



Acciona Energy Australia Global Pty Ltd
Level 12, 2 Southbank Boulevard,
Southbank Victoria Australia 3006
Tel: +61 3 90271000
Fax: +61 3 90271001
www.acciona.com.au

6 July 2018

Department of Environment and Energy
Australian Government

By Email: NationalEnergyGuarantee@environment.gov.au

ACCIONA Energy's Submission to the Consultation: National Energy Guarantee Draft Detailed Design – Commonwealth Elements

Who is ACCIONA?

ACCIONA Energy is one of the world's largest renewable energy independent power producers' with operations covering the development, construction, long term ownership and operation of renewable energy assets across 16 countries. ACCIONA has over 10,000 megawatts of renewable energy assets covering a range of technologies including hydroelectricity, wind, solar PV, solar thermal and biomass.

In Australia, ACCIONA has built and owns four wind farms: Waubra Wind Farm, Gunning Wind Farm, Mt Gellibrand and Cathedral Rocks Wind Farm (in joint venture) totalling 437MW. Additionally, ACCIONA constructed the 20MW Royalla Solar Farm in the ACT for Fotowatio Renewables Ventures.

The ACCIONA Group operates globally and is also active in infrastructure and water sectors around the world. To date, ACCIONA has invested more than \$900 million in Australia and employs over 1,000 people.

Introduction

ACCIONA welcomes the opportunity to make this submission on the National Energy Guarantee Draft Detailed Design – Commonwealth elements.

As a participant in the National Electricity Market since 2002 and long-term owner, operator and investor in renewable energy assets in Australia and globally, ACCIONA is committed to supporting market and regulatory developments to transition our energy system to a low emission, reliable supply base. For the Australian energy sector to reduce its emissions efficiently and at least cost over time, clear, long term policy settings to guide and support long lived investment decisions are needed. This also includes sufficiently ambitious emission reduction targets for the electricity sector.

Through this consultation response, ACCIONA seeks to highlight concerns in relation to the proposed NEM emission reduction target and the process for setting and reviewing the emission reduction targets within the National Energy Guarantee (NEG). Additionally, ACCIONA would like to comment on the Commonwealth's proposed inclusion of external offsets within the NEG.

Setting and reviewing Electricity Sector Emission Targets under the NEG

The Proposed Target is Inadequate

Australia has committed to an emission reduction target of 26-28% reduction in economy wide emissions by 2030 from 2005 levels¹.

The Commonwealth's proposed electricity sector emission reduction target for the NEG of 26% of 2005 emission levels by 2030 is materially inadequate in ensuring that Australia is positioned to achieve its international climate change commitments. This proposal also places an uneconomic and disproportionate burden on other sectors of the economy to meet Australia's international commitments.

Further, the proposed NEG emission reduction target only applies to jurisdictions in the Electricity Market – therefore excluding emissions in Western Australia and the Northern Territory. As the Commonwealth points out in the Draft Detailed Design paper, emission reduction targets should be set for the nation as a whole.

The Australian electricity sector represents around one third of Australia's greenhouse gas emissions and is capable of leading Australia's decarbonisation efforts leveraging the lower cost abatement options offered by continued renewable energy and storage deployment. That said, the proposed 26% emission reductions objective under the NEG is expected to deliver very little, if any new investment in the electricity sector².

ACCIONA advocates for a higher, more ambitious emission reduction trajectory for the NEG, much higher than the 26% proposed by the Commonwealth. Additionally the emission reduction trajectory should equally apply to the non-NEM jurisdictions to facilitate faster and more economical emission reductions from the national electricity sector, benefiting the Australian economy as a whole.

Setting and Reviewing the Target

The proposed approach to setting the emission target is misaligned with Australia achieving its international climate change commitments in the most efficient manner. The current proposed mechanism of setting emission reductions targets in 10 year blocks facilitates very little flexibility in amending targets in response to changes in market

¹ ACCIONA believes that the Australian NDC of 26-28% of 2005 emissions levels by 2030 is insufficient to achieve it Paris climate change commitments and the COP 21 international global warming objectives. A much more ambitious NDC is required by Australia. As evidenced by the Declaration for Ambition on climate change signed by 23 countries in June 2018, many other nations have pledged to increase their national targets for tackling climate change. Australia should follow this lead and similarly increase its NDC.

² Not only would little or no new investment in the electricity sector lead to inadequate emission reductions, it would also result see prevailing wholesale electricity price levels sustained.

conditions, nor having regard to the efficiency and equity of targets and reductions being achieved in other sectors of the economy.

Whilst recognizing the benefits a longer, fixed target period may offer investor appetite and confidence, **ACCIONA recommends that setting targets over shorter time periods (eg. three to five year periods), coupled with a ratchet mechanism that permits targets to be increased but not decreased over time**, offers the same, if not better, level of certainty to support requisite investment and operational planning.

Inclusion of Offsets

The NEG aims to support reliability, affordability and encourage new investment in clean energy technologies in the NEM, whilst providing long term investment confidence.

Permitting the use of offsets in satisfying the emission reductions requirement of the NEG would severely undermine these objectives. The use of offsets would reduce the incentive to invest in new, low or zero emission generation to meet emission reduction requirements. This outcome is particularly exacerbated considering the lack of ambition the currently proposed NEG emission reduction target represents.

As highlighted above, in addition to achieving emission reductions, the continued deployment of renewable energy throughout Australia's energy sector will contribute to lower wholesale price outcomes. The use of offsets will undermine new investment and therefore undermine the objective of energy affordability over the longer term.

As such, **ACCIONA strongly advocates that the use of offsets is not permitted in the NEG.**

Other Considerations

Whilst not specifically related to the consultation on the Commonwealth elements of the NEG draft detailed design, ACCIONA strongly advocates that the Commonwealth also considers other avenues to support the transition of the National Electricity Market and the objectives of the NEG – both system reliability and emission reductions in the energy sector – through non regulation related avenues.

In particular, ACCIONA advocates for an increase in the funding allocated to ARENA for dedicated programs or competitive processes to support the ongoing deployment and integration of battery storage in the energy market. Increased storage would support greater small and utility scale renewable energy integration, energy system reliability and demand response innovation, all of which supports the reliability, emission reduction and affordability objectives of the NEG.



Thank you for providing the opportunity to participate in this consultation process and ACCIONA would welcome the opportunity to further engage with the Commonwealth to discuss the points raised in this paper.

If you have any questions in relation to our response, please contact Melanie Sutton (melanie.sutton@acciona.com) to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to read "B. Wickham".

Brett Wickham
Managing Director
ACCIONA Energy Australia