



Reference	Provision	Rationale / Corollary	Impact
2.1	<p><i>The emissions reduction target</i> The target for the electricity sector is a trajectory of annual average emissions per megawatt hour (MWh) initially set for 10 years to 2030.</p> <p>The target is subject to domestic review every 5 years (eg the first review would be in 2025), which aligns with the five-yearly review under the Paris Agreement.</p> <p>Any change to targets could only occur with 5 year notice</p>	<p>The MWh target is responsive to anticipated demand, and will assist the transition to lower emissions generation in a stable, planned way.</p> <p>It will help provide investor certainty. The corollary is that the level of emissions abatement by the electricity sector is inflexible, reducing the probability that Australia will meet its Paris commitments in the absence of policy measures to reduce emissions from other sectors which emit greenhouse gases.</p> <p>Moreover Australia would find it more difficult to contribute to any greater emissions reduction target deemed necessary to restrict the rise in temperature to less than 2 degrees Celsius.</p>	<p>ABB is concerned that setting the targets for 10 years will create a reduced incentive to innovate and invest in more sustainable, less emissions intensive electricity generation technologies.</p> <p>This will result in a greater reliance on an ageing fleet of thermal power stations which are less responsive to changes in demand, and over time may become less reliable. It does not augur well for grid stability and further emissions reduction in the period beyond 2030.</p> <p><b>Recommendation</b> ABB recommends that the target for the electricity sector is specified as a minimum target with scope to increase this target following review. This provision of itself is unlikely to have a material impact on maintenance spend on the existing fleet of thermal power stations.</p>



<p>2.4</p>	<p><i>Timing and process for setting electricity emission targets</i> The Government proposes to set the annual electricity emissions targets for the first ten years of the Guarantee in Commonwealth legislation. The targets would be extended by 2025 for the period 2031 to 2035 and every five years thereafter</p>		<p>The first domestic review should be held in 2023 to assess the contribution that the electricity sector has made towards Australia’s Greenhouse gas abatement commitments. This will help inform Australia’s position during the Conference of Parties meeting considering responses to the Paris review.</p> <p><i>Timing &amp; process for setting electricity emission targets</i> The notice period of any change in policy and targets should be reduced to 3 years given there is likely to be at least 12 months consultation prior to any proposal for change being agreed. This would allow Australia to adjust the emission targets for electricity sector in the 5 year period 2026-2030 if deemed appropriate.</p>
<p>2.5</p>	<p><i>Geographic neutrality</i> The Government’s view is that a consistent approach should be taken to energy policy across the NEM, where there would be a single trajectory of emissions targets set</p>	<p>States &amp; Territories may pursue their own renewable energy targets, and promote mechanisms to encourage greater emissions abatement. The Commonwealth’s reliability guarantee will, in the last resort, protect grid stability.</p>	<p>The existence of State &amp; Territories renewable energy policies which have different targets could potentially result in sub-optimal investment in power generation, network augmentation and deployment of fringe of grid energy</p>



	<p>under the National Energy Guarantee.</p>		<p>solutions. Ultimately this will lead to higher energy prices for consumers than would be the case otherwise. ABB supports the underlying principles underpinning the National Energy Guarantee, and eagerly anticipates COAG agreement on its design and the amendments required to the National Electricity Law (NEL) to provide investor certainty, to protect consumer choice and to meet Australia's Paris commitments.</p>
<p>3.1</p>	<p><i>Exemptions for EITE activities</i> Energy Intensive Trade Exposed (EITE) activities are exempt from the emissions component of the Guarantee to preserve the international competitiveness of these businesses.</p>	<p>There needs to be a method under the Guarantee which enables the transfer of this exemption to other facilities located in Australia within the Body Corporate as defined in <i>The Corporations Act (Cth) 2001</i>, Section 50. This will allow that Body Corporate to optimize manufacture at its facilities.</p>	<p><i>Exemptions for EITE activities</i> ABB agrees with the proposal to exempt EITE activities from the emissions component of the Guarantee. To encourage investment and industry consolidation to enable international competitiveness, and meet Australia's emissions commitment, the average emissions intensity of the combined activity per unit of production should be no higher than the average emissions intensity of the EITE activities at the facility which is being transferred.</p>



