

Business  
Council of  
Australia



submission

Modelling illustrative electricity sector  
emissions reduction policies:  
Consultation paper

JUNE 2015

*Working to achieve  
economic, social  
and environmental  
goals that will benefit  
Australians now and  
into the future*



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The Business Council of Australia (BCA) is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

## **About this submission**

This submission provides comments in regard to the illustrative electricity sector emissions reduction policies modelling that the Climate Change Authority is undertaking.

## **Discussion**

The consultation paper outlines seven policy options that will be modelled and describes the modelling approach to be used.

The modelling proposed treats each policy option separately over the proposed time period. Such an approach will not cover over two critical issues that should be discussed in the contextual discussion in the future work:

- Governments (federal and state) may well implement more than one policy simultaneously and not necessarily consistently across the country
- Economic, investor, political and implementation risks over the time period of the modelling may vary for each of the policies being proposed with a resultant impact on the costs of different policies and the effectiveness of the policies.

It should also be noted that taking a sectoral specific approach to the modelling places a constraint on the modelling outcomes and may result in modelling outcomes that contain anomalies because of this design element. Exploration of the possible limits of the approach should be included in the future work.

On reviewing the approach outlined and modelling assumptions discussed in the consultation paper the following matters would benefit from clarification.

### **Demand forecasts**

As the paper notes Australia's electricity consumption patterns have changed and forecast demand and actual demand have been significantly different over recent years with the resultant excess capacity.

The project should include analysis of different possible electricity demand patterns and what impacts these have on the electricity sector and policy options.

### **Plant closures**

The sequencing and timing of closures should be transparent in the modelling.

A least cost approach to closures should be identified and described in the modelling.

Demolition and rehabilitation costs should be included in any costing.

## **Technology considerations**

There would be benefit in including in the final papers details of technology availability, replacement rates and costs assumptions that underpin the modelling work.

## **Plant upgrades and new builds**

It is not clear from the paper what approach will be taken to technology choice, costing, sequencing and locating of new infrastructure and plant upgrades. The approach should be identified and included in the detailed assumptions of the modelling.

## **Wealth impacts**

Under all policy proposals there will be some form of wealth transfer. An understanding the different impacts on wealth transfer of the various policy proposals will be important in making an assessment of the various policy options. The modelling should ensure an understanding of and clear explanation of such transfers.

## **Contact**

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