

16 May 2014

Mr Dick Warburton AO LVO (Chair)
Dr Brian Fisher AO PSM
Ms Shirley In't Veld
Mr Matt Zema
Renewable Energy Target Review Panel

Dear Members of the Review Panel

Thank you for the opportunity to provide a submission on the current Renewable Energy Target Review (RET).

The Australian Sugar Milling Council (ASMC) is the peak policy body for Australian sugar milling companies, representing over 95% of Australian raw sugar production. Twenty four mills continue to operate in Australia today, and are collectively the largest source of biomass based renewable electricity in Australia. This submission is supported by ASMC's six member companies:

- MSF Sugar
- Isis Central Sugar Mill Company
- Bundaberg Sugar
- Wilmar Sugar
- Mackay Sugar
- Tully Sugar

Wilmar Sugar and Mackay Sugar have provided complementary submissions, which are also supported by ASMC.

Sugar mills have been generating renewable electricity for approximately 100 years in Australia, meeting their own electricity needs, and frequently the needs of their local regional communities throughout that time. Since the inception of the Mandatory Renewable Energy Target (MRET) all sugar mills have exported surplus electricity into regional distribution networks during the crushing season (June - November). Increasingly, milling companies throughout the industry are exploring investment opportunities to expand and extend generation capacity.

Since separation of the RET into LRET and SRES, the sugar milling industry has invested an additional \$300 million, specifically targeted at increasing the exported amount of electricity from mills to the National Electricity Market (NEM). The RET has been fundamental to capitalizing each of these projects, by creating a market for renewable electricity, and therefore the capacity to enter into power purchase agreements that provide the additional revenue that delivers an acceptable return on investment. While RET as a stand alone policy is insufficient to justify a project, without it these industry projects could not have proceeded in the existing policy environment.

This initial investment precedes a pipeline of investment potential of over \$1.3 billion. Several more cogeneration expansion opportunities are under development in the sugar milling industry - but critical to ongoing investment under the scheme is policy certainty. Every review, irrespective of the terms of reference, incites an opportunity for mischievous misinformation, that while largely irrelevant to the policy, creates community mistrust about the policy benefit and intent.

Critically, the RET ensures that Australia is keeping pace with international renewable energy policy. The Australian sugar industry is one of the most competitive sugar industries in the world, despite competing against industries that are heavily subsidised by their governments. However, as the international focus on enhancing energy security through renewable electricity and biofuels increases, international competitors are leveraging expansion of their industry through generous renewable energy and biofuel subsidies, generating a step change in the economic profit possible from sugar production. The Australian sugar industry does not have the support of similar subsidies - and the Australian RET is modest in comparison. However, it does create an incentive for mills to invest and renew their asset base, strengthening local communities, regional economic activity and energy security. The opportunities associated with RET have been fundamental, influencing considerations for all major investment in the Australian sugar industry over the past five years.

On balance, the LRET scheme appears to be achieving its objective, with significant investment in expanded renewable energy opportunities in the sugar milling industry. It is the view of ASMC that the fundamental principles of the LRET policy needs to be left as is, to maintain confidence in the program - and investor confidence in the projects enabled underneath it. Projects with 15-20 year payback periods need sufficient confidence that government programs will continue to operate, in a substantially unchanged format, for the life of the project. Anything less is sovereign risk. At a time when both federal and state governments are seeking to partner with major agricultural investors in our industry, it is critical that government continue to deliver on bipartisan supported policy.

ASMC provides the following responses to questions raised in the RET Review discussion paper, where deemed to be directly relevant to the sugar milling industry's renewable energy efforts.

We look forward to discussing this submission and other matters in further detail. Please contact Sharon Denny, Senior Executive Officer on (07) 3231 5003 or at Sharon.denny@asmc.com.au for further information.

Yours sincerely



Dominic Nolan
Chief Executive Officer

2. About the RET

2.1 How has the RET performed against the objectives in the Renewable Energy (Electricity) Act 2000?

RET has very clearly

- encouraged additional generation from renewable resources
- reduced emission of greenhouse gases in the electricity sector; and
- ensured that renewable energy sources are ecologically sustainable.

