

The Director
Renewable Electricity Markets Team
Department of Climate Change
GPO Box 854
CANBERRA ACT 2601

Dear Sir/Madam

Re: Renewable Energy (Electricity) Amendment Regulations 2009 Exposure Draft Comment

The purpose of this submission is to urge the Commonwealth Government to reconsider the proposed amendment regulations to the implementation of the expanded commitments within its Mandatory Renewable Energy Target (MRET) scheme.¹ This amendment proposes the introduction of a *REC multiplier* which, from the 1st of July 2009, will allow a purchaser of solar PV and other forms of micro generation to receive **five** Renewable Energy Certificates (RECs) for every **one** MWh that their system produces. This raises a number complicated and problematic issues including:

- **A reduction in total amount of renewable energy produced:** Increasing the supply of RECs disproportionately to the supply of renewable energy devalues the REC 'currency' by an indeterminate amount. It will lower the market price of all RECs and reduce the \$/MWh return for the generators. This will provide a material disincentive to householders wishing to undertake voluntary action against climate change.
- **The existing direct link between greenhouse gas abatement and RECs is broken:** in the system as it stands today, a purchase of 1 MWh creates a demand for 1 MWh of 'Renewable Energy'. This will not be the case under the proposed changes and this compromises the manner in which RECs are currently treated for carbon accounting purposes and GreenPower sales. Unless RECs from small providers are tagged or registered in some way, the voluntary market will face significant ongoing problems.
- **The GreenPower brand is undermined:** current approaches to carbon neutrality typical involve the purchase of 100% accredited GreenPower (as described by the EPA Victoria²). This convention would need to be adjusted and customers would have to be convinced they needed to buy 120% GreenPower (the actual excess to be calculated retrospectively) in order to 'neutralise' their electricity emissions. The proposed REC multiplier thus has the potential to severely damage the credibility of government backed programs which may also have a flow on effect to other programs.
- **Dilution of the renewable energy target (RET):** the amendment document proposes no mechanism to increase the overall RET by the amount of "phantom RECs" created from small generation.

To address these complications, the National Centre for Sustainability (NCS) suggests the Government support the implementation of a more effective mechanism to promote longer term incentives, include larger (modular) installations and address the 'phantom' REC problem. Ideally, this should be developed in close consultation with key industry representatives and the Clean Energy Council.

¹ Exposure Draft and Commentary can be found at: <http://www.climatechange.gov.au/renewabletarget/consultation/ret-scheme.html>

² EPA Goes Carbon Neutral found at: <http://www.epa.vic.gov.au/climate-change/carbon-management/>

Page 2 of 2

The NCS proposes that such an alternative approach would include:

- Removal of disincentives (such as the REC multiplier) to maintain the integrity of the REC 'currency' and create an incentive for the installation of small distributed renewable energy systems by individuals.
- Redesign of the policy framework for small scale renewable energy across Australia to support the implementation of a single, nationally consistent gross-measured feed-in tariff. As demonstrated internationally, this would recognise the true value that grid connected solar power systems can contribute in stimulating the economy and lowering Australia's greenhouse gas emissions.
- An increase (in consultation with industry) in the period a PV system is deemed to produce electricity at its rated output.

The NCS strongly urges the Federal Government to consider the issues described above and explore other avenues of subsidy that will protect the micro-generation industry in Australia.

On behalf of the National Centre for Sustainability



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