

Committee Secretary
Senate Standing Committee on Environment,
Communications and the Arts
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Dear Secretariat

The Australian Sugar Milling Council (ASMC) is a voluntary organisation, established in 1987 to represent Australian raw sugar mill owners, and is the peak policy forum for sugar mill owners.

While ASMC is not a direct participant in the RET Scheme, all of our members are renewable energy generators under the Scheme, with sugar mills providing over 50% of Queensland's renewable energy. These are large scale renewable energy generators.

This submission is provided on behalf of the Australian Sugar Milling Industry, which spans the sugar growing regions of regional Queensland and Northern New South Wales, and includes 10 companies with 24 associated sugar mills, each with a cogeneration operation.

ASMC has provided feedback in the attached submission. To summarise, it is our strong view that legislation splitting the Renewable Energy Target into a Large Scale Renewable Energy Target (LRET) and Small scale Renewable Energy technologies Scheme (SRES) should proceed as soon as possible. However, policy integrity of the RET Scheme must be preserved in the two sub schemes. In the case of LRET, this means that every REC produced under the scheme must equate to one megawatt hour of real renewable electricity generated. Without this basic guarantee underwriting the scheme, deployment of large scale renewable energy generation simply will not occur.

ASMC remains a strong supporter of the policy objective behind the RET Scheme. We ask that the Senate Committee, in considering this legislation, also remain committed to the integrity of the policy and the intent of the scheme. Should you have any questions or comments, please contact Sharon Denny, Manager Industry Development and Government Relations on (07) 3231 5003 or at Sharon.Denny@asmc.com.au.

Yours sincerely,

Dominic Nolan
Chief Executive Officer
Australian Sugar Milling Council

ASMC Submission to the Senate committee inquiry into Renewable Energy (Electricity) Amendment Bill 2010

ASMC Position

ASMC is committed to the policy objective of the Renewable Energy Target (RET) Scheme – increasing electricity generation from Australia's renewable energy sources – and has consequently been a strong supporter throughout the Scheme's history.

The Australian milling sector strongly supports the passage of legislation to separate the Renewable Energy Target (RET) into a Large scale Renewable Energy Target (LRET) and a Small scale Renewable Energy technologies Scheme (SRES) as soon as possible.

ASMC believes this change in legislation will move towards greater scheme transparency and operability. The Australian sugar milling industry has the potential to significantly expand on its current renewable electricity generation, through investment in expansion of cogeneration facilities, efficiency gains and new approaches to the storage, movement, management and integration of biomass feedstocks. However, these projects also deliver multiple community benefits through:

- increased energy security and reliability;
- significant job creation in townships highly dependant on the sugar industry's economic performance;
- industry diversification and longer term viability; and
- lower government (State) community service obligations through reduced transmission losses and subsequent cost.

The industry has begun to demonstrate this potential through the commencement of two significant cogeneration projects in the sugar industry over the last three months. These projects are large, capital intensive, and designed to ensure renewable electricity generation for many years beyond the life of the RET Scheme.

However, financing these types of projects is highly dependant on stable and effective policy. Ring-fencing a known quantity of the target for large scale renewable energy generation (i.e. the LRET) will provide the best market certainty for large scale project investment experienced in the history of the scheme.

Key concerns with the proposed amending legislation

ASMC has consistently advocated throughout the expansion of the Renewable Energy Target (RET) that the policy integrity of the RET scheme must be preserved. That is, every REC produced under the scheme must equate to one megawatt hour of real renewable electricity generated.

Hence leading into the legislation, ASMC has some unresolved concerns, namely:

- Short term oversupply of LRET through existing RECs;
- Recognition of pre-existing contracts; and
- Further inclusion of waste coal mine gas projects.

Short term oversupply of LRET

The proposed legislation isn't intended to come into effect until 1 January 2011; all existing RECs, and RECs created in the lead up to the legislation coming into effect, will be valid in the future LRET, irrespective of originating technology. This means that the ongoing surfeit of RECs created through household technologies has the potential to continue to distort the

market price for large scale renewable energy projects. Current projections suggest the oversupply of RECs will continue for another three years – impacting existing projects, and potentially delaying new projects.

Recognition of pre-existing contracts

ASMC does not support recognising pre-existing contracts, where RECs created from small-scale generation or solar hot water heaters, after 1 January 2011, would be valid against an LRET liability.

The intent of the LRET scheme is to provide market and policy certainty that will motivate investment in large scale renewable energy generation. Including subsidised household technologies in the Renewable Energy Target (RET) has substantially depressed the REC price, constraining investment in large scale generation, and jeopardising existing significant projects. The removal of household technologies into the SRES overcomes this issue.

For the first time since expansion of the RET to 20%, policy certainty is being offered to large scale generators around the actual quantum of the target. By removing the price distortion created by subsidised small scale technologies, the policy initiative provides a platform for a more transparent market and price discovery mechanism for RECs.

However, should 'pre-existing contracts' including household technologies be recognised, market distortion will again be a characteristic of the LRET. This move defeats the purpose of splitting the RET scheme, and undermines scheme integrity.

ASMC recognises the provisions in the proposed *Renewable Energy (Electricity) Amendment Bill 2010*, if passed *in toto*, provides sufficiently broad authority for the Regulator to be as explicit and stringent as desired when considering pre-existing contracts (Schedule 2, Part 1, Item 7 (2)). However, unless the subsequently developed regulations are deliberately narrow and exclusive, then ongoing distortion of LRET remains a real possibility.

WCMG should not be included

While not specifically targeted through the current legislation, inclusion of new waste coal mine gas (WCMG) projects is under consideration through the Council of Australian Governments' (COAG) Review, and continues to be raised by the respective industries.

There are significant disadvantages to expanding the LRET to include more WCMG projects. The scheme is intended to increase the penetration of renewable energy in the generation sector. The inclusion of WCMG projects under the expanded RET is specific and transitional, to overcome the convergence of state and national policy. However, if the scheme is broadened beyond the current transition arrangements, a precedent is created for the inclusion of low emissions technologies. Once WCMG is included, it will be difficult to defend the policy from the broader inclusion of other low intensity fossil fuel technologies developed or in process. Continuously expanding the RET scheme to accommodate additional technologies that fall outside the definition of "renewable energy" will ultimately destroy the viability of the scheme and consumer support.

Market certainty, and ultimately scheme integrity, includes preservation of the brand "renewable energy". Hence it is ASMC's view that any consideration on allowing WCMG projects into the LRET scheme, outside of the current transitional arrangements, would be a disingenuous use of the scheme, and misrepresentation of the policy which underwrites the current RET scheme. Any additional support intended for the coal industry either through Federal government or COAG initiated policy should be transparent and use an industry based mechanism. The support should not distort the policy intent of the RET scheme, and

nor should it fall under a policy that the ultimate liable parties, the energy consuming public of Australia, associate with “renewable energy”.

In summary

ASMC strongly supports the passage of this legislation. However, ASMC submits that the policy integrity of the RET must be maintained, particularly in relation to the LRET scheme.

To this end, it is our submission that:

- Regulations developed around the recognition of pre-existing contracts should be narrow, stringent and exclusive by rule, to ensure minimal impact on the LRET market by household technologies;
- Additional WCMG projects should not be included in the LRET under any circumstances; and
- Short term impacts of existing RECs on the first three years of LRET should be further investigated by the Federal Government, with a view to review adverse REC price consequences.