Renewable Energy Election Commitment

• 20% electricity from renewable energy sources by 2020.
• Supporting the deployment of renewable energy through the national Renewable Energy Target (RET) scheme.
• Designed in cooperation with States & Territories through COAG:
  • Working Group on Climate Change and Water.
  • Renewable Energy Sub Group.
  • Reduce complexity and duplication.

National Renewable Energy Target (RET) Scheme

• MRET + State & Territory initiatives = one national scheme.
• Scheme will commence on 1 July 2009; expanded targets to commence from 1 January 2010.
• RET guarantees a market for additional renewable energy by legislating trade in Renewable Energy Certificates (RECs).
• RET to be phased out during 2020 to 2030.
• Legislation being introduced this week, broad political support, minimal change to MRET.
Residues to Revenues 2009

**RET Target**

![Graph showing RET Target]

- Expansion of Renewable Energy Target
- Existing Renewable Energy Target
- Baseline generation (Pre-1997, approximate)

Source: Department of Climate Change

**Eligible Sources**

- Must be “additional” - wood industry already major user of biomass for renewable energy.
- Same eligibility criteria as under MRET...
- Plantation biomass = energy crops (subject to code/certification – Qld?).
- Native forest biomass;
  - eligible subject to MRET higher-value restrictions, complex and unnecessary but better than NSW.
  - Positive indication in Victorian TIS.
- Pre-approval process would assist.
Biomass in MRET

- Wood waste makes up less than 4% of the RECs that have been validated as part of MRET so far.

- Black-liquor makes up a further 4% that have been validated as part of MRET so far.

RECs by Source

<table>
<thead>
<tr>
<th>RECs created by 31 December 2008 by eligible renewable energy sources¹</th>
<th>0</th>
<th>2,000,000</th>
<th>4,000,000</th>
<th>6,000,000</th>
<th>8,000,000</th>
<th>10,000,000</th>
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<tbody>
<tr>
<td>Agricultural, feed waste</td>
<td>989,303</td>
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<td>Biogas</td>
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<tr>
<td>Biomass-based components of municipal solid waste</td>
<td>142,219</td>
<td>142,219</td>
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<tr>
<td>Black liquor</td>
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<td>Hydro</td>
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<tr>
<td>Solar</td>
<td>10,000</td>
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<td>10,000</td>
<td>10,000</td>
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<tr>
<td>Solar, water heater (power only)</td>
<td>8,400,400</td>
<td>8,400,400</td>
<td>8,400,400</td>
<td>8,400,400</td>
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<tr>
<td>Wind</td>
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</tr>
</tbody>
</table>

Source: ORER Annual Report 2008
Power Stations by Source

Source: ORER Annual Report 2008

Expanded RET – is it good policy?

- Objective - greenhouse mitigation, energy security/diversity, industry and/or technology development and deployment, regional employment?
- Why a market mechanism? CPRS?
- Electricity only.
- What is the target?
- Reduction in fossil fuel based generation?
Projected Renewable Energy Mix

Figure 1: IES modelling of exposure draft legislation

Source: Clean Energy Council Submission

An alternative mix...

Figure 2: RET Trajectory as proposed by Clean Energy Council

Source: IES 2009
Electricity-Intensive, Trade Exposed

• Similar problem under RET as would exist under CPRS…
• Imposition of costs here and not in competitor countries leads to trade competitiveness issues.
• Major concern for wood and paper product manufacturers for whom electricity is a major cost.

Support for affected industries

• Discussion Paper released Dec 2008 which sought stakeholder feedback.
• COAG agreed to assistance for RATE industries that mirrors the partial allocation of permits to EITE activities under the CPRS.
• Assistance = partial exemption from expanded RET liability (i.e. only for increase on current MRET target) for electricity used in undertaking activities.
Support for affected industries

- EITE activities at 90% threshold: 90% exemption from expanded RET liability.
- EITE activities at 60% threshold: 60% exemption from expanded RET liability.
- Assistance to be reviewed in 2014.
- Will exemptions decay like CPRS permit allocations??
- Have thresholds risen to 94.5% & 66%?

The Politics: linking RET & CPRS legislation

- CPRS & RET are separate bills (separate passage through Parliament).
- Government has ‘linked’ assistance to trade-exposed industries under CPRS & RET.
- If RET is passed and CPRS is not, there will be no assistance to trade-exposed industries under RET.
The Politics…

• Government says there will be no need for assistance under RET if there is no carbon price.
• Opposition supports RET but wants to delay consideration of CPRS.
• Greens are accusing Government of “holding green jobs hostage”.

The Policy…

• In view of large target, costs associated with liabilities under RET will be exponentially higher than MRET.
• RATE issues paper implies that costs of RET on trade-exposed industry is a stand-alone issue.
• Obvious link between objects of CPRS & RET, and therefore between industry assistance under each Scheme.
The Policy cont’d…

• If Government links CPRS & RET, the link should be absolute.
  • Bills should be considered in Parliament together
  • They should be passed, amended or deferred/voted down as a package.

• If Government does not link CPRS & RET, they should be completely independent of each other.
  • Industry assistance under one Scheme should not be conditional on passing of other Scheme Bill.
  • If only one Scheme is passed, assistance should be available under that Scheme.

How does RET compare?

• Policy framework in EU supports market development of biomass for heat & electricity.

• Contributes to climate and environment objectives, reduces import dependency, support local economies.

• 27 EU Member States renewable energy objectives:
  • 21% electricity from renewables by 2020.
  • 20% heat from renewables by 2020.

• Distorting wood fibre market?
Example: Wood Pellets

- Clean, CO2-neutral fuel, mostly produced from sawdust and wood shavings.
- Compressed under high pressure using no glue or other additives.
- Highly standardized & high-density fuel; allows cost-efficient transportation.
- May be used for heat & power, from private homes to large-scale plants.

Wood Pellets

Burning wood pellets for heat and power has become common across central and northern Europe, and yields considerable environmental & economic benefits.
Conclusions

- RET market-based mechanism will favour technologies that are easily deployed (e.g. wind turbines & domestic solar).
- Will not help other technologies achieve scale to be competitive (when RET is gone what happens to all the wind farms).
- Won’t replace fossil fuel capacity because of supply certainty concerns (generation and regulatory).

RET & the Wood Products Industry

- RET may encourage some growth in contribution of electricity generated from biomass
- RET will impose costs on electricity-intensive sectors of forest & forest products industry through increased electricity prices (pulp & paper, panel board manufacturing)
- Will other policies/funding support biomass based energy solutions?