

National Energy Guarantee Draft Detailed Design for Consultation Commonwealth Elements

Lighter Footprints Inc makes responses to the following issues raised as part of the consultation process with stakeholders:

- The Government's proposed approach to setting the initial electricity emissions targets under the Guarantee.
- The Government's proposed approach to amending targets and setting future targets under the Guarantee.
- Whether market customers should be able to use offsets to reduce part of their emissions under the Guarantee.
- The proposed approach to using offsets to be used for compliance under the Guarantee.

In broad terms we are not supportive of the emissions reduction target for electricity and see this having an impact that will act as a brake on the growth of the renewables sector. Were it to remain at the proposed level – one which will be surpassed based on the current projects, it will serve no useful purpose and is more likely to be harmful to its proposed aim of emission reduction. We would not support such a government approach as part of the NEG.

The Reliability arm of the NEG will be dealt with separately, and can be supported, with comments taken into account.

Commonwealth Elements of NEG Design Features

Our concerns, and proposed changes

1. The Emissions Reduction Target for the energy sector is too low

It needs to be consistent with the overall Paris Agreement to keep rising global temperatures to below 2 degrees. Australia's current position of 26-28% by 2020 is too low, but even given this low target, the energy sector contribution proposed is particularly out of kilter with what is required for us to meet this level of reduction. The energy sector is the one best able to reduce emissions at least cost.

Proposal – That In order to obtain long term bi-partisan support that provides confidence to investors beyond the next electoral cycle, an independent setting of the electricity emissions reduction target that is in line with the science is recommended. We note that the Climate Change Authority in its August 2017 Report stated that to meet the Paris Targets emissions reduction from electricity sector should be 69%.

2. This Target does not support new investment

The target as proposed is only set for a minimum of 5 years which is not sufficient to drive new investment. Investors considering providing finance to a project in 2023 or 2024 (that will be in place for more than 25 years) will only have line of sight to an emissions target for less than 5 years of revenue for the project. The industry needs a 10 year indication to ensure security of investment .

Proposal - That a 10 year line of sight be used, eg the target for 2030 to 2035 should be set in 2020; the target for 2035 to 2049 should be set in 2025 etc

3. Offsets don't support investment

Offsets (international and domestic) are being considered to enable liable parties to meet their emissions obligations even though no electricity generation is associated with the reductions. This would completely undermine the Australian Government's desire for the NEG to drive investment and innovation in cleaner and reliable electricity generation. Auditing and policing of such a policy would be nigh on impossible. There is no ready mechanism for emission reductions from renewables and other low emission sources to be able to be converted into Australian Carbon Credit Units and available for sale into local and international voluntary markets.

Proposal – Offsets should not be accounted for in the NEG emissions.

4. State government action is being expropriated

If states and territories choose to pursue their own renewable energy targets, the government's position is that this would not affect the electricity emissions that would operate under the guarantee. The effect of this approach is that emission reductions activities pursued by state governments will be subsumed into the Commonwealth's target. As sufficient renewables projects are likely to be committed over the next year or so to meet the current Government's modest NEG target (26% reduction from 2005 levels) – state initiatives that drive investment post 2020 will in fact be additional.

Proposal – Any state government achievement over the target will not be counted in the NEG emissions accounting. The Reliability requirements though must still be met for the actual generation.

Additional comment on support for voluntary action

Over the past two decades methodologies for the accounting of abatement created and traded, have evolved to a point where emissions audits, statements and environmental claims are now consistent and credible. Previously, governments and corporations made claims regarding their emissions, which were later exposed as false or highly dubious.

A key principle for credible accounting is transparency. Where trading of emissions reductions and sequestration (abatement) between parties occurs, certificate registries have evolved to allow the public and third party auditors to check the veracity of the various certificates and their status (active or retired). Thus double counting of certificates and other false claims can be quickly verified.

The government previously claimed it would retire international units in response to GreenPower sales. A quick check of the Australian National Register of Emissions Units is able to ascertain that no such retirements have taken place.

It is of serious concern that the NEG seems to have dispensed with any need for a public access registry to track creation of abatement through the electricity sector which could otherwise clarify claims made by corporations and government. This is a highly retrograde step and will return us to a point where the public no longer has any faith in environmental claims.

The ability for members of the public to become involved in emissions reduction action of their own, relies heavily on that public to be assured that their actions or the money they spend on abatement will result in emissions reduction. This would have a direct

impact on the environment and not simply be absorbed into the government's own international commitments. The tendency for governments over the years to co-opt the public's voluntary actions for their own purposes is well known.

As a result the public has become wary and indeed dis-incentivised to undertake such action exemplified by the fall off in GreenPower® sales due to the lack of additionality since 2014.

Currently there are no explanations about how the government will assure the public as to how additionality will be recognised. Statements which indicate that the national target would be reduced by 8 Mt to account for GreenPower sales contain no obvious accounting logic and appear quite arbitrary. Unless a transparent, and logical scheme is put in place which accounts for a one for one reduction in the government's credit allocation, in response to voluntary action, the public will not be encouraged to act.

Proposal - The government should surrender Annual Allowance Units (AAUs) on an annual basis to reflect the annual voluntary action that has been recorded and registered.

Carolyn Ingvarson

Convenor
Lighter Footprints

15 Faversham Rd
Canterbury Vic 3126

0411 115 186
www.lighterfootprints.org