

Business
Council of
Australia



Submission to the
Senate Economics Legislation
Committee on the Australian
Renewable Energy Agency
(Repeal) Bill 2014

JULY 2014

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

About this submission

This submission is in response to the Australian Government's Australian Renewable Energy Agency (Repeal) Bill 2014 that seeks to abolish the Australian Renewable Energy Agency (ARENA) by repealing the Australian Renewable Energy Agency Act 2011, and move the management of ARENA's functions and existing commitments into the Department of Industry.

The BCA supports Australia taking action on climate change and accepts the bipartisan commitment to reduce Australia's greenhouse gas emissions by five per cent by 2020 on 2000 levels, and believes this target should be met at least cost to Australian households and business.

To deliver on this, BCA supports a coherent and integrated approach to climate change and energy policy, and accordingly recognises the need for government support (in partnership with the private sector) in research, development and early-stage deployment (RD&D) of a range of emerging low-emission and renewable energy technologies to provide the opportunity for them to reach commercial success.

Key points

- The government's overarching energy and climate change policy should be open to targeted support for all forms of emerging low-emission technologies that offer opportunities for least-cost greenhouse gas abatement, not just isolated support for renewable energy.
- Adopting a technology-neutral approach in support for emerging technologies will provide the opportunity for a greater mix of technologies to advance, so that Australia has a better chance of developing commercially successful energy technologies.
- There is a policy case for government-funded investment in RD&D of emerging low-emission and renewable energy technologies where the risks may be too great for the private sector to take on, on its own. In continuing to offer government support in this regard, Australia will be better placed to avoid suboptimal investment in our technological innovation and minimise the risk of Australia missing out on capturing the benefits of our ingenuity.
- Australia should seek to capitalise on our world-leading expertise in RD&D of low-emission and renewable energy technologies and systems through public-private partnerships.
- However, the proposal to close ARENA would put an end to the momentum Australia is gaining as an innovator of renewable energy technologies and systems, particularly in remote off-grid technologies with huge potential for export and deployment of these technologies in developing or isolated regions around the globe.
- ARENA has a proven track record in undertaking effective due diligence in the projects it selects to invest in, and in the ongoing monitoring and management of the contracts it enters into. This is critically important to ensure the prudent expenditure of taxpayer funds. Given ARENA's effectiveness in this regard, the case for dismantling the organisation is not clear.
- The BCA supports the government's imperative to get the budget back into surplus, but not at the expense of closing an institution that has commercial expertise, that is not readily available in a government department and which has been operating effectively, with so much potential ahead.
- A reduction in ARENA funding to a more sustainable level is appropriate; however, ending its funding altogether would continue the stop/start approach to policy in an emerging technology sector that requires policy certainty to invest.

Key recommendations

The BCA recommends that as part of an integrated approach to climate change and energy policy in Australia that:

- ARENA be retained with a revised investment mandate that is expanded to encompass support for the development of emerging low-emission technology (such as carbon capture and storage), in addition to renewable energy technology, to allow for the development of a greater range of least-cost greenhouse gas abatement technologies.
- ARENA's board and its governance structure should also be retained and continue its independent, commercially-driven approach to support of emerging energy technologies.
- ARENA's funding be reduced to an ongoing rolling fund of \$100 million per annum and the rest of the funds be returned as a saving to the government's budget.

BUSINESS COUNCIL OF AUSTRALIA
42/120 Collins Street Melbourne 3000 T 03 8664 2664 F 03 8664 2666 www.bca.com.au

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