Sugar mills have invested over \$600 million during the life of the RET, including \$300 million over the last five years, following the expansion of the RET to 20%. Since 2001, mills have generated 6.3 million renewable energy certificates/large-scale generation certificates, estimated to be worth over \$225 million¹, effectively delivering almost 5.5 million tonnes of carbon dioxide abatement.

Australia’s sugar mills burn over 9 million tonnes a year of waste cane fibre (bagasse). In context, this is the equivalent energy of over 3 million tonnes of coal; it also means annually managing bagasse with a volumetric space equivalent to over 45 Melbourne cricket grounds, 44 metres deep. Mills have traditionally burnt this material as inefficiently as possible to dispose of it. Under RET, mills have invested to increase the utilization of this waste stream, generating electricity to service the growing electricity demand of adjacent regions.

For example, Mackay Sugar recently invested \$120 million in expanding cogeneration capacity and capability at its Racecourse Mill. Part of this investment included significant bagasse storage enabling electricity generation for 50 weeks per year. Racecourse Mill supplies the equivalent of one third of Mackay’s energy demand. This is the front end of industry- wide cogeneration opportunity in existing sugar mills across Australia. Table 1 (below) compares the existing capacity and current generation with a future scenario based on the continuation of the RET. It conservatively estimates the electricity generation potential of existing mills providing the equivalent of base load generation for nine months of the year.

Table 1: Current and potential future generation at existing sugar mill site

| | Current | Potential (with RET)* |
|------------------------------|--|------------------------------|
| Installed capacity | 0.49 GW | 1.5 GW |
| Electricity generated | 1000 GWh/year | 9000 GWh/year [#] |
| Electricity exported | 580 GWh / year (Zero exported prior to the RET) | 8400 GWh/year |

* maintaining LRET at the target of 41,000 GWh

[#] based on an average generation period across the industry of 36 weeks per year

However, the RET has also delivered a greater range of outcomes that are of direct and significant benefit to Australia's economy today, including:

- greater diversification of Australia's energy profile, and therefore energy security
- creating the demand for progressive transformation of Australia's energy networks into significantly more sophisticated delivery mechanisms, at a time when aging national infrastructure has required replacement. Without the scheme, there is every likelihood that infrastructure replacement would have continued with like for like, limiting energy options in the future, or expanding national energy costs, by misplaced investment.
- enabling an energy system transformation over a reasonable timeframe (30 years), rather than short sharp shocks to the system.
- providing a significant, viable alternative to gas, and dampening effect on wholesale electricity and retail prices, at a time when export gas prices are rapidly rising, and pricing the energy source out of reach of the Australian electricity generation market.
- enhancing regional energy security, with a depressing effect on Community Service Obligations (CSOs) and distribution loss factors in regional Queensland.
- stimulating \$600 million investment in the sugar industry, enhancing regional industry and economic security.
- driving investment in generation infrastructure with minimal government subsidisation (compared with historic investment in fossil fuel generation), while creating far more effective community and industry engagement with their power consumption.

The RET has delivered well against its stated objectives; its effectiveness should also be considered against the weight of additional benefit it has delivered.

2.2 Are there more efficient and effective approaches to achieving these objectives?

ASMC argues that RET has been one of the most economically efficient means of driving the range of both intended and consequential benefits of the scheme to date. While recognising that various periods of the scheme have delivered unintended outcomes, successive iterations of the scheme to its current design suggest the scheme is meeting its core objectives. The transformation of Australia's energy system as a direct result of RET could not have been as readily achieved with capital subsidisation or as a regulated outcome.

The key aspect of the scheme's success continues to be that it provides economic certainty over the payback period of project investment. Fossil fuel generators, with their legacy of government support (capital investment, subsidised fuel, fuel transport and water, long term power purchase agreements, etc), have created an exclusive electricity market². The RET provides an opportunity for new entrants, who would otherwise be unable to compete with the incumbent generators.

The Clean Energy Technology Fund (CETF) is the nearest comparison of an alternative scheme in which the sugar industry has participated, that can provide any direct comparison with RET. The CETF, while an enabler of upfront capital investment, provided no market for return on investment. In contrast, the annual liability for retailers under RET has created a demand for the functioning of renewable energy generators - and therefore physical electricity market participation. As such, the quantum of revenue returned under RET is governed by market forces or efficiency, which therefore drives investment in sustainable systems.

