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PARLIAMENTARY DEBATES



THE SENATE

RENEWABLE ENERGY (ELECTRICITY) AMENDMENT BILL 2009

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Second Reading

SPEECH

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Speaker Eggleston, Sen Alan

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Senator EGGLESTON (Western Australia) (6.57 pm)—What an interesting set of views from Senator Cameron. I assure you, Senator Cameron, that Malcolm Turnbull's leadership is not under challenge. He is a man of great skill and ability. He has a great knowledge of finance and economics and that is something the Labor Party ought to fear as we go into record debt levels and record unemployment—having someone leading the opposition who understands economics and the power of the system of government that has produced the Liberal Party's great record over the years should make you quake with fear, Senator Cameron. You were quite right, there is debate in the coalition about climate change, just as there is in the whole community.

Senator Bushby—And in the Labor Party!

Senator EGGLESTON—And in the Labor Party, indeed. Of course, Labor Party people are not allowed to express their views. They have to toe the party line or face the discipline of the party machine. There is debate in the coalition because there is debate in the community. There are differences of opinion about the causes of climate change: whether it is due to greenhouse gases or simply a manifestation of evolving change which has occurred over the millions of years that the earth has been here and has gone through cyclical climate change. The fact that there is a debate is healthy, a very healthy thing indeed.

Senator Cameron—It's lunacy!

Senator EGGLESTON—Senator Cameron, 'lunacy' is a very powerful word. I suppose one could say that people who do not open their minds are more open to being described as such than those who do open up their minds and consider all alternatives. Whatever the cause of climate change, the coalition is keen to see renewable energy sources developed for their own sake, to reduce pollution and to make Australia energy self-sufficient. There is no doubt, it has to be said, that under both the ETS and the renewable energy scheme the cost of energy will go up. Whether or not you like it, Senator Cameron, there will be an impact on the Australian economy in higher prices for energy and consumer goods. That will have to work its way through.

The coalition have a very great record on renewable energy. In government the coalition passed legislation

in 2000 establishing the Mandatory Renewable Energy Target Scheme, giving effect to commitments made by then Prime Minister John Howard in November 1997. The MRET was the first scheme of its kind in the world and has been a key factor in the growth of both renewable and waste energy electricity generation in Australia. As a coalition, as I said, our vision is of a clean energy economy. We strongly support the concept of a 20 per cent renewable energy target. We believe in the potential of solar energy, geothermal, wind, tidal and other forms of renewable energy to contribute to our green energy future. Clean energy is about broadening the base of our energy security.

One might ask: how committed are the Labor Party to renewable energy? The answer, from their record, one would have to say, is that they are perhaps not very committed at all—if their record on solar is anything to go by. In just over 18 months Labor have created widespread upheaval and anxiety within the renewables sector. Among other floundering election commitments, support for renewables has fallen casualty to Labor's mismanagement of the nation's finances. Solar energy is Australia's most abundant potential source of renewable energy. However, as is well known, the solar energy industry in particular has suffered at the hands of the Rudd government. The first assault was delivered in the 2008-09 budget, when the \$8,000 rebate for solar PV installations was removed for thousands of Australian families. On 9 June 2009 solar PV rebates were scrapped altogether with less than one day's notice, leaving the solar energy industry again in disarray. Businesses were forced to scramble, to warn customers that they only had a few hours to get applications in before the \$8,000 would close off.

When the Rudd government—again suddenly and without warning—scrapped the Renewable Remote Power Generation Program, families and solar companies were again sent into chaos. Solar companies continue to say that the Rudd government's decision will cost them enormous sums and has resulted in staff being laid off. This time, no-one was given any chance to get their applications in. People started learning about the guillotine decision at 8.33 am and the decision was, however, effective from 8.30 am on 22 June. One of Australia's leading solar companies, the Solar Shop, described the decision like this. The Managing Director, Adrian Ferraretto, said:

This is the third setback for the industry in as many weeks. We were promised a smooth transition from the \$8,000 rebate to the new solar credit scheme and instead the old rebate was pulled early, with only hours of notice. The government then fiddled with the renewable energy target policy, making what was a policy with bipartisan support into an unwinnable piece of legislation. Now they have retrospectively pulled the RPPGP, which was a very popular and important program.

So there we are. Labor promised the solar PV industry a smooth transition from what was left of the coalition's \$8,000 rebate for solar credits. Faced with the fact that it was going to be difficult for them to get their flawed CPRS through the parliament, they decided they would link—or couple—the crucial renewable energy trade assistance measures under the RET to passage of the CPRS, which inevitably caused difficulties. As everyone knows, the coalition voted down the CPRS last week. Labor's approach was in fact to make its own legislation on renewables hostage to the CPRS and to put the renewables sector in the objectionable position of being political ransom to the passage of the flawed Rudd-Wong CPRS. Now the CPRS has been defeated, we are left with the renewables legislation. It is very important to understand this debate about renewable energy and the renewable energy target legislation. It is not merely a media headline but a matter of vital concern to all Australians because the future wellbeing of important sectors of the Australian economy was at stake before the RET legislation was decoupled from the flawed CPRS bill. Now it will have an opportunity of passing.

