

Submission

on

Energy Security Board National Energy Guarantee Draft Design Consultation Paper

by

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The Climate Conversation Group is an informal grouping of citizens operating under the auspices of the University of the Third Age (U3A) Canberra who are concerned about the impact of climate change and the consequent ethical and moral responsibilities that fall on the current generation of decision makers. There is a particular concern about the impact of decisions on the future lives of young children who have no voice in today's decision-making. The Group seeks to explore the issues based on evidence and the moral dimensions and to provide a general citizen's perspective on these issues.

* The views expressed in this document are the views of group members alone and do not represent the views of U3A ACT Inc.

Introduction

We thank you for the opportunity to comment on the *Energy Security Board National Energy Guarantee Draft Design Consultation Paper*. Our perspective is that of a group of older citizens with concerns about energy security, climate change and the security of the environment for our grandchildren and future generations. Given our interests and expertise we confine **our comments to the questions of Commonwealth Government responsibility given in Chapter 4** of the paper.

Our main concern is that the proposed Commonwealth design elements unnecessarily favour the *status quo* industries and compound the unconvincing approach taken by government to the Paris Agreement to the detriment of Australia playing its fair share in the urgent global mitigation of climate change. Specifically:

- The Paris Agreement signed in 2015 commits signatories to greater ambition in emissions reduction over time. Some 3 years later, in planning for introduction of the NEG scheme in 2020, it would be expected that we would already be planning to lift our 2015 - dated commitment of a 26% reduction in emissions by 2030. Instead, this proposal locks in that 2015 commitment and only looks to increase it for the post 2030 period. This is not within the spirit of Article 4 Paragraph 3 - the “ratchet mechanism” - of the Paris Agreement, which requires a recommitment by Australia in 2020 with progression beyond its previous level of commitment that reflects the highest possible ambition. Given the urgency of mitigating climate change we find the government’s position unacceptable. It is also inconsistent with the proposal in the consultation paper to revise 10 year emissions trajectories at 5 yearly intervals i.e. a revision is due in 2020 for the 2030 target.
- Australia’s Paris commitment applies to all of Australia’s emissions. The ability to reduce emissions varies across the different sectors of the economy. It will be extremely difficult, if not impossible, for Australia to meet its target if they are applied uniformly across all sectors. AEMO’s draft Integrated System Plan envisages the possibility of achieving reductions of up to 50% by 2030 in the electricity sector yet only the national 26% target is proposed by the Commonwealth. Again this lacks the ambition required of the Paris Agreement and in fact enhances the chances of us not meeting even our current inadequate commitment.
- The Commonwealth proposes a nationally consistent emissions standard per MWh across the National Energy Market – overachievement in some areas being possibly met by underachievement in others with State schemes being counted against this national standard. Again this proposal does not provide the vital impetus to raise ambition in emissions reduction. Rather, the Commonwealth standard should be the minimum and if some states/regions wish to exceed the minimum and meet the security and pricing elements of the market then they should be

encouraged to do so. After all, the objective is to reduce emissions whilst providing appropriately priced and secure electricity supply. We accept the political salience of the latter objectives; but the national interest, of which the Commonwealth is supposedly the principal steward, demands that global emissions reductions be pursued and modelled with equal vigour by Australia which, at least amongst the OECD economies, is especially vulnerable to the negative impacts of a warming climate.

Accordingly our responses to the questions concerning the Commonwealth design elements are as follows.

Chapter 4 Questions for stakeholder consultation – Commonwealth Government Responsibility

• Stakeholder views are sought on options for setting the emissions targets under the Guarantee.

Stakeholder views are sought on:

- Whether, and in what circumstances, electricity emission targets already set should be adjusted.***
- The process for making any such adjustments to electricity emissions targets.***

The emissions reduction target that the NEM should be more ambitiously signaling is at least a 45% target by 2030 in keeping with the elapse of time since the Paris Agreement, the need to increase ambition and the need to compensate for other sectors of the economy where emissions reductions are inherently much more difficult to achieve.

We concur with the proposal to express the emissions standards in units per MWh with annual adjustments taking place to reflect what actually happens.

Stakeholder views are sought on the proposed timing for updating the electricity emissions targets, including a five-year notice period.

We concur with the proposal for updating the electricity emissions target and the 5 year notice period but, as indicated above, the first such change should be introduced for the initiation of this scheme.

Stakeholder views are sought on the proposed approach to setting the electricity emissions targets under the Guarantee and interaction with state renewable energy schemes.

We have concerns about the concept of ‘geographic neutrality’ as proposed. It puts a cap on ambition contrary to the spirit of the Paris Agreement and potentially allows a retailer to game a system where a State entity may wish to be more ambitious than the national plan provides for - i.e. a retailer could internally cross subsidise its obligation to meet its national target using state

funds designed to increase that state's ambition for emissions reduction. Rather, we propose that the national electricity emissions **target per MWh be expressed as a minimum**, allowing states if they wished to build on that minimum and encouraging ambition under the Paris Agreement.

Stakeholder views are sought on issues to be addressed in exempting EITE activities from the emissions requirement of the Guarantee.

We are concerned with the potentially open ended nature of an EITE activity, the inherent cross subsidy implied for the rest of the economy in ensuring targets are met and the fact that in a world working to reduce emissions competitors are faced with the same issues. Accordingly, we propose that the a commitment be made to exemptions to 2030 under the NEG consistent with current RET scheme and that prior to any consideration of extension beyond 2030 a full public review of the need for continuing exemptions be undertaken.

Stakeholder views are sought on whether retailers should be allowed to use external offsets to meet a proportion of their emissions requirement. In particular, views are sought on:

- **Whether there is a strong rationale for the use for offsets within the Guarantee**
- **The impact allowing offsets would have on investment under the Guarantee**
- **If offsets were to be used to help achieve compliance with the emissions requirement, what would be an appropriate limit for their use**

In principle we agree that external offsets should be allowed to meet a proportion of emissions requirements. We do regard it as an important principle that such offsets should only be used at the margin to facilitate the orderly planning of investment and operation of the market and that the primary aim should be to reduce emissions in Australia. As such, a limit of 10% for any one commercial entity seems appropriate, with the proviso that only high quality and verifiable external offsets shall be permitted.