2.3 Do the objectives of the Act remain appropriate, in light of falling electricity demand and the Government's target and policies for reducing greenhouse gas emissions?

Despite the current backdrop of falling demand, the objectives of the Act remain appropriate. The LRET has not contributed to falling electricity demand. However, it is worth highlighting that energy companies do not complain about RET, or seek to increase it when electricity demand is well above a target, as the saturated MRET target demonstrated.

While the overall trend in electricity demand, both overall and maximum, across Australia has fallen or flattened since 2008-2009, the historical fall and future demand growth outlook is neither unilateral, nor necessarily relative to growth demand. Most growth will typically be incremental, and much of it regionally based. The RET remains uniquely designed to continue to deploy renewable energy technology at the lowest cost dampening possible market (pool price) overreaction.

For example, Queensland's maximum demand is expected to increase by 10% in 2014-15, followed by annual increases of 2.4% compared with up to 1% increases in other regions³, driven by the commencement of significant LNG projects. Given that LNG related demand will be in regional Queensland, a network already affected by capacity constraint, and underutilised assets, future growth in demand will need to be served by distributed generation. Queensland sugar mills are uniquely situated to meet this demand - with a range of flow on benefits, but will clearly require a price for renewable energy.

The government's current policy for reducing greenhouse emissions is the Direct Action Plan. However, from the information provided to date under its key mechanism, the Emissions Reduction Fund, there is no opportunity for the sugar industry to participate under this policy. Projects recognised under the Renewable Energy Target are not eligible, despite the potential to deliver additional benefits; and participation in the program would not provide the level of investment certainty required to ensure that projects undertaken in the sugar industry could achieve an acceptable return on investment.

3. Impacts of the RET

3.1 How has the RET influenced the development of the renewable energy industry?

The RET has been the single most influential policy for investment in asset replacement and energy efficiency increases in Australian sugar mills over the last 13 years, including the tripling of renewable energy output by sugar mills. In particular, it has enabled sugar mill participation in an electricity market that has been relatively closed to embedded generators until the commencement of the scheme.

These advances have been critical to the profile of renewable electricity generation by sugar mills. Prior to the RET, sugar mills typically operated six months of the year, generating electricity only in this period, with heavily invested infrastructure idle for the remainder of the year. Following the commencement of RET, sugar mills have increased their capability to generate beyond the shoulder of the cane crushing season, enhancing steam management and milling efficiency, with increased storage and management of bagasse - and ultimately delivering electricity into their adjacent regional communities. Where mills have invested in transformative cogeneration expansion, electricity generation has been focused on meeting key market needs.

For example, Wilmar Sugar's Pioneer Sugar Mill, the largest installed electricity generation capacity in the sugar industry, is optimised to operate ten months of the year, including during the three month maximum electricity demand period (December - February). Mackay Sugar's Racecourse Mill, co-located with a refinery with year round demand, generates and sends electricity to Mackay for 50 weeks of the year. However, many of the sugar industry's mills are operating in communities fed by particularly congested electricity networks. These mills provide an additional level of electricity supply flexibility for the network utility - and are frequently called upon in the later part of the cane crushing season, to increase generation into the local network.

Increasing cogeneration capacity at a sugar mill also directly reduces the amount of energy required from transmission networks, reducing the need and subsequent investment in parts of the network. For example, projects at both Racecourse Mill and Pioneer Mill resulted in Ergon deferring substantial network upgrades - which would otherwise have been passed through in electricity prices. (Note that 20% of Ergon's electricity capacity is used less than 35% of the time⁴).

Where sugar mills invest to enhance their generation capacity, it is with a cognisance of the regional growth in energy demand within their community, and a strong understanding of their capacity to directly contribute to their region's energy security.

3.2 Should the LRET be abolished, reduced or increased? If retained, what level should it be? What would the impact of such changes be?