<p>3.1.1</p>	<p><i>EITE activities eligible for exemption</i> Existing EITE activities listed in the current RET Regulation are eligible for exemption under the Guarantee.</p>	<p>There needs to be a mechanism whereby a Body Corporate can transfer an exemption from the emissions obligation for its EITE activities to another Body Corporate registered in Australia to consolidate manufacturing.</p>	<p>Emissions exemption should not become a transferable certificate to avoid behavioural responses which have a negative impact on economic growth or undermine Australia’s GHG emission reduction goals.</p>
<p>3.2</p>	<p><i>Exemption methodology</i></p>		<p><i>Exemption methodology</i> Using the electricity use method for calculating exemption for EITE activities under the Guarantee is appropriate given this will be the sole method for all participants under the RET from 2020.</p>
<p>3.2.2</p>	<p><i>Treatment of electricity used at site for purposes other than an EITE activity</i></p>		<p><i>Treatment of electricity used at site for non-EITE activity</i> Non EITE activities at a site should be subject to the same emissions obligations as other market participants on equity grounds. There are several technologies available to reduce emissions for these activities at source, and</p>



<p>3.3.4</p>	<p><i>The exemption</i> There needs to be a transparent method for determining the level of emissions exempted so that non-exempt businesses understand their increased obligations, and can put in place appropriate commercial instruments to cover that potential liability.</p>		<p>mechanisms to contract this obligation to the electricity retailer.</p> <p><i>The exemption</i> <b>Recommendation:</b> The emissions intensity of the metered quantity of electricity supplied to EITE exempt activities per MWh is determined at the weighted average emissions intensity of those activities in the previous financial year (t-1). This will ensure that non-exempt activities are not commercially disadvantaged by shouldering an inequitable share of emissions abatement.</p>
<p>3.3.6</p>	<p><i>Audit requirements</i> The Government proposes that a single audit (conducted by the Clean Energy Regulator) meet the audit requirements for the RET and the Guarantee.</p>		<p><i>Audit Requirements</i> ABB supports any proposal to reduce the administrative burden of audit provided this does not undermine the integrity of a policy. It would be appropriate to audit a facility where there is a material change in the activities or exemptions claimed by the Body Corporate operating that facility.</p>
<p>4</p>	<p><i>External Offsets</i> The Government is considering the use of offsets subject to the following design principles:</p>	<p>External Offsets provide a mechanism to promote competition as it reduces a customer’s dependence on a vertically</p>	<p><i>External Offsets</i> There are a plethora of non-GHG energy sources for non-mission critical activities in a business as</p>



	<ul style="list-style-type: none"><li>• Ensuring affordability</li><li>• Facilitating efficient investment, and</li><li>• Promoting competition</li></ul>	<p>integrated electricity retailer to meet its emission obligation; this is particularly important when electricity supply contracts are being renegotiated, or a business has to cover an unforeseen emissions obligation and more traditional investment responses are not feasible. The extent of the offset should be transparent and verifiable without undue cost.</p>	<p>evident in increased demand for commercial scale solar installation and energy storage, the deployment of more energy efficient equipment, and use of demand response software to manage electricity usage to reduce peaks. Increased investment in utility scale Renewable Energy facilities underpinned by multi-year Purchase Power Agreements is evidence of the increased competitiveness of sustainable energy generation when compared to greenfield investment in traditional hydrocarbon based power generation.</p> <p><b>Recommendations:</b></p> <ol style="list-style-type: none"><li>(1) Offsets should be relied on to enable a business to “top-up” its emissions reduction strategy and should be capped at a low percentage of a facility’s electricity demand subject to the emissions obligation, and less than 10% of that Body Corporates aggregate GHG abatement obligations.</li><li>(2) The penalty for failing to achieve the emissions target per MWh</li></ol>
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