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Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
CANBERRA ACT 2600

RE: SENATE STANDING COMMITTEE ON ENVIRONMENT, COMMUNICATIONS AND THE ARTS *INQUIRY INTO RENEWABLE ENERGY (ELECTRICITY) AMENDMENT BILL 2010* [PROVISIONS]; *RENEWABLE ENERGY (ELECTRICITY) (CHARGE) AMENDMENT BILL 2010* [PROVISIONS]; *RENEWABLE ENERGY (ELECTRICITY) (SMALL-SCALE TECHNOLOGY SHORTFALL CHARGE) BILL 2010* [PROVISIONS]: APPEA COMMENTS

The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide comments to the Senate Standing Committee on Environment, Communications and the Arts on the *Renewable Energy (Electricity) Amendment Bill 2010* [Provisions]; *Renewable Energy (Electricity) (Charge) Amendment Bill 2010* [Provisions]; *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Bill 2010* [Provisions]. APPEA has made submissions to a number of review processes in 2008, 2009 and 2010 commenting on the Expanded Renewable Energy Target Scheme (the RET Scheme), most recently to the Department of Climate Change and Energy Efficiency on the Australian Government Discussion Paper – *Enhancing the Renewable Energy Target, March 2010.*

The purpose of this letter is to comment on the legislation and also to raise a policy and design element of the RET Scheme that appears to have been overlooked during its development.

APPEA is also a member of the Australian Industry Greenhouse Network (AIGN), a network of industry associations and individual businesses that contribute to the climate change policy debate and see value in joint industry action on climate change policy issues in order to promote sustainable industry development. APPEA has contributed to and supports the AIGN submission to the Committee.

A number of APPEA members have made individual submissions to the Committee commenting on the issues raised by the legislation. APPEA commends these submissions to you.

Outstanding COAG Issues

APPEA notes there are a number of RET-related outstanding issues that are yet to be decided upon by the Council of Australian Governments (COAG), as part of

their Review of Specific RET Issues (further details can be found at www.climatechange.gov.au/government/submissions/renewable-energy-target/coag-ret-target.aspx). These issues involve fundamental design features, such as the eligibility of existing and new sources, and APPEA believes that it is important that they are resolved as soon as possible to remove lingering doubt about these aspects of the RET.

The key issue from an upstream oil and gas industry perspective was considered in Discussion Paper 2, dealing with the self-generation exemption provisions. APPEA noted in its 30 October 2009 submission to Discussion Paper 2 (a copy of which can be found at www.climatechange.gov.au/government/submissions/renewable-energy-target/~/media/submissions/renewabletarget/coag-ret/petrol.ashx) that we support the general policy intent of the current exemptions, with a broadening of criteria to support new large scale resource projects that use lower emissions fuel, for example the emerging coal seam gas (CSG) industry. The exemptions should also be viewed in the context of the RET Scheme EITE program.

APPEA recommends the outstanding issues associated with the COAG Review be finalised as quickly as possible.

Treatment of the emerging coal seam gas and coal seam gas to liquefied natural gas industry

APPEA has identified a policy and design element of the RET Scheme that appears to have been overlooked during its development and is not adequately considered by the legislation into which the Committee is holding its Inquiry. If not corrected this oversight will see the intent of the RET Scheme partial exemption regulations for emissions-intensive trade-exposed (EITE) activities not met in relation to certain activities. Furthermore, it will risk driving investment away from lower emissions technology and see the RET Scheme act perversely as an incentive to invest in less than optimal emission reductions.

The concern relates to the treatment of the emerging coal seam gas (CSG) industry in Queensland and New South Wales and coal seam gas to liquefied natural gas (CSG to LNG) industry in Queensland. APPEA notes the partial exemption regulations for emissions-intensive trade-exposed (EITE) industries appear to fail to provide a partial exemption (or possibly any exemption) for CSG or CSG to LNG activities.

This is notwithstanding the Government's stated policy intent (as outlined on page 6 of the Discussion Paper – *Enhancing the Renewable Energy Target, March 2010*, for example) to provide for a legislated partial exemption from liability to all activities that would qualify as an EITE activity in respect of (in the case of LNG, defined by the Government as a "moderately" emissions-intensive activity) 60 per cent of their expanded RET liability above 9,500 GWh that applies to electricity used.

In summary, this oversight appears to arise from the use of an electricity benchmark set in relation to the two existing LNG projects (the North West Shelf Venture in the north-west of Western Australia and the Darwin LNG Project in the Northern Territory). Both of these projects are subject to the self-generation exemption provisions under the RET and self-generate all of their electricity using natural gas as the fuel source. This means that electricity benchmark set through

the existing regulations is virtually zero and so will provide little, if any, exemption for CSG or CSG to LNG proponents.

APPEA recommends the legislation and relevant regulations be amended to accommodate situations where CSG and CSG to LNG proponents are undertaking EITE activities that are directly liable under the RET or purchase electricity used in undertaking EITE activities.

[redacted].

Yours sincerely

[redacted]

Belinda Robinson
CHIEF EXECUTIVE