



**Friends of the Earth Australia's submission to the ESB's National Energy Guarantee**  
*Prepared by Pat Simons, Friends of the Earth's renewable energy spokesperson.*

Friends of the Earth (Australia) is a national, membership based environmental organisation which has been active for more than four decades.

Australia's electricity sector is responsible for the largest portion of greenhouse gas emissions in the country. It is also undergoing rapid and profound change, with renewable energy generation and other clean technologies such as energy storage replacing fossil fuel generation and helping reduce greenhouse gas emissions.

Following the failure of successive federal governments to enact comprehensive climate policy, a number of state governments have demonstrated leadership by rolling out renewable energy and setting long term targets to reduce emissions. Having failed to act decisively to reduce emissions, the federal government should acknowledge the leadership of the states, whose actions have created the basis of a comprehensive strategy to reduce emissions. As a bare minimum, their efforts should be the starting point for developing any national policy, which should aim to build on the success of the states.

Friends of the Earth will not provide a detailed submission to the ESB consultation process on the proposed 'National Energy Guarantee' or NEG, as we believe that the process has been inherently flawed.

To compare, the Victorian government's commitment to state renewable energy targets (the VRET) of 25% by 2020 and 40% by 2025 came after hundreds of community members took part in consultation sessions from Mildura to Melbourne to Morwell, and more than 1,200 made submissions in response to the state government's *Renewable Energy Roadmap*.

Holding a single public forum to consult with stakeholders without any representation from environmental organisations and other bodies concerned about the climate aspects of the policy demonstrates that the consultation process for the NEG has been poorly designed and implemented. The rushed timeline of three weeks for community submissions has been sorely inadequate to ensure the wider community can fully participate in formulating climate and energy policy.

In place of a detailed submission, we have attached the Climate Council's recent report *Clean and Reliable Power: Roadmap to a Renewable Future* and endorse its central recommendations and principles.

We are highly concerned about the following aspects of the National Energy Guarantee (NEG):

- The NEG puts jobs and investment in renewable energy at risk by setting targets that would lead to less generation being built than business as usual. According to Bloomberg New Energy Finance, the NEG would see a cut in investment in large-

scale renewable energy of 95 per cent off current levels through the 2020s<sup>1</sup>.

- The NEG potentially limits the renewable energy and emissions reduction policies of the states.
- The proposal does not resolve the essential question of energy policy: how to effectively reduce greenhouse gas emissions in line with the Paris climate agreement. Until this is resolved, investment uncertainty will remain a problem.
- The ESB appears to have misdiagnosed energy reliability and supply issues. The key reliability problem Australia faces is how to replace aging coal and gas generators with new renewable energy generation and storage. Attempting to prop up existing fossil fuel generators leaves the energy system open to more reliability issues not less: coal and gas generators have failed over 40 times over last summer.
- There is no rationale for pursuing emissions reduction and reliability goals in the retail electricity market, rather than the wholesale electricity market as has already been proven through the national Renewable Energy Target (RET). This appears likely to increase costs without achieving desired emissions reduction goals.
- The policy may increase market concentration rather than reduce it.

### **Key Principles:**

- State emissions reduction and renewable energy targets should be treated as the floor of any national climate and energy policy.
- As a bare minimum any national policy must help deliver and extend upon the renewable energy and emissions reduction goals of the states.
- Any future national energy policy must be ambitious on climate change in order to have any impact on emissions and electricity price reductions.

### **Policy mechanisms:**

Over the past decade, investment in new generation has been secured thanks to both the national Renewable Energy Target and state-based schemes such as the ACT's 100% renewable energy target. Currently, the Victorian Renewable Energy Target is the only legislated plan in Australia to secure new energy generation beyond 2020.

States and territories have had success with the use of reverse-auctions and contracts for difference to secure investment in the highest quality and most affordable new renewable generation. Reverse-auctions have been utilised in more than 60 countries, including in comparable economies such as the UK, Germany and California<sup>2</sup>. This is a model that could be scaled-up nationally to secure investment in renewable energy and storage.

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1 Perry Williams, *Australia's Energy Guarantee could 'decimate' wind, solar*; *BNEF* November 24, 2017. Retrieved from: <https://www.bloomberg.com/news/articles/2017-11-23/australia-s-energy-guarantee-could-decimate-wind-solar-bnef>

2 IRENA, *Renewable Energy Auctions, Analysing 2016* <http://www.irena.org/publications/2017/Jun/Renewable-Energy-Auctions-Analysing-2016>

Instead of pursuing a new, overly complicated policy that is likely to increase costs without the benefits of effectively reducing emissions, the ESB should explore ways to build on successful policies including the national Renewable Energy Target and state-based schemes.