stanwell

12 November 2014

Ms Anthea Harris
Chief Executive Officer
Climate Change Authority
Email: submissions@climatechangeauthority.gov.au

Dear Anthea

Thank you for the opportunity to provide a submission to the Climate Change Authority's (CCA) 2014 Renewable Energy Target (RET) Review. We understand the CCA is required to perform a statutory review of the RET by 31 December 2014.

Given the ongoing political negotiations on RET and the recent Warburton Review and modelling, Stanwell supports the CCA's intention to conduct a limited review and draw on industry submissions received through the previous processes. Stanwell provided a comprehensive submission to the Warburton review and we encourage the CCA to note this submission, especially the section on the impact of RET on electricity prices and Australia's international competitiveness. A typical large electricity customer (such as a mining company or large industrial facility) with 700,000 MWh of consumption per annum will pay almost $5.0M in RET charges in 2014.

The CCA states that *"In the absence of alternative policies to decarbonise Australia's electricity supply, severely curtailing the RET would risk stalling Australia's progress, at a time when climate change science makes it clear that rapid reductions in emissions are required."*[1] This statement does not consider the passage of the Federal Government's Emission Reduction Fund (ERF) legislation, the cost of the RET on the Australian economy or the cost of the RET compared to alternative mechanisms for abatement. The ACIL modelling conducted for the Warburton Review concludes that while the RET is *"somewhat effective in the abatement of emissions, it is at high cost compared to current global pricing and is therefore not the most efficient means of emissions abatement"*.[2] Stanwell supports efficient, industry wide approaches to emissions abatement at least cost to the Australian economy. The current RET does not meet this criteria.

While Stanwell supports halting increases the RET altogether, there are numerous other ways to reduce the impact on consumers with varying levels of impact to participants. These include:

- reducing the target
- exempting aluminium and other emissions intensive industries (and reducing the target accordingly in order to avoid shifting the burden to other customers)
- re-incorporating the small scale scheme with the large scale scheme
- increasing the small scale cap with a corresponding decrease in the large scale target
- reducing the large scale penalty price and small scale clearing house price
- reducing deeming in the small scale scheme
- applying a multiplier to the small scale scheme of less than 1.

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[1] Climate Change Authority, 2014 RET Review, http://www.climatechangeauthority.gov.au/node/267
[2] ACIL Allen RET Review Modelling, Page vii

We encourage the CCA to consider each of these approaches in order to reduce the burden of the RET on customers and the Australian economy. Stanwell would not support a proposed solution which increases the burden on some consumers for the benefit of others. Similarly, Stanwell encourages the CCA to separate the legitimate concerns regarding regulatory risk to existing and committed assets from the emotive discussion being currently held through the media regarding the potential impact on possible future investments.

Thank you for your consideration of Stanwell's views in relation to this matter. If you would like to discuss any aspect of this submission, please contact Jennifer Tarr on 07 3228 4546.

Yours sincerely

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Energy Trading and Commercial Strategy