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Possible Implications of the Renewable Energy Target Review report, published August 2014.

Background

Since 2003, the Renewable Energy Target (RET) has been a key policy driver of renewable energy deployment in Australia. As set down in legislation, the objectives of the RET are to encourage the additional generation of electricity from renewable sources and reduce greenhouse gas emissions in the electricity sector.

The RET is currently split into two separate schemes:

The **Large-scale Renewable Energy Scheme** contains annual targets for large-scale renewable generation (systems >100kW), expressed in gigawatt hours (GWh), which are set to increase each year from a level of c17 TWHrs in 2013 to 41 TWh in 2020. This market operates through tradable certificates for each megawatt hour of electricity generated. Bloomberg New Energy Finance (BNEF) has estimated that approximately 8-10GW of new PV and wind generation will be required meet the 2020 target. The split will be determined by a mixture of risk management on behalf of the market and the continued ability of PV to reduce costs. BNEF estimates that with the current target the new PV deployment would constitute 3-4GW by 2020. This would be a mix of commercial and utility scale systems. In 2014, there will be c300MW of large scale PV deployment.

The **Small-scale Renewable Energy Scheme**, for systems below 100kW, provides upfront support through a deeming mechanism where 15 years of future generation certificates can be issued upon certified installation. From 2015, the deeming period will reduce annually until 2030. In 2014 there will be c700MW of small scale PV deployment.

The RET targets were set in 2010 to provide 20% of electricity demand by 2020 from Renewable Energy. However, since 2010 national demand for electricity has been falling. It is projected to continue reducing, resulting in pressure from the established coal and gas generators to reduce the renewable energy target.

In 2013, there was a change of government from Labour to the Liberal/National Coalition. Once elected, the incumbent government has proceeded to dismantle the climate change policy framework of the previous government which has included commissioning a review of the RET.

2014 Review of the Renewable Energy Target

The RET review was conducted by a group of 4 business executives appointed by the government. From the start, the background of the committee (coal generation, conventional energy economics and climate sceptic opinions) suggested the recommendations would not be good for the renewable energy industry.

The Renewable Energy Industry (including SMA) has been actively highlighting the positive contribution of renewable energy to the Australian economy. For example 20,000 jobs, reduced electricity prices, emissions reductions etc. during the review period. SMA has run a "Save the RET" campaign with our installer network, and through the Clean Energy Council (CEC) has been active in preparing submissions, meeting politicians and more.

On August 28th the government appointed RET review report was released recommending the RET either be cut back to 27TWHr or scrapped completely.

The table below highlights the forecasted impact, should the government be successful in implementing the various recommendations.

Recommendation & Implications for PV market	**Close Small RE Scheme**	**Cut support by 30% to Small RE and reduce size to 10kW**
Close Large RE Target	RESI / Comm PV market estimated to reduce by 50% to 300-400MWpa. Utility market to be restricted to existing financed projects (100MW in 2015)	RESI / Comm PV market estimated to reduce by 30% to 400-500MWpa. Utility market to be restricted to existing financed projects (100MW in 2015)
Cut back LRET to c25TWHr	RESI / Comm PV market estimated to reduce by 30-50% to 300-500MWpa. Utility market to fall 60-80% to 1GW over 2015-2020	RESI / Comm PV market estimated to reduce by 30% to 400-500MWpa. Utility market to fall 60-80% to 1GW over 2015-2020

Next Steps

The government would need the support of the Senate to change the RET legislation. The government does not have control of the Senate and needs support of the Labour opposition, the Greens or a group of minor parties and independents to pass legislation. All of these parties have publically stated they will not support changes to the RET.

SMA Australia will be supporting the CEC in its various activities initiated to pressure the Government against implementing the RET review recommendations. These include:

- Continuing to engage the media and ensure critical review of the RET review report
- Developing a response to the RET review report, which the CEC will use to brief Government and the other parties.
- Analysing the savings per year that solar delivers to residential and commercial customers and the impact of RET cuts on the future of large scale solar in Australia.
- Finalising legal advice related to the complexities of compensating existing RE plants, should the RET be scrapped.
- