

30 May 2013

Climate Change Authority

[submissions@climatechangeauthority.gov.au](mailto:submissions@climatechangeauthority.gov.au)

Dear Sir / Madam

**Re: Caps and Targets Issues Paper**

Thank you for the opportunity to provide comment on the caps and targets issues paper. As the largest clean energy producer in Australia and as a material participant in the National Electricity Market (NEM), the operation of Australia's carbon policy framework is a key issue for Hydro Tasmania.

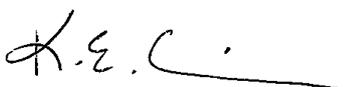
Climate change presents a physical business risk to Hydro Tasmania. As a predominantly hydropower and wind generator, Hydro Tasmania is particularly vulnerable to changes in rainfall, temperature and wind speeds that may occur as a result of climate change. The Australian policy response to climate change also represents a significant business driver to Hydro Tasmania and will greatly affect the economic sustainability of the business into the future.

The introduction of a carbon price in Australia has changed the economics of investment in different forms of energy generation and energy efficiency solutions within Australia. Hydro Tasmania has continually acknowledged the need for carbon pricing and appropriate complementary measures in order to support clean energy development and deployment. The introduction of a carbon price has ensured that the value of clean energy is recognised and rewarded. We believe it is an essential reform if Australia's energy sector emissions are to be reduced in a market-based and cost-effective manner.

The setting of the emissions caps and trajectory is vital to guide Australia's long-term action on emissions. Investors need to know the direction and rate of change that will be required over time in order to have the confidence to proceed with substantial long-term investments. The role of the Climate Change Authority in providing independent advice on target setting is an appropriate approach to reviewing Australia's progress and commitments.

Hydro Tasmania believes that Australia's emissions reduction commitments should continue to be guided by the latest available science and by the progress of international action on climate change. We welcome the opportunity to provide the Authority with further information about the contents of this submission or any other issues. Should you have any queries or require further information, please contact Mr Colin Wain (email: [colin.wain@hydro.com.au](mailto:colin.wain@hydro.com.au) or telephone: 03 6230 5661).

Yours Faithfully



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