LRET, in its current form today, is successfully delivering on the core intent of the RET legislation, and critically, enabling targeted investment based on bipartisan support. It is the unequivocal position of the ASMC that the LRET should be left as it is. The LRET should be left with the 41,000 GWh target fully intact.

Any attempts to remove or lessen the effectiveness of the LRET will severely impact, and place at risk, investment undertaken by the sugar industry through the RET. This investment was based on 15-20 year payback periods with RET in place until 2030, with a target of 41,000GWh.

Further, the sovereign risk associated with lessening the policy will close the investment pipeline of \$1.3 billion potential projects in energy efficiency and renewal at existing mills. The loss of this potential, and elevated risk around existing investment, will directly harm the Australian sugar industry's international competitiveness, as the world's third largest exporter of raw sugar, while our competitors continue to expand their industries on the back of generous government subsidies, and renewable energy policies.

The flow on revenue impacts of removing, or lessening, the LRET are also severe for the sugar industry. Most mills will be forced to halt extended generation outside of the crushing season. There would be a loss of \$35 million of industry revenue, year on year. A further \$13.2 million at least would need to be spent by the industry, undoing energy efficiency investments at several mills, with an additional \$3.6 million spent annually, managing the additional disposal of bagasse, and loss in rate of crush.

With this reversal in bagasse utilisation efficiency, 75- 100 job losses would be expected, associated with the movement and management of bagasse for electricity generation, with a \$4.5 - \$6 million regional impact. This does not account for the indirect employment and economic impacts associated with these plants.

In this scenario, the capacity of sugar milling companies to attract financing in the Australian sector will become increasingly difficult, as the revenue opportunities are increasingly restricted to sugar only, and the sovereign risk associated with investment based on government policy in Australia, irrespective of bipartisan support.

However there will also be direct impacts on the energy security of regional Australia, particularly Queensland. Sugar mill electricity generation delays the need for investment in network augmentation, reduces electricity losses, and dampens community service obligations (CSOs). These effects will diminish with a lessened RET - in regions where greatest electricity growth (and network cost

pressures) are likely to occur in the next 2-5 years, and therefore negatively impact on regional energy security.

At the same time, the Federal and Queensland Governments are seeking to grow the population and agricultural productivity of regional Queensland. The loss of the RET potentially risks a further \$2-4 billion of greenfield sugar investment, as these projects include sizeable revenue splits between sugar and renewable energy, consistent with the Brazil and increasingly Thailand models.

3.3 Do small-scale renewable energy systems still require support through the SRES? If so, for what period will support be required for?

ASMC does not operate in this arena, and therefore has no comment on this issue.

3.4 Should the LRET and SRES schemes be recombined?

ASMC does not support any attempt to recombine the LRET and SRES schemes.

ASMC contends that separating the RET into LRET and SRES was a highly beneficial and cost effective decision. Large scale generators could not compete in the previous form of RET, as RECs were continually undervalued. Since the separation of the Scheme, over \$300 million has been invested in sugar industry cogeneration and energy efficiency infrastructure, with the objective of increased renewable electricity output. While LRET alone doesn't enable projects, it is a critical contributor to revenue, and therefore overcoming the payback hurdle. Without RET, the largest of projects undertaken to date would not have proceeded.

Prior to separation of the scheme into LRET and SRES, large scale projects were forced to compete with household technologies. That is, multi-megawatt projects with a 15-20 year payback period, multimillion dollar investment underwritten with substantial capital risk, were competing with kilowatt household technologies, funded by discretionary householder income of a few thousand dollars, and further stimulated by government rebate programs, and generous state government feed-in tariffs. Household technologies (based on deemed RECs for small scale technologies) experienced none of the capital financing or reporting and compliance risks of a large scale project. Consequently, despite being a less cost effective investment in renewable electricity generation, these projects were easily and readily funded, deflating the REC price through an oversupplied market.

It must also be recognised that retailers were particularly effective at circumventing wider investment in large scale renewable energy by providing terms of finance for average households to make this investment, while tying up the RECs associated with the investment, and therefore continuing to deflate the REC price.

3.5 What impact is the RET having on electricity markets and energy markets more broadly? How might this change over time?

