



5 May 2010

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

Inquiry into Renewable Energy (Electricity) Amendment Bill 2010

The Cement Industry Federation (CIF) is the national body representing the Australian cement industry, and comprises the three major Australian cement producers - Adelaide Brighton Ltd, Blue Circle Southern Cement Ltd and Cement Australia Pty Ltd. Together these companies account for 100 per cent of integrated clinker and cement production in Australia.

The CIF aims to promote and sustain a world-class, internationally competitive Australian cement industry, positioned to take advantage of emerging market opportunities, and endorsed by a community licence to operate.

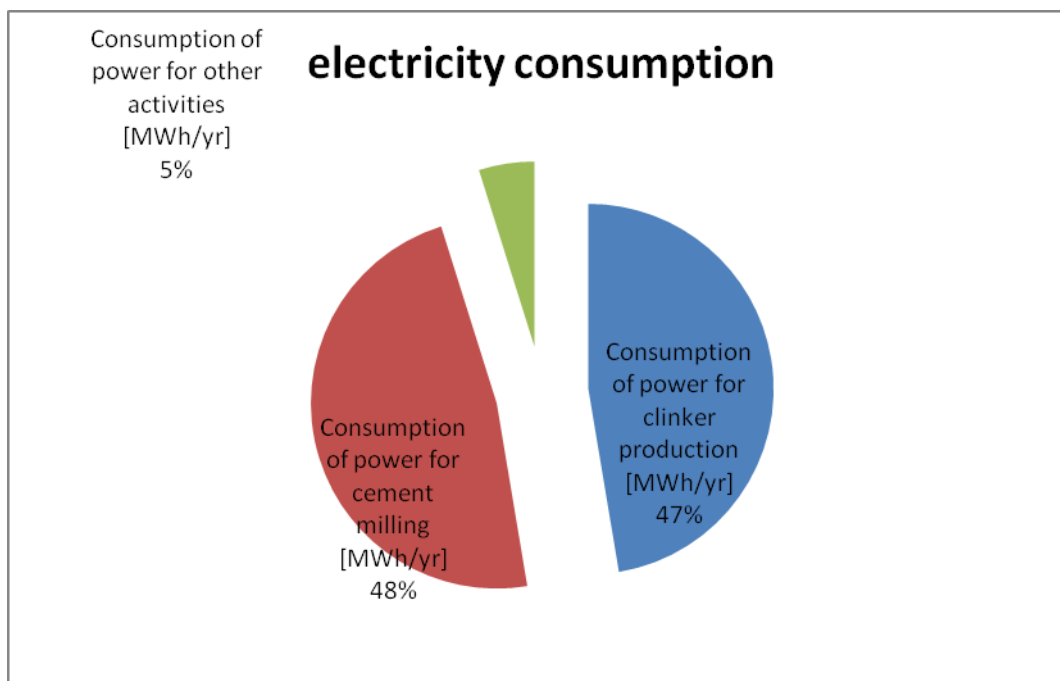
With regard to the Inquiry, the CIF has the following general comments which relate to the inadequacy of assistance provided to trade exposed cement producers under the scheme and the potential increased costs and uncertainty placed on all electricity users, including cement manufacturers resulting from the 'enhanced features' of the RET.

EITE Assistance

The CIF strongly supports the offsetting of higher electricity costs arising from the RET legislation in order to maintain the competitiveness of Australian manufactured cement against imports which do not face the cost of similar measures.

With respect to electricity consumption, cement milling is a significant component of the total use for cement manufacture (see Figure 1, which is based on the 2009 CIF survey) but is currently excluded from the proposed activity definition, which covers only clinker production.

Fig 1.



For our industry it is critically important that an integrated definition for cement manufacture, which includes cement milling is used to determine eligibility for RET assistance - due to the high proportion of electricity used for cement milling.

The anticipated high costs and associated uncertainty of the enhanced RET program represent a direct loss of competitiveness for Australian cement producers. This loss of competitiveness becomes even more significant when the costs of a legislated CPRS are incurred.

The purpose of the assistance measures agreed to under the enhanced RET program is to address the loss of competitiveness impacting on trade exposed sectors such as cement. The proposed changes to the exemption provisions coupled with an inappropriate activity definition will result in these measures being ineffective for our industry.

Increased uncertainty

The split of the RET scheme into the LRET and SRES components may have reduced uncertainty about the REC price for renewable energy investors but only at the cost of shifting that uncertainty to electricity consumers, including industrial scale consumers.

Many of the drivers that created falling REC prices within the RET are now likely to put upward pressure on electricity prices for electricity consumers. These drivers include the seemingly endless addition of rebates and feed-in-tariffs offered by multiple Governments in effect competing to support small scale renewable energy generation.

The uncertainty on price caused by this change needs to be addressed through adequate mechanisms that ensure the size of the SRES does not greatly exceed the 4000 GWH target of the SRES. The committee should be mindful of the fact that state government incentives combined with the SRES will as a combined incentive drive the uptake of the SRES.

The CIF has previously recommended to the Australian Government, capping the size of the SRES and note this suggestion has not flowed through to the legislation. In the absence of an actual cap, it will be important to ensure there are adequate policy levers available to the Australian Government to control a blow out in the uptake of the SRES.

Another source of uncertainty results from the rapid evolution and review of RET policy. The current COAG review and future independent review in 2012 will undoubtedly continue the steady tradition of incremental change and 'tweaking' that has occurred since the MRET was expanded, and will continue to add complexity and cost to the scheme, a cost likely to be passed on to electricity consumers.

The CIF supports the proposition that EITE assistance should be simplified by providing a uniform rate of the assistance across all components of the RET, including the original MRET target.

Any additional costs and uncertainties resulting from the RET, are not costs and uncertainties faced by cement and clinker producers that export to Australia from elsewhere. While these costs may appear small, their cumulative effect combined with a carbon price is extremely concerning.

Absence of a carbon price

Many analysts predict the costs of the RET will be higher in the event that a CPRS or similar instrument is not legislated. This makes the issue of activity definition much more significant to our industry, the CIF would be grateful for access to government modeling of such scenarios.

Yours faithfully,



Stuart Ritchie

**Acting Chief Executive Officer
Cement Industry Federation**