It is important that the RET legislation is passed, because some very important Australian industries which would otherwise be in danger of suffering severe economic impacts will be assisted by it. One is the aluminium industry, which is particularly vulnerable to the effects of Labor's CPRS or emissions trading scheme. This bill, the RET bill, provides eligibility for aluminium smelting to receive a 90 per cent exemption from liabilities that relate to the expansion of the schedule of targets under the RET. Exemptions from liability do not apply to the 9,500-gigawatt-hour target embedded in the existing MRET legislation, to the extension of this target for an additional 10 years or to potentially higher renewable energy certificate prices as provided under the RET bill. No exemptions from liability are provided in the period before the CPRS commences, so unless this bill is now passed, the aluminium industry will not receive any exemptions from liability.

I am the deputy chair of the Senate Standing Committee on Economics. Senator Hurley, who spoke earlier, is the chair and Senator Cameron, from whom we heard such a colourful and critical speech earlier this evening, is a member of that committee. The

Australian Aluminium Council, in its submission to the committee, made the following comments:

The expanded Renewable Energy Target will impose costs on the aluminium industry in the same manner as much of the CPRS – through increased electricity costs. It addresses similar environmental objectives, operates over similarly long timeframes, and, like the CPRS, is a cost that will only be imposed on Australian producers, not competitors.

Aluminium has become known as 'solid electricity' because so much electricity is used in refining it. In terms of cost exposure to RET, aluminium smelting stands quite apart from other industrial processes. On this point, Mr Cransberg from Alcoa made the following comment to the committee:

Australia is home to six aluminium smelters. We are the key electricity using industry in this debate. We are by far the biggest user of electricity within Australia, and the department's own analysis shows that aluminium smelting is an order of magnitude more electricity intensive than any other activity.

On consideration of the evidence presented before the committee, coalition senators view the risks of shifting Australia's world-class aluminium production facilities to another country as too great for this country's economy to bear. We believe it is very important that there is some sort of consideration given in this legislation to the interests of the aluminium industry. Coalition senators support the provision of a full 90 per cent exemption for aluminium smelting from the RET and MRET liabilities. Coalition senators, when it comes to other emissions-intensive trade-exposed industries, also support the provision of stand-alone exemptions from liabilities associated with the expanded schedule of targets under RET for emissions-intensive trade-exposed activities.

Many of Australia's trade advantages have been built on the basis of secure and cheap supplies of fossil energy. Moving away from our traditional supply of energy is acknowledged to be much more costly for Australia than for other countries. Submissions to the inquiry were also received from a large number of organisations involved in waste gas from coal power sources. Coalition senators certainly support the expansion of eligibility of renewable energy sources to include electricity sourced from waste coalmine gas—WCMG—and waste industrial gases. The coalition believes that waste coalmine gas should be categorised as renewable energy.

Another matter which was brought before us was the issue of electric heat pump and water heaters. The Gas Industry Alliance brought to the attention of the committee some significant concerns regarding the eligibility of electric pump water heaters to generate renewable energy certificates. Coalition

senators believe these issues raised by the Gas Industry Alliance should be supported.

Coalition senators have indicated that their support for the expansion of renewable and clean energy technologies and for this legislation will depend on the interests of those industries that I mentioned having their particular problems recognised and being supported under the legislation. The coalition accordingly supports the government's target but insists that the legislation must accommodate existing exemptions for the emissions-intensive trade-exposed industries in stand-alone renewable energy target legislation. We believe that there should be a full 90 per cent exemption for aluminium smelting from the renewable energy target and mandatory renewable energy targets. We believe certainty and continued support should be provided to waste coalmine gases by including the waste coalmine gas industry as an eligible renewable energy source under the renewable energy target.

Most importantly, the government must move to address the costs imposed under this proposal on agricultural processing facilities, which are significant and which will ultimately be borne by farming families in industries that the government considers will be classified as emissions-intensive trade-exposed. The government must move to address issues associated with electric pump hot water systems by reviewing the technology and performance and tightening regulatory controls. The government must also make allowance for the future inclusion of new sources of renewable energy in the Renewable Energy Target Scheme.

So, while the coalition is supportive of the expansion of the renewable energy options provided under this legislation, the government must understand that it is a precondition for coalition support that the unreasonable and politically motivated linkage of the renewable energy legislation to the CPRS legislation must be broken and the two considered separately. If that is done, this bill will be assured of passage this week.