CARBON EXTRA

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‘Econocrats’ behind RET delay

Climate Institute CEO John Conner has blamed “econocrats in Canberra” pressuring the Rudd govt for COAG’s decision to put off agreement on a national renewable energy target until next year. COAG’s decision puts in doubt the Fed Govt’s timetable to introduce its promised expanded national renewable energy target (RET) scheme that would replace the current mandatory renewable energy target (MRET). A discussion paper on RET design options released in July said the govt intended to have the amended MRET legislation “in place by mid-2009”. The plan was for COAG’s renewable energy sub-group to develop a final design by Sept for consideration by COAG in Oct. Last weekend’s meeting communiqué said COAG had “noted progress” on the RET. It would “consider the final design of the scheme at its first meeting in 2009”.

Conner told *Carbon Extra* he was “absolutely” concerned over the delay. The RET was “a critical plank of the Fed Govt’s policy” on climate change and was needed to “deploy low-emission energy technologies”, he said. “We’re deeply anxious. This is A-grade jittering. We want to see this happen as soon as possible.” Canberra econocrats, like the “Productivity Commission and others reject the notion the RET will build Aust know-how and fast-track innovation” in renewable energy. They see the RET as a cost because the retail price for electricity would rise under an RET. But their analysis did not account for the fall in wholesale electricity prices that would occur under a RET, he said, pointing to the Business Council of Aust’s (BCA) submission to the Fed Govt on the CPRS for support. The Productivity Commission and the BCA in their submissions to govt have strongly opposed an RET being introduced. But BCA’s analysis showed wholesale electricity prices would decline under an RET, partly explained by renewable energy having lower marginal costs than other forms of generation. That was because renewables did not have ongoing annual fuel costs and, “once accelerated renewable energy capital is in the mix, the day-to-day operating expenses will drop”, Conner said. Cheaper electricity would come onto the spot market and Aust innovation in renewable energy would be accelerated, he said. That was a key dispute in the argument, he said. “Econocrats are exceptionally cautious, saying there won’t be Aust innovation,” he said. Conner called on the Fed Govt to “stand up to those pouring sand into this policy engine.” “We know there are states keen to get on with the job,” he said. Tas Premier David Bartlett said on Tues he wanted to see a RET scheme “up and running as soon as possible” because it “would unleash hundreds of millions of dollars in investment in renewable energy schemes in Tas”.

Renewable tariff principles ‘vague’

The ACT Govt has been sidelined by COAG in its discussions on renewable energy feed-in tariffs, at least according to national principles for FITs adopted by COAG. The ACT set the benchmark for FITs this year when it adopted a gross meter tariff that would apply to all type of renewable energy systems of any size. But the COAG principles say only “residential and small business consumers with small renewables … have the right to export energy to the electricity grid” and be paid for it. By referring only to energy “exported” to the grid, the principles dodge the key question of whether the tariffs should be based on net metering, where generators are paid for the excess power they export in the grid, or gross metering where all renewable energy generation is paid for regardless of how much is exported to the grid. Brad Shone, from the Alternative Technology Association (ATA), told *Carbon Extra* he was “holding out the vague hope” the language used “doesn’t mean a net tariff … because technically it doesn’t preclude gross metering”. He said the FIT principles were disappointing because they were vague, contained no timeframes and left most decisions up to the states, rather than promoting a national FIT scheme as the ATA had advocated. COAG’s communiqué said the principles would promote consistency between the states, “consistent with the [Rudd] govt’s election commitment to a nationally consistent approach to feed-in tariffs”. The new WA Govt has promised a similar tariff to the ACT’s, but Vic, SA and Qld have adopted net metering FITs restricted to small systems. NSW has yet to decide on an FIT but has said it will not wait for a national scheme. COAG deferred agreement on a national energy efficiency strategy and “proposed single overarching framework for accelerating energy efficiency reforms” till early 2009.

