissions-intensive trade-exposed activity.

Division 9 Manufacture of newsprint

- 9 (1) The manufacture of newsprint is the physical transformation of any or all of woodchips, sawdust, wood pulp and recovered paper into rolls of uncoated newsprint that:
(a) has a grammage range of 30 to 80 g/m²; and
(b) has a moisture content in the range of 6% to 11% by weight; and
(c) is generally usable for newspaper products;
through an integrated process.
- (2) The manufacture of newsprint is an emissions-intensive trade-exposed activity.

Consequential amendments to the Carbon Pollution Reduction Scheme Bill 2009

Carbon Pollution Reduction Scheme Bill 2009

Subsection 5

Insert:

emissions-intensive trade exposed activity means an activity that is taken to be an emissions-intensive trade-exposed activity for the purposes of the Renewable Energy (Electricity) Act 2000.

Subsection 167(1)

The regulations may formulate a program (to be known as the emissions-intensive trade-exposed assistance program) for the issue of free Australian emissions units in respect of activities that:

- (a) ~~under the program, are taken to be~~ emissions-intensive trade-exposed activities; and
- (b) are, or are to be, carried on in Australia during an eligible financial year specified in the program.

Delete subsections 302(2), 303(2), 304(2), 305(3), 306(3), 307(2), 308(2) and 309(2) (and make the consequent changes to numbering) and make the following amendments:

Part 3 Emissions-intensive trade-exposed activities

Division 1 General

- 301 (1) This Part identifies whether an emissions-intensive trade-exposed activities is:
(a) highly emissions-intensive; or
(b) moderately emissions intensive
and provides a summary of each basis for the issue of free Australian emissions units in respect of the activity.
- ~~(2) Part states to an emissions-intensive trade-exposed activity includes the following information:~~
~~(a) a general name for the activity;~~
~~(b) the description of the activity;~~
~~(c) whether the activity is:~~
~~(i) highly emissions-intensive; or~~
~~(ii) moderately emissions-intensive;~~
~~(d) a summary of each basis for the issue of free Australian emissions units in respect of the activity.~~
- (23) Each allocative baseline for the activity is set out in Part 4.

Option B

Delete column 2 of item 3 of section 2 and substitute:

A single day to be fixed by Proclamation or 1 July 2010, whichever is the earliest.

Delete all references to "Authority" in the Exposure Draft and substitute with "Regulator".

Schedule 2 – Partial exemptions from liability to charge

Delete item 3 of the Schedule (noting that the numbering of subsequent items will change, however, reference below is to unamended item numbers) and make the following amendments:

2 Subsection 5(1)
Insert:

emissions-intensive trade-exposed activity means an activity that is taken to be an activity under the Emissions-Intensive Trade Exposed Activities Act 2009.

Consequential amendments to the Carbon Pollution Reduction Scheme Bill 2009

Carbon Pollution Reduction Scheme Bill 2009

Subsection 5
Insert:

emissions-intensive trade exposed activity means an activity that is taken to be an activity under the Emissions-Intensive Trade Exposed Activities Act 2009.

Proposed structure for the Emissions-Intensive Trade-Exposed Activities Bill 2009

Part 1 Emissions-intensive trade-exposed activities

Division 1 General

- 1 (1) This Part identifies emissions-intensive trade-exposed activities.
- (2) A reference in this Part to an emissions-intensive trade-exposed activity includes the following information:
 - (a) a general name for the activity; and
 - (b) the description of the activity.

Division 2 Production of glass containers

- 2 (1) The production of glass containers is the physical and chemical transformation of silica (silicon dioxide (SiO₂)) and other raw and recycled materials (such as cullet) to produce blown or pressed glass containers, by controlled melting and forming in a contiguous process.
- (2) The production of glass containers is an emissions-intensive trade-exposed activity.

Division 3 Production of bulk flat glass

- 3 (1) The production of bulk flat glass is the physical and chemical transformation of silica (silicon dioxide (SiO₂)) and other raw and recycled materials (such as cullet) to produce bulk flat glass products, including wired glass and patterned glass, by controlled melting and forming in a contiguous process.

- (2) The production of bulk flat glass is an emissions-intensive trade-exposed activity.

Division 4 Production of methanol

- 4 (1) The production of methanol is the chemical transformation of 1 or more of the following:
 - (a) hydrocarbons;
 - (b) hydrogen feedstocks;
 - (c) carbon feedstocks;
 - (d) oxygen feedstocks;to produce liquid methanol (CH₃OH) in which the concentration of methanol is equal to or greater than 98% with respect to mass.
- (2) The production of methanol is an emissions-intensive trade-exposed activity.

Division 5 Production of carbon black

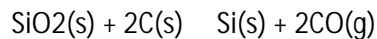
- 5 (1) The production of carbon black is the chemical transformation of gaseous or liquid hydrocarbons to produce a colloidal carbon material (known as "carbon black") in the form of spheres, or of fused aggregates of the spheres.
- (2) The particle size of the colloidal carbon must be below 1 000nm in at least 1 dimension.
- (3) The production of carbon black is an emissions-intensive trade-exposed activity.

Division 6 Production of white titanium dioxide (TiO₂) pigment

- 6 (1) The production of white titanium dioxide (TiO₂) pigment is the chemical transformation of 1 or more of the following:
 - (a) rutile (TiO₂);
 - (b) synthetic rutile (TiO₂);
 - (c) ilmenite (FeTiO₃);
 - (d) leucoxene;
 - (e) titanium slag that has an iron (Fe) concentration of greater than or equal to 7%;to produce white titanium dioxide (TiO₂) pigment.
- (2) The white titanium dioxide (TiO₂) pigment must:
 - (a) conform with ASTM classification D476-00; and
 - (b) have an iron (Fe) concentration of less than or equal to 0.5%.
- (3) The production of white titanium dioxide (TiO₂) pigment is an emissions-intensive trade-exposed activity.