The renewable energy target is having a significant impact on electricity markets and energy markets, including:

- Increasing market competition
- Enhancing regional energy security
- Dampening wholesale electricity prices
- Facilitating energy economy transition

Increasing Market Competition

The RET has done more to facilitate new market entrants into the electricity market than any energy policy in Australia preceding it. In Queensland and New South Wales, state government ownership of generation, at 65% and 90% of total generation respectively, has limited privately-owned market participation for decades in the energy sector. Similarly, the growing influence of the three major vertically integrated energy companies (Gentailers), AGL Energy, Origin Energy and Energy Australia, with 36% share of generation across Australia, and 80% of the retail market, are effectively stifling the opportunity for new entrant participation. The concentrated market presence of both State Government ownership and Gentailers provides opportunities for the exercising of market power under certain conditions that can have a significant impact on price⁵.

For example, the movement of Tarong Energy's assets to the remaining two government owned generation companies in Queensland has created the opportunity for network congestion brought about by disorderly bidding. The resultant market intervention by the Australian Energy Market Operator (AEMO), market uncertainty, and inefficient dispatch of generation drives the Queensland market risk profile higher, with a subsequent significant cost pass through to consumers, as experienced by Queensland in the first quarter of 2013. The current solution is for Powerlink to augment transmission around Gladstone - a costly solution, while AER implements an alternative model to manage bidders⁶. However, sugar mills are embedded in the regions serviced by this electricity supply - and as has been demonstrated by the recent investment in expanded cogeneration at Mackay Sugar's Racecourse Mill, the ability to supply locally, leads to a direct outcome of deferred investment in network augmentation. The sugar mill investment in generation would not have occurred in the absence of RET.

Enhanced Regional Energy Security

Similarly, the RET has enhanced regional energy security. Every time a sugar mill significantly expands its cogeneration capacity, the distribution losses for delivering electricity to its adjacent community decrease, as 1 MWh generated locally is 1 MWh delivered.

Further, as all sugar mills demonstrate, during the crushing season mills are effectively base load power generators. With significant cogeneration and energy efficiency investment, this base load capacity can be extended beyond the season,

as demonstrated by Pioneer Mill, operating during the maximum electricity seasonal demand; and Racecourse Mill, operating 50 weeks per year.

Australia's flattened energy demand is unlikely to require investment in large scale fossil fuel generation for the next 10-15 years⁷. However, surges in localised demand, particularly in regional Australia, are likely to be uniquely suited to renewable energy investment, particularly in large scale renewable generation. Queensland's regional energy distributor, Ergon Energy, has similarly recognised that the existing model of poles and wires over long distances to meet growing regional energy demand is not sustainable - and is consequently in the process of setting an electricity storage target for 2020, to form a hybrid solution for the distribution of electricity in regional Queensland⁸.

In addition, the embedded nature of renewable energy investments like sugar mills enhances regional energy security during natural disasters, as these investments are typically interconnected into local distribution networks. For example, following the devastation of Cyclone Yasi in 2011, where electricity transmission was lost to major centres along the Queensland coast, Tully Sugar supplied electricity to its immediate community. This was not renewable electricity, as aside from being out of season, the mill's external infrastructure sustained significant damage. However, the existence of interconnection, and the mill's back up diesel generator meant that the mill was able to facilitate restoration of power for a significant proportion of its community. This interconnection would not have existed without the RET Scheme. These sorts of opportunities exist at most if not all sugar mills around Australia.

Dampening Wholesale electricity prices

Wind and solar are 'must run' generators. Whenever these technologies are operating, they effectively bid into the market at zero cost, and accept the wholesale market price⁹. During the crushing season, sugar mills cogenerating electricity operate the same way. This has the effect of delaying the dispatch of more costly intermittent and peak power supplies, constraining the wholesale price for longer. This dampening effect will become increasingly critical as LNG production and export commences in 2015, and gas prices escalate.

