



climateactionmoreland.org

Climate Action Moreland
P.O. Box 381
Fawkner, Victoria 3060
March 8, 2018

Email: climateactionmoreland@gmail.com

Submission from Climate Action Moreland Energy Security Board National Energy Guarantee Consultation Paper

Thank you for the opportunity to make a submission to the Energy Security National Energy Guarantee Consultation Paper

Climate Action Moreland (CAM) is a group of people living in Moreland (northern suburbs of Melbourne) who are working locally to push for strong action on climate change in all spheres and levels of our government, economy and society.

As a climate action group, our main concern is how we can transform our energy system to one with zero carbon emissions, while maintaining the security and reliability of the system and keeping electricity affordable.

Demand Response Must be Prioritised

A sustainable electricity system is not only one that relies on zero carbon energy sources, but also one that uses less resources for infrastructure.

Our electricity system has developed over the past century as one that is almost entirely supply-side focused. Consequently, we have wasted innumerable resources in building poles, wires, generators and other infrastructure that are barely utilised. Demand response is also an effective way of meeting the energy trilemma – reducing emissions, improving affordability, and maintaining a secure and reliable electricity system,

While it is pleasing that AEMO is now giving some attention to demand response, this is insufficient to compensate for over a century of neglect. **Demand response needs affirmative action.**

Unfortunately, the consultation paper seems to assume that demand response and new generation are equivalent, and that the NEG could stimulate investment in either. Yet, in the recent *Health of the National Electricity Market*, the ESB recognised that “demand response schemes are only in their infancy”. Unless they prioritised, it is likely they will remain insufficiently utilised.

No Undermining States Pushing for Stronger Action on Emission Reduction (Sect 3.7.2)

Australia has signed up to the Paris Agreement on Climate Change, and has thus agreed to limit global warming to well below 2 deg C to avoid the worst impacts of dangerous climate change. Yet Australia’s current emission reduction target (reducing emissions to 26-28 per

cent on 2005 levels by 2030) is consistent with much more warming. This target is also substantially lower than the target recommended by the Climate Change Authority.

Several state governments are well aware of this contradiction and are therefore trying to increase Australia's reduction in emissions beyond the inadequate target of 26-28%. It is therefore very concerning that the consultation paper seeks to undermine those states that would push for higher targets. States that set higher emission reduction targets should be permitted to do so, without this reducing the emission reductions achieved in other states.

Voluntary Action must be Additional (Section 3.5)

Many people wish to pursue voluntary action on emission reductions. Their aim is to achieve reductions additional to those current specified in Australia's target. The only voluntary activity mentioned in the consultation paper is GreenPower.

We are very concerned about the statement "The emissions requirement could be designed such that voluntary programs like GreenPower are additional to the emissions requirement". The previous Labor Government had put in place mechanisms to ensure that voluntary action from GreenPower was additional. (Indeed, not making GreenPower additional would undermine the whole system.) It is important that the Government clarify that all GreenPower purchased represent additional emission reductions.

However, GreenPower is no longer the major source of voluntary action. There are now many other voluntary actions that households and communities undertake. Examples include installing solar power and retrofitting buildings to be more energy efficient. While we acknowledge the difficulties of ascribing emission reductions to energy efficiency reductions, Australia has had much experience in this through the various state energy savings schemes.

We suggest that the Energy Security Board treat all such voluntary action – not just GreenPower – as additional to the emission reduction targets, and explicitly describe the types of voluntary actions that will be allowed, and seek robust methodologies to determine the emission reduction from specified activities.

No Offsets for the Electricity Sector (Sect 3.4.3 and 4.4)

We are aware that many concerns have been raised about the integrity of international carbon credits, and that the Australian government has delayed its decision on whether these can be used, pending international discussions.

Aside from the question of whether the integrity of international carbon credits can ever be guaranteed, we believe their use should be ruled out in the electricity sector. If Australia uses international offsets in the electricity sector, this will just delay its transformation towards a sustainable society. Buying offsets is counterproductive. Indeed, the electricity sector is probably the easiest sector to transform to zero carbon.

We also have concerns about the use of Australian Carbon Credit Units, particularly from projects related to land-use carbon sequestration. There is broad acceptance that the world will need to drawdown CO₂ emissions (such as through land use sequestration) in addition to stopping further emissions from fossil fuels. Given the limited opportunities for drawdown, it is inconceivable that we would waste such land-use carbon sequestration on extending the use of fossil fuels.

Flexible Compliance – Limit the Carrying Forward of Overachievement (Sect 3.4.1)

We argue that there should be severe limits on how much overachievement in emissions reduction can be carried forward from one year to the next. Retailers who achieve more emissions reduction than they expect could do so for a variety of reasons, including rapid technological change in sustainable energy technologies, and greater voluntary action.

If retailers can carry this overachievement to the next year, there will be less incentive for low emissions generation. This will become a brake on new investment in renewable energy technology.

Setting Emissions Target as an Absolute Value vs Percentage (Sect 4.2.2)

Section 4.2.2 describes the experience of the RET, where a target was set as an absolute volume of emissions. Subsequently the electricity demand was lower than forecast and so the absolute volume became a higher percentage than originally specified. The RET was subsequently reduced.

The effect of this was to slow the pace of transformation. Such a mistake should be avoided in the future. Given the urgency of climate change, we cannot afford to slow the transformation just because electricity demand forecasts are wrong. We are in a time of rapid technological change. Future electricity demand will decline due to greater energy efficiency, and increase as transport and heating activities switch to electricity. The combination of these trends means that the direction of future electricity demand is uncertain.

To deal with this uncertainty, we propose a combination of an absolute value in emissions reduction and a percentage amount. Depending on how future electricity demand pans out, the target that results in the higher amount of emissions reduction should be used. So if electricity demand were to be higher than forecast, the percentage emission reduction target would apply. If electricity demand were lower than forecast, the absolute value of emissions reduction would apply. Incorrect forecasts of electricity demand would therefore not become a curb on emission reductions.