• See *Climate program principles agreed, p2*

Bind more to GHG cuts Aust tells UN

An overhaul is needed in how binding national GHG reduction targets are determined under the UN climate convention to give emission intensive nations such as Aust credit for their higher economic impact, the Aust govt has told the UNFCCC. It would ensure more advanced economies made commitments, the govt said. In a series of submissions ahead of the climate change talks under way in Poland. Aust argued a new global climate change agreement post-2012 should take into account the aggregate and marginal economic costs of binding national GHG reduction targets "Aggregate costs largely depend on the share of energy- and emission-intensive industries in the economy (as this determines the share of economic restructuring required). Marginal costs depend on the nature of emission reduction opportunities in the economy", a Nov submission to the UNFCCC said.

An earlier submission said the list of nations bound by the UN climate convention to cut their emissions "does not reflect the relative contribution that all economies could make". Of the 15 largest GHG emitters, only seven – Aust, the US, the EU, Russian Federation, Japan, Canada and the Ukraine – were bound to cut their national emissions. Six other major emitters – Brazil, China, Iran, Korea, Mexico and South Africa – were advanced economies with per capita GDPs higher than the Ukraine but were not bound by the convention. India and Indonesia were among the top 15 major emitters but their GDPs were low. The top 15 emitters, responsible for nearly three-quarters of global GHG emissions, "will need to act as part of the post-2012 outcome for any goal to be met", the govt said.

Climate program principles agreed

COAG last weekend agreed to principles that will underpin state and territory climate change programs once the planned carbon pollution reduction scheme (CPRS) begins. The plethora of state and territory climate programs was the subject of a review by Roger Wilkins earlier this year, however the Fed Govt has so far refused to release his report (*Carbon Extra 6*). Programs should be tightly targeted to deal with a market failure "not expected to be adequately addressed by the CPRS or that impinges on its effectiveness" in cutting emissions, COAG said. Programs could "manage the impacts of the CPRS on particular sectors of the economy", eg to deal with inequities the scheme created or regional development issues. But any state govt intervention should clearly identify the "non-abatement objective" and establish its program was the best way to achieve it.

Researchers want biofuels body

Aust needs to focus on the next generation of biofuels and acknowledge that existing products, eg biodiesel and ethanol made from food by-products, are unlikely to be viable without govt subsidies, says a group representing Aust researchers. The Aust Academy of Technological Sciences & Engineering (ATSE) wants a national biofuels institute to co-ordinate the industry's R&D and commercialisation efforts. In a biofuels in transport report, ATSE said Aust had modest but realistic prospects in "generation-one" biofuels where "a young industry is established, based mainly on food by-products". It said competition for scarce resources, eg water and agricultural land, meant it was "unlikely a substantial gen-one industry could further develop in Aust without market-distorting mandates or subsidies". But in "gen-two" biofuels, "where non-food resources dominate" (eg, woody plants and specialised algae strains), Aust could establish "a thriving future industry, based on prolific, lower-value resources it has in abundance". "ATSE takes a strong view that use of biofuels to enhance Aust's liquid transport-fuel security must not be at the expense of food production. It also emphasises that present gen-two biofuel technologies are not cost-competitive; an expanded R&D effort is required; and biofuels research is fragmented and poorly co-ordinated and needs to be better funded." A biofuels institute should be established similar to the GCCSI (*above*), national low-emissions coal initiative and planned Aust Solar Institute. Funding of around $15m over five years would be needed to set it up, but it would also "attract" industry support. Qld group Aust Friends of Ethanol (AFE) rejected ATSE's claim ethanol was not viable without govt support. AFE's Rod Schultz told *Carbon Extra*: "First-gen is all we've got and, while it stacks up [financially], we don't see any point walking away from it."

Shell backs Rudd's CCS institute

International petroleum company Shell will become a founding member of the Global Carbon Capture and Storage Institute (GCCSI) after signing a memorandum of understanding with the Fed Govt. The company told its shareholders it was the first business to put its weight behind the institute, which held its first preparatory meeting in London on Nov 25. PM Kevin Rudd announced Aust would be home to the GCCSI in Sept (*Carbon Extra 7, 6*).Shell executive VP Dr Graeme Sweeney said CCS was "a safe and cost effective way to capture and store CO_2 from coal, oil and natural gas. He said CCS was expensive. "In these crucial early years, govt support and leadership will be vital" to developing and reducing CCS costs.

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