

12 June 2015

Climate Change Authority
Level 10
90 Collins St
Melbourne
submissions@climatechangeauthority.gov.au

Dear Climate Change Authority,

Re: Consultation paper on electricity sector emissions reduction policies

We welcome the opportunity to make a submission to your consultation paper on emissions reduction policies for the electricity sector.

Environment Victoria is one of Australia's leading independent environment groups. With over 40 member groups and more than 65,000 individual supporters, we've been representing Victorian communities on environmental matters since 1969. We have been working on climate change for over 15 years, with specific focus on addressing the contribution of our electricity generation to greenhouse gas emissions.

Comments on the proposed modelling

On the whole, the scope of the modelling appears to be very comprehensive and the design includes the key variables that need to be considered. We look forward to seeing the results.

We have a few specific comments for your consideration:

1. More ambitious targets

All modelling scenarios are assessing the ability of the policy options to provide the abatement necessary to have a two-thirds chance of staying under two degrees of warming. Given the environmental tipping points that are anticipated to be breached by a two degree target, we recommend that the modelling include scenarios that aim for (1) a better probability of avoiding two degrees (eg. 80% or 90%) and (2) limiting warming to 1.5 degrees.

2. Improvements to absolute baseline scenario

The policy scenario #4 ("absolute baselines") could be designed to have a much greater chance of success. As noted in our submission to the Department of



Environment's consultation on the design of the Safeguard Mechanism, applying individual baselines only to those generators above the industry average leaves far too much potential for emissions to increase.

As shown in the Figure 1 in the Appendix, the NEM-wide emissions intensity average through 2015 (as of April) was 0.924 t/MWh. This leaves the vast majority of NEM generators *below* the average intensity. The current design of policy scenario #4 would apply no baseline to those generators, which includes very large but currently under-utilised coal plants such as Bayswater, Eraring, Liddell, Stanwell and Tarong power stations.

Without a baseline, an increase in demand could cause an enormous spike in emissions from these plants, compared to their current generation. Figure 2 in the Appendix shows how much each generator (Class A = with 5-year baseline; Class B = no baseline) could increase their emissions within the scope of the policy design. In total, from just a small number of coal generators, there could conceivably be an annual increase in emissions in the order of 30-40 million tonnes per year, if not more, without breaching the overall "baseline". This would render almost meaningless any reductions in emissions from above-average plants constrained by the 5-year baseline.

For this reason, we suggest individual baselines are applied to ALL generators, regardless of emissions intensity.

3. State-based intensity standards

In policy scenario #6 (regulatory approach), the modelling could consider whether it is appropriate to have different emissions intensity standards for different states rather than a single national standard. With the recent closure announcement of Northern and Playford power stations in South Australia, almost all of the most polluting generators are in Victoria, suggesting a nation-wide intensity standard would force closure at all Victorian generators before affecting generators in any other state.

While this provides an emissions-optimal outcome, in the interest of security of supply, it could be appropriate to have planned phase-out occurring in each state simultaneously, still within the constraints of achieving an overall emissions reduction target.

4. Generator closures not due to climate policy



Coal power stations are becoming increasingly unprofitable for a range of reasons, including falling demand, increased penetration of renewables, falling wholesale prices and increasing maintenance costs for aging assets. Future plant closures could be influenced by regulatory intervention as described in the consultation paper, but closure could also occur quite independently of an explicit emissions reduction policy. It would be appropriate for the modelling assumptions to consider when and where coal generators might choose to close, to help understand how it might affect electricity market dynamics and emission reduction outcomes.

Thank you for the opportunity to make a submission on this consultation paper. We would be pleased to discuss our comments in further detail if necessary.

Regards,



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FIGURE 1: NEM generators, by emissions intensity

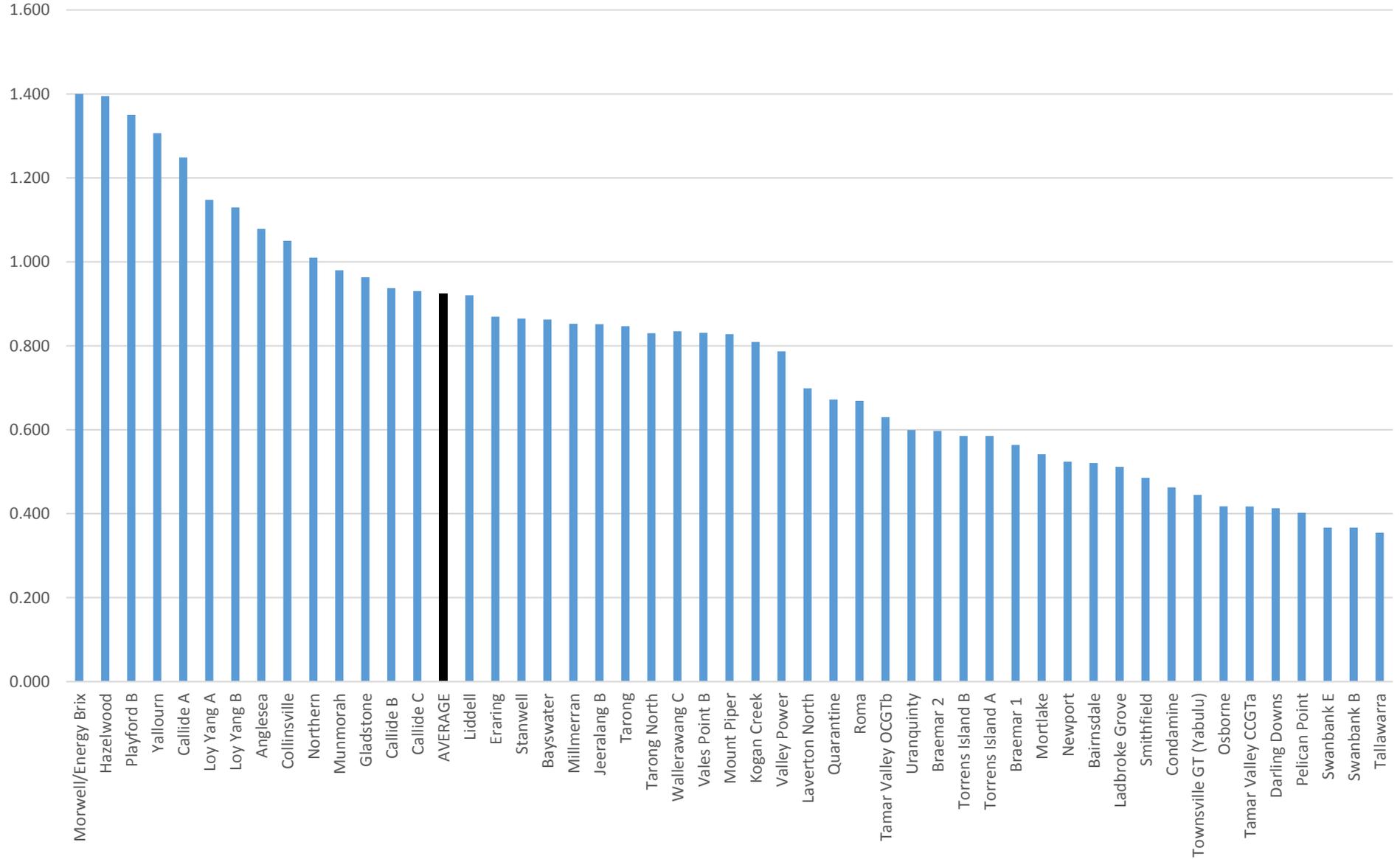


FIGURE 2: Potential increase in emissions from Class A and Class B generators