Division 7 Production of silicon

- 7 (1) The production of silicon is the chemical transformation of silica (silicon dioxide (SiO₂)) to produce silicon (Si) with a concentration of silicon equal to or greater than 98.0%, conducted in accordance with the overall chemical equation:



- (2) The production of silicon is an emissions-intensive trade-exposed activity.

Division 8 Smelting zinc

- 8 (1) Smelting zinc is the chemical transformation of either or both of:
- (a) concentrated mineralised zinc compounds; and
 - (b) zinc-bearing secondary materials;
- to produce zinc metal (Zn) with a concentration of zinc equal to or greater than 99.95%.
- (2) Smelting zinc is an emissions-intensive trade-exposed activity.

Division 9 Manufacture of newsprint

- 9 (1) The manufacture of newsprint is the physical transformation of any or all of woodchips, sawdust, wood pulp and recovered paper into rolls of uncoated newsprint that:
- (a) has a grammage range of 30 to 80 g/m²; and
 - (b) has a moisture content in the range of 6% to 11% by weight; and
 - (c) is generally usable for newspaper products; through an integrated process.
- (2) The manufacture of newsprint is an emissions-intensive trade-exposed activity.

Consequential amendments to the Draft Carbon Pollution Reduction Scheme Regulations 2009

Delete subsections 302(2), 303(2), 304(2), 305(3), 306(3), 307(2), 308(2) and 309(2) (and make the consequent changes to numbering) and make the following amendments:

Part 3 Emissions-intensive trade-exposed activities

Division 1 General

- 301 (1) This Part identifies whether an emissions-intensive trade-exposed activity is:
- (a) highly emissions-intensive; or
 - (b) moderately emissions intensive
-
- and provides a summary of each basis for the issue of free Australian emissions units in respect of the activity.
- ~~(2) Part states to an emissions-intensive trade-exposed activity includes the following information:~~
- ~~(a) a general name for the activity;~~
 - ~~(b) the description of the activity;~~
 - ~~(c) whether the activity is:~~
 - ~~(i) highly emissions-intensive; or~~
 - ~~(ii) moderately emissions-intensive;~~

~~(d) a summary of each basis for the issue of free Australian emissions units in respect of the activity.~~

(23) Each allocative baseline for the activity is set out in Part 4.

Appendix 2: Ensuring the renewable energy target is delivered with a phantom RECs scheme

Explanatory Note

Amendments to Schedule 1 of the Exposure Draft Renewable Energy (Electricity) Amendment Bill 2009 (RET Bill).

The proposed amendments are in the form of Option A and Option B.

In both options, following the period during which additional certificates may be created, the total number of additional certificates is calculated and this number of certificates is smeared over the remaining 14 years of the scheme. It would be possible to calculate the number of additional certificates on an annual basis corrected in the following year(s), but this could lead to a more unpredictable annual target. By delaying the recovery until 2017, the smearing can be made with full certainty.

An introduction on each option is set out below.

Option A

Option A sets out an equation by which to determine the difference between the number of certificates created by virtue of the multiplier, and the number of certificates that ordinarily would have been created without the multiplier (eg. for period 1, 50 certificates were created as a result of the multiplier, subtract 10 certificates that would have been created otherwise). The result of this calculation will determine a difference in the number of certificates to be used as a basis for adjusting targets.

Option B

The effect of Option B is essentially the same as that provided in Option A, however it adopts a narrative format as opposed to a formula based approach. It specifically states that the Regulator has the role of performing the calculation.

Proposed Amendment Options

Option A

Schedule 1 Amendment of the Renewable Energy (Electricity) Act 2000

6 At the end of section 23B

Insert:

(5) The required GWh of renewable source electricity under section 40 for each year from 2017 to 2030 will be adjusted in accordance with the result calculated using the formula:

$$\frac{\text{(total number of certificates created - total number of certificates that would be created in the absence of each multiplier under subsection (2))}}{14}$$

(6) The number of certificates is to be multiplied in accordance with subsection (2) on one occasion only, irrespective of whether the certificates are created for a 1-year period, a 5-year period or a 15-year period.

8 Section 40
Insert the following beneath the table:

Note: The required GWh of renewable source electricity for the years 2017 to 2030 inclusive will be subject to amendment in accordance with subsection 23B(5).

Option B

Schedule 1 Amendment of the Renewable Energy (Electricity) Act 2000

6 At the end of section 23B
Insert:

(5) Prior to 31 December 2016 the Regulator must determine the difference between the number of certificates created as a result of each multiplier under subsection (2) and the number of certificates that would have been created in the absence of each multiplier under subsection (2).

(6) The required GWh of renewable source electricity under section 40 for each year from 2017 to 2030 will be increased by an amount equal to the number of GWh determined by the Regulator in accordance with subsection (5) divided by 14.

(7) The number of certificates is to be multiplied in accordance with subsection (2) on one occasion only, irrespective of whether the certificates are created for a 1-year period, a 5-year period or a 15-year period.

8 Section 40
Insert the following beneath the table:

Note: The required GWh of renewable source electricity for the years 2017 to 2030 inclusive will be subject to amendment in accordance with subsection 23B(6).