Facilitating Energy Economy Transition

It is well recognised that, of the 2300 MW of coal fired generation that has been shut down, most discontinued generation has been older, higher cost plant. The particular, and often referenced, exception in Queensland, Tarong, reflects a deliberate investment in over-capacity in Queensland. The Queensland Government, anticipating a significant market opportunity to export electricity from Queensland to New South Wales through the Queensland - New South Wales Interconnector (QNI), commissioned the augmentation of Tarong with an additional capacity of 443MW (Tarong North) in 2003. With the decline in overall electricity demand since 2008-2009, and therefore, decrease in export potential, Tarong (owned by Stanwell Power) has made the business decision to close 700MW of its older generation, in October 2012. There was no legislation sitting behind this investment - but rather a speculative market decision.

However it must also be recognised that a significant contributor to the ongoing viability of fossil fuel generation is an extensive transmission network that is quickly becoming economically unviable. The RET has provided the strongest stimulus to move away from this model, with least cost and a significant transition period (30 years). Further, the RET has stimulated a \$20 billion¹⁰ largely privately owned sector, with contextually low cost to government. This level of private investment has also, for the first time created greater opportunity for the individual consumer to have greater control over their own energy situation, individual engagement with the electricity sector, and direct participation in the market. These are core objectives outlined by both state and federal governments in their various energy policies at this time; the RET has created and continues to facilitate this opportunity.

3.6 Are the current exemption arrangements appropriate?

ASMC does not have a view on the current exemption arrangements, but notes that any moves to increase exemptions shifts the burden on to remaining liable participants in the scheme.

3.7 How should reforms to the RET be implemented? What transitional issues could arise and how might they be addressed?

This question supposes that reforms to the RET are required. This is not the view of ASMC.

Any reforms that seek to lessen the effectiveness of the RET will be viewed by the Australian sugar industry as endangering strategic investment in the industry, and directly inhibiting further investment of potentially \$1.3 billion at existing mill sites, and a further \$2-4 billion in greenfield investments in northern Australia.

4. The RET and other policies

4.1 How does the RET interact with other government policies that have, or will have, an impact on the operation of the RET, or that impact on renewable energy or energy markets more generally? What can be done to improve the efficiency and effectiveness of these interactions in delivering intended policy objectives?

Agriculture Policy

The RET plays an important role in a range of policies vital to the future of agriculture and development in regional Australia, as both the Australian and Queensland governments seek to position Australia to meet the growing global food demand.

Queensland currently has a goal of doubling agriculture production by 2040, with an expectation of agricultural expansion led by the sugar industry, as one of the

crops best suited to northern Australia. However, the sugar milling industry business model has fundamentally changed in the past 100 years. No greenfield project involving sugarcane is likely to proceed without diversified revenue streams. In sugar, the first and best diversification opportunities are renewable electricity, followed by biofuels and other bio-products.

The next wave of agriculture will be highly dependant on technology, which in turn will rely on affordable energy. Establishing sugar mills as viable power stations in regional Australia generating and supplying electricity to local communities is more cost effective and efficient than establishing further transmission networks to send power hundreds of kilometres from the generation source. Similar waste to energy opportunities will exist for a range of other agricultural industries.

Energy Policy

As the Queensland process for determining electricity prices has comprehensively demonstrated over the last three or more years, there is a tendency to confuse state government schemes around solar feed-in tariffs, and carbon pricing, with the RET. This has resulted in a highly misinformed campaign against the RET scheme, that has allowed a large body of consumers to believe that removing the RET will lower the cost of their electricity bills. This is not the case. Queensland Competition Authority's breakup of energy costs, with RET pricing benchmarked across the various states demonstrates that RET is a minor component of electricity prices, with 2014-2015 cost component to comprise less than 2% of average household electricity bills¹¹, and continues to suppress price increases, year on year.

5. Reducing the administrative burden of RET

5.1 Can the administrative arrangements of the RET be simplified? If so, how can they be simplified and what would be the risks of doing so?

Sugar mills import electricity during mill start up, and outside of the crushing season, when electricity is not being generated at the mill. Consequently, all mills encounter a liability. Currently, unless a mill is in a direct wholesale relationship (a quasi-retailer), it has no capacity to acquit its liability against its own certificates, and is therefore locked into the price passed forward by its electricity retailer.

ASMC suggests that these arrangements could be simplified by enabling an opt-in process that enables significant liable parties to acquit their own liability, whether through stored certificates or purchase from the market.

