

8 April 2009

The Secretary
Senate Select Committee on Climate Policy
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary,

Pacific Hydro Submission to the Senate Select Committee on Climate Policy

Pacific Hydro welcomes the opportunity to submit to the Senate Select Committee on Climate Policy inquiry into Australia's Carbon Pollution Reduction Scheme (CPRS). We believe that the CPRS will be an integral part of Australia's climate change response and commend that Federal Government on their commitment to achieving deep cuts in emissions in Australia in the short to medium term.

While we believe that an effective and responsible approach to climate change will require a broad suite of measures; including emissions trading, research and development funding for new technologies, regulation that drives improved energy efficiency and greater integration of distributed generation and the establishment of a robust renewable energy industry; the CPRS will be a central plank in Australia's response as it will:

- introduce a carbon price which is essential to enabling deep cuts in Australia's greenhouse emissions;
- provide investment signals to industry which will ensure environmentally responsible decision making from the time the Scheme is legislated;
- remove the unknown liability that most industries currently face with the potential for a global agreement on emissions reduction; and
- allow transformation of the economy, and specifically the energy supply sector, to a low carbon future without having a significant effect on the economy¹.

Approximately 50% of Australia's greenhouse emissions come from the stationary energy sector with the burning of fossil fuels accounting for almost 90% of our electricity production capacity. This sector is the single largest source of greenhouse emissions in the country and is growing rapidly as energy demand rises.

It is therefore vital for Australia's greenhouse profile that investment decisions to meet growing energy demand do not increase carbon emissions. The CPRS will provide the long-term framework and investment certainty to ensure that installation of new generation capacity does not simply come from more fossil fuels. Given our ever increasing energy demand, it is essential that the CPRS is implemented at the earliest possible date to ensure investment in low emissions technologies. Early introduction of the CPRS will also ensure that it has minimal cost to the economy.

With this in mind, Pacific Hydro supports the swift passage of the CPRS legislation through Parliament, with an emissions trading scheme commencing in 2010.

¹ Department of Treasury and Finance, 2008. Australia's Low Pollution Future; the Economics of Climate Change Mitigation

[ENCLOSURE](#)

While there are a range of mechanisms which would introduce a cost of carbon into the economy, cap and trade emissions trading schemes have been favoured internationally, in conjunction with a suite of complementary policies supporting renewable energy development and energy efficiency. Implementing a scheme which maximises international linkages drives down the cost of the scheme to the economy, and it is because of this that Pacific Hydro believes that emissions trading is the most appropriate and effective scheme for Australia.

Furthermore, Pacific Hydro does not oppose transitional assistance to incumbent power generators and certain emissions intensive industries so long as the assistance ensures that emissions come down over time.

However in the short-term, complementary measures such as the Renewable Energy Target (RET) will be essential to guarantee stabilisation of emissions, ensure Australia's readiness for a mature carbon market which can support a range of low emissions technologies and provide the flexibility to move to stronger emissions reduction targets at 2050 in the face of a comprehensive global agreement in Copenhagen in December 2009.

The RET will lead to approximately \$25 billion in investment in new zero-emissions generation capacity over the coming decade, creating tens of thousands of jobs. These jobs, often located in rural and regional areas, will be in traditional industries such as concrete pouring and steel fitting, offsetting potential job losses through the transformation of the energy supply sector away from traditional thermal generation.

Climate change is a complex problem which has no single solution. Rather, it will be important to adopt a broad approach similar to that adopted in the US, Europe and Asia. This should acknowledge the need to immediately reduce emissions while concurrently building the industries of tomorrow which will ensure continued productivity in a low carbon world.

Pacific Hydro would welcome the opportunity to expand on these points in public hearings for the Inquiry. Please do not hesitate to contact me to arrange a suitable time.

Sincerely,

A handwritten signature in black ink that reads "A Richards". The signature is written in a cursive, flowing style.

Andrew Richards
Executive Manager, Government & Corporate Affairs