



MINISTER FOR CLIMATE CHANGE

Parliament House
State Square
Darwin NT 0800
minister.hampton@nt.gov.au

GPO Box 3146
Darwin NT 0801
Telephone: 08 8901 4053
Facsimile: 08 8901 4060

Senator the Hon Anne McEwen
Chair, Senate Environment, Communications and
the Arts Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator

Thank you for your recent letter to the Chief Minister inviting a submission from the Northern Territory Government to the Inquiry into Renewable Energy (Electricity) Amendment Bill 2010. The Chief Minister has asked that I respond on his behalf as the Minister for Climate Change.

The Northern Territory Government is supportive of the Bill in so far as it provides increased certainty for householders installing small scale renewable energy systems and Renewable Energy Certificate (RECs) price support for larger renewable energy projects. The Northern Territory Government fully supports the Australian Government's commitment to addressing climate change and we released the Northern Territory Climate Change Policy last year. I have attached a copy for your convenience.

The Northern Territory is rich in certain renewable resources (particularly solar) however our highly distributed market means private investment decisions in renewable energy generation are less straightforward than in most other jurisdictions.

While changes to the scheme are likely to provide price support for RECs, I am advised that it is unlikely to provide support sufficient to stimulate increased investment in renewable energy projects in the Northern Territory.

Modelling released by the Department of Climate Change suggests no additional renewable energy resources are likely to be developed in the Northern Territory before 2020 under current arrangements, even with the added stimulus of a carbon price.

The proposed arrangements would require the Northern Territory Power and Water Corporation's to meet its obligations under the RET by purchasing RECs from renewable energy projects outside the Northern Territory.

Based on Commonwealth modelling, the cost of this is likely to be in the order of \$88 million to 2020. We do not believe that there will be any of the broader benefits to Northern Territorians which residents of other States will enjoy through investments under the RET.

The cost of subvention, on the other hand, will need to be met through increased electricity prices in the Northern Territory. The modelling suggests that the impact of the RET on the Northern Territory's economy will be to reduce Gross State Product by 0.08 per cent, the highest negative of all jurisdictions except Victoria, which currently benefits from cheap brown coal.

At the April 2009 meeting of COAG, the Chief Minister raised these issues as representing a major concern for the Northern Territory. The Prime Minister acknowledged the problem and undertook to examine ways of assisting the Northern Territory Government with the development of renewable energy in the Northern Territory.

We are currently working with our Federal counterparts to examine options to support solar and other renewable energy generation in the Northern Territory in the light of the Northern Territory's ineligibility to access the solar flagships program and cessation of the RPPG program.

In light of this outcome, the Northern Territory Government recently released its Northern Territory Climate Change Policy which outlines the Northern Territory's aspirations to meet RET obligations from Northern Territory sources and replacing diesel as the primary source of power generation in remote towns and communities, instead using renewable and low emission energy sources.

Increasing renewable energy penetration in the Northern Territory's extensive and numerous diesel mini-grids represents the most cost effective way of deploying renewables in the Northern Territory.

The Chief Minister has since established a Green Energy Taskforce with a primary objective to provide expert advice on the development of renewable and low emission energy and products in the Northern Territory. In particular, the main outcome is to facilitate the construction and successful operation of large, medium and small renewable energy generation in the Northern Territory by 2015. Specific initial tasks are to:

- develop by June 2010 a detailed proposal for substituting a large component of diesel generation with renewable and low emissions energy in remote communities, including financing and funding options; and
- prepare by December 2010 an evaluation of the relative merits, feasibility and likely costs of the potentially available renewable technologies to be used in the Northern Territory, including geothermal, solar, biomass and tidal.

The issues and potential outcomes detailed above represent a major concern for the Northern Territory.

The Northern Territory Government thanks the committee for the opportunity to contribute on this important subject and requests that these issues be considered by the Committee and that its work will facilitate the Northern Territory to more effectively join in the Australian Government's commitment to renewable energy and addressing climate change.

Yours sincerely

KARL HAMPTON