

26 June 2014



Senate Environment and Communications Legislation Committee,  
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Parliament House  
Canberra ACT 2600

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## **RE: Senate Inquiry into the Carbon Farming Initiative Amendment Bill 2014**

Hydro Tasmania welcomes the opportunity to provide comment to the Committee on the Carbon Farming Initiative Amendment Bill 2014.

Hydro Tasmania is the largest renewable energy generator in Australia, producing approximately 10,000GWh of renewable energy per annum<sup>1</sup>. We are an integrated energy business providing retail energy products, consulting services and are a material participant in the National Electricity Market (NEM). Hydro Tasmania is a Government Business Enterprise, owned by the State of Tasmania and employing more than 1000 people. The business makes a vital and ongoing economic contribution to Tasmania's economy through local procurement, investment and employment. The design of Australia's emissions reduction framework and associated policies is of key importance to our business.

Climate change presents a physical and financial business risk to Hydro Tasmania. As a predominantly hydropower and wind generator, Hydro Tasmania is particularly vulnerable to changes in rainfall, temperature and wind speeds that may occur as a result of climate change. Reducing Australia's emissions is a long-term challenge and as such, policy solutions need to be designed with similarly long-term goals in mind.

The Commonwealth Government's Emissions Reduction Fund (ERF) Green Paper (December 2013) noted that:

*"Compared to many other nations, Australia has a relatively emissions-intensive economy and high per-capita emissions, mostly due to the extensive use of black and brown coal in its electricity supply.....In 2011, Australia's emissions were 563 million tonnes of carbon dioxide equivalents.....electricity generation contributed just over one-third of total emissions (199 MtCO<sub>2</sub>-e)."*

In recognition of these points, Hydro Tasmania believes that the electricity sector is central to any national action to reduce emissions and can be a source of significant abatement. Hydro Tasmania has consistently advocated for action to reduce Australia's emissions as part of international action on climate change and for appropriate measures to support clean energy development and deployment.

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<sup>1</sup> Hydro Tasmania produces approximately 9000GWh per annum. Woolnorth Wind Farm Holdings, in which Hydro Tasmania is a joint venture partner, produces approximately 1000GWh per annum.

An important issue in ensuring the effectiveness of the Carbon Farming Initiative Amendment Bill is considering the interaction of the Emissions Reduction Fund (ERF) with existing Federal, State and Territory programs. With respect to the CFI Amendment Bill itself, Section 107 (4A) (c) refers to:

*the requirement (the **government program requirement**) that the project would be unlikely to be carried out under another Commonwealth, State or Territory government program or scheme in the absence of a declaration of the project as an eligible offsets project.*

Hydro Tasmania welcomes the focus on ensuring that projects funded under the Emissions Reduction Fund are beyond business as usual activity and would not have otherwise proceeded. This is key to ensuring the additionality of any emissions reductions supported by the ERF.

We also note in the explanatory memorandum that the Regulator will issue guidelines as to which government programs typically provide sufficient funding for emissions reduction activities. On this issue, Hydro Tasmania recommends that approval of projects retains an element of flexibility to evaluate some projects on a case-by-case basis and that the Regulator's general guidelines are not absolute. For example, and with respect to the electricity sector in particular, project conditions can vary substantially by geographic location. There will be abatement projects that would proceed under existing government funding programs where these projects are part of the NEM or another substantial electricity grid. Nonetheless, where there are opportunities in off-grid locations or fringe-of-grid projects, or where for example mini or micro-hydro generation could be added to irrigation schemes or existing waterways, the CFI amendment Act should not prohibit ERF funding of these activities. Some level of discretion by the Regulator would be appropriate, noting that the decision of the regulator should be final.

Hydro Tasmania provides the above only as examples of the type of projects that could be excluded without considering local and project specific circumstances. While we support the aim to ensure that any funding issued by the ERF is targeted and essential for projects to proceed, and that funding processes are as efficient as possible, we would caution against the Regulator setting absolute guidelines that may prohibit important opportunities from progressing.

Yours faithfully

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Hydro Tasmania