



## GRIFFIN ENERGY

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02 June 2009

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The Secretary  
Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary,

**RE: Submission to inquiry into the Carbon Pollution Reduction Scheme Bill 2009 and related bills.**

Griffin Energy welcomes the opportunity to make a submission to your inquiry. Griffin has made an earlier submission to the Standing Committee on Economics' inquiry into the exposure draft legislation. The content of the present CPRS Bill before parliament has not changed with respect to Griffin's interest (and previous submission). While submissions to this inquiry are requested to concentrate on changes to the scheme from the draft exposure legislation, we feel it is important to again highlight the deficiencies in the Bill as an instrument to achieve a desired policy outcome.

As recorded in Section 9 of the Coalition Senators' Dissenting Report from the inquiry into the exposure draft legislation, Griffin contends that the WA electricity market has not been adequately addressed from a policy perspective. Failure to address the WA market as distinct from the National Electricity Market will lead to very significant losses to some generators in WA, resulting in a failure of policy objective – namely that of the ESAS having any effect in mitigating the cost of regulatory risk on future investments in the WA electricity sector<sup>1</sup>. Griffin maintains that the current form of the ESAS is flawed and that:

- If the CPRS Bill is to maintain the current (nationally consistent) form of the ESAS, then the current changes should be made:
  - The number of permits should be increased to be consistent with most credible industry modelling (i.e. to around 600 million permits);
  - The cut-off intensity for eligible generators should be lowered to 0.7tCO<sub>2</sub>e; and
  - The duration should be extended beyond 5 years to lessen the impact of the higher (freely issued) permits on other sectors of the economy.

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<sup>1</sup> Along with a number of other likely detrimental effects. Refer to Griffin Energy's submission to the Standing Committee on Economics' inquiry into the exposure draft legislation.

- If these changes are not made to the current ESAS format (which by their nature will allow somewhat for WA generators), then the following should apply:
  - The ESAS should be split into two categories dealing each with the two affected electricity markets in Australia (NEM and WEM);
  - Each market should be allocated a number of permits, to be issued to the most strongly affected generators, on a proportional basis; and
  - The cut-off intensity for eligible generators in the WEM category should be lowered to 0.7tCO<sub>2</sub>e to account for the relative differences in intensities between the two markets.

While these proposed changes do not comprehensively deal with the complexity of this issue, Griffin appreciates the requirement (and preference) for simplicity in implementation. We believe the proposed changes are both administratively simple, equitable and lead to much improved policy outcomes.

Griffin has been an active participant in the robust consultation process that has been undertaken to date in this area. We intend to continue to be actively involved in further consultation between government and industry and will be happy to further discuss any of the issues raised in this (or previous) submissions.

Yours sincerely



**Shane Cremin**  
**GM – Policy & Strategy**