

5 July 2018

Our Ref: 2018/359853  
File No: X018397.003

Mr Finn Pratt  
Secretary, Department of Environment and Energy  
NationalEnergyGuarantee@environment.gov.au

Dear Mr Pratt,

**City of Sydney submission to the National Emissions Guarantee Draft Detailed Design for Consultation – Commonwealth Elements**

This letter outlines the City of Sydney response to the 'National Energy Guarantee (NEG) Draft Detailed Design for Consultation – Commonwealth Elements'.

**A higher target**

It is imperative from the outset of the NEG for the Commonwealth Government to establish a significantly higher emissions reduction target than proposed for the electricity sector. A target of 50 per cent reduction by 2030 or sooner is recommended as minimum.

The currently proposed target of 26% reduction by 2030 is already on track to be met by around 2020 (in the absence of the NEG) based on the Renewable Energy Target and other drivers such as that large-scale renewable energy is now the lowest cost form of new energy generation and increasing popularity of solar by households and business.

Without increasing the target, the NEG is likely only to create additional administrative burden, cost and confusion to energy generators, retailers and customers without any contribution toward reducing emissions from the sector - a core function of the NEG.

Australia has ratified the Paris Agreement on Climate Change and must take this legal obligation seriously with meaningful policies and pathways to provide clear signals within which our local industries and consumers may prosper.

Australia has one of the world's most highly emissions intensive electricity grids due to large, inefficient coal fired generation. Almost two-thirds of the energy produced by burning coal is lost as waste heat to the atmosphere.

**Economic efficiency**

It is essential that the Commonwealth Government set a higher emissions target in order to provide a clear signal for the market to build new, reliable renewable energy generation before the inevitable closure of coal fired assets. In so doing, it will meet both the emissions and price objectives of the NEG as shown by AGL plans to replace Liddell with lower cost, cleaner options.

Reducing emissions from the electricity sector in Australia is the most significant and cost-effective opportunity to make a significant contribution toward meeting Australia's international commitment.

Especially when considering the falling costs of renewable energy, the abundant renewable energy resources in Australia and the potential for firming with projects such as the proposed Snowy and other pumped hydro to provide firming capacity.

The CSIRO Low Emissions Technology Roadmap shows reducing emissions of the electricity sector by 52-70 per cent by 2030 as the least cost pathway towards meeting Australia's commitments under the Paris Agreement.

Coal fired generators in Australia are reaching the end of life and AGL and Origin have announced closure dates with more to come. AGL have shown it far more cost effective to replace the coal-fired Liddell power station with a mix of renewable energy, storage, gas-fired generation and demand management.

### **A just transition**

The Commonwealth should establish a higher target for the electricity sector that is fair to lessen burden on other sectors such as industry, transport and agriculture to meet Australia's international obligation to reduce total emissions.

Placing a higher burden on other sectors could have significant cost and international competitiveness implications. It is more efficient, timely, fair and cost-effective to establish a higher target for the electricity sector now.

### **International offsets**

Meeting the emissions obligation should preference local investments that permanently reduce rather than offset emissions, bringing down prices and reducing future liabilities.

The Consultation Paper seeks input about the use of international offsets to meet emissions obligations. The use of international offsets should be limited in order to keep investment with Australia and to provide an effective price signal to support clean energy supply locally.

The price of international offsets will likely increase with demand from international aviation and as countries meet obligations under the Paris agreement. Allowing international offsets may divert investment away from more permanent and ultimately more cost-effective renewable energy generation opportunities.

Should you wish to speak with a Council officer about this submission, please contact Nik Midlam, Manager Carbon Strategy on 9265 9333 or at [nmidlam@cityofsydney.nsw.gov.au](mailto:nmidlam@cityofsydney.nsw.gov.au).

Yours sincerely



**Kim Woodbury**  
A/Chief Executive Officer