6. Other issues for the review

6.1 Should any other energy sources be included in the LRET? Should any non-renewable (but low emissions) energy sources be included?

The sugar milling industry does not support increasing eligibility requirements under the Renewable Energy Target to allow inclusion of non - renewable resources, for the following reasons:

- Subsidises fossil fuel (or potentially nuclear) generation. Both forms of generation rely on scale, and therefore have the potential to swamp available LGCs in the RET market. These low emissions technologies have the potential to be addressed in the Direct Action Plan - which is not the case for renewable projects;
- Increases the complexity of RET, by requiring treatment significantly different to existing scheme generators (the brief inclusion of waste mine gas clearly demonstrated this concern); and
- Delivers no benefit to the RET scheme (i.e. against the legislative principles).

Expanding the RET scheme to include non-renewable projects defeats the policy premise used to establish the scheme, and more particularly expand the target to 20%. The RET scheme is intended to increase the penetration of renewable energy in the electricity generation sector. ASMC advocated passing of the Renewable Energy Legislation in August 2009, based on this clear policy position.

6.2 Should any new small-scale generation technologies be eligible under the SRES?

ASMC has no comment on this topic, as sugar mills do not operate under this scheme.

6.3 Should any new displacement technologies be eligible under the SRES?

ASMC has no comment on this topic, as sugar mills do not operate under this scheme.

6.4 What should be the frequency of statutory reviews of the RET?

A two year review frequency destabilises developing projects, particularly where capital investment is sought. Typically, these projects are delayed, waiting for the outcome of the most recent review, to determine if investment conditions have been affected. This highlights the importance of a stable RET policy environment - these projects, while not able to succeed on RET alone, are typically not viable without RET. Even for existing projects, or projects under construction, a review signals anxiety around projected revenue from RET.

However, ASMC recognises the need to fine tune the RET to optimise performance and fairness for all stakeholders involved. And this is the fundamental concern. Under the current scope of legislative requirements, the comprehensive nature of the review creates ongoing opportunity for anti-RET campaigning by well funded sectoral interests. The level of noise, publicity and misinformation creates an unjustified level of policy uncertainty. Hence renewable energy generators are

caught in each review cycle, expending resource and effort justifying the status quo support for an emerging industry.

It is the view of ASMC that a 4-6 year structural review of the unchanged, 41,000 GWh RET target would provide a compromise for all participating stakeholders, with greater stability and certainty for invested and emerging projects.

However, ASMC has substantial concern about the potential for major changes to the RET as a result of this review. As such we would expect to reconsider a RET review timeframe in the event of any such changes.

6.5 What administrative and regulatory arrangements should be put in place to ensure that the reinstatement of native forest wood waste is consistent with the sustainable management of native forests?

ASMC supports the inclusion of native forest wood waste. Given that the product is wood waste, that is currently incinerated or decomposed, it is unclear why the handling or inclusion of the resource has been considered problematic.

ASMC requests that inclusion of native wood waste be administratively simple.

¹ Clean Energy Regulator. 2014. *Renewable Energy Target 2013 Administrative Report*. Pg 8.

² Foster, T & D. Hetherington. 2010. *Energy Market Design and Australia's Low-Carbon Transition: A Case Study of Distributed Gas power*. PerCapita.

³ AEMO. 2013. *National Electricity Forecasting Report 2013*.

⁴ Commodity Intelligence. 2012. *How Sugar Mills Interact with the Electricity Market*.

⁵ AER. 2013. *State of the Energy Market 2013*.

⁶ AER. 2013 *State of the Energy Market 2013*

⁷ AEMO. 2013. *National Electricity Forecasting Report 2013*.

⁸ Parkinson, Giles. 2014. "Ergon to set California - style Energy Storage Target for 2020". *REneweconomy*. 29 April 2014.

⁹ Roam Consulting. 2014. Roam Consulting Report to the Clean Energy Council: RET Policy Analysis. 29 April 2014 at www.cleanenergycouncil.org.au/policy-advocacy/renewable-energy-target/ret-policy-analysis.html

¹⁰ *ibid*

¹¹ QCA. 2013. Fact sheet.