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Renewable Energy Target Review Report

The recommendations of the Renewable Energy Target (RET) Review go some way to reduce the ongoing costs of the RET, which is driving up the cost of meeting the Australian Government's 2020 greenhouse gas reduction target and inhibits the natural gas industry's capacity to reduce greenhouse gas emissions.

While it falls short of discontinuing the RET, the Review's recommendations are an important recognition that the RET is not the most efficient way to achieve emissions reductions because it forces higher cost renewable energy into the electricity generation mix at the expense of lower cost emissions abatement opportunities from gas generation and elsewhere in the economy.

The report also appropriately rejects assertions that the so-called 'merit order effect' is a benefit flowing from the RET. The report recognises that although the RET may moderate wholesale electricity prices to an extent, the affect is transient and the result of increasing the supply of electricity generation at a time of falling electricity demand. Over time, wholesale electricity costs could be expected to rise to better reflect the cost of generating electricity.

APPEA has also welcomed the Review's recognition that the current treatment of self-generators is too restrictive and not well-aligned to the nature and geographical spread of remote resource projects.

However, if the Government accepts the Review's recommendation and keeps a modified RET in place, it should improve the treatment of trade-exposed industries. While the Review has noted the changes it has recommended would lower costs to industry, the treatment of trade-exposed industries through the Partial Exemption Certificate (PEC) provisions still leaves some of Australia's LNG exporters, who are among the most trade-exposed of all Australian exporters, exposed to significant costs their competitors do not face.

These exporters cannot pass increased costs on to consumers and any loss of international competitiveness would benefit Australia's international LNG competitors or suppliers of alternative, higher greenhouse gas emitting, energy sources.

To ensure trade-exposed industries, such as LNG, remain competitive, APPEA urges the Government, in its response to the Review, to increase the PEC for trade-exposed industries to 100 per cent. In addition, the current narrow definition of LNG production used for the PEC should be amended to encompass the entire LNG production process and set on the basis of electricity use at the individual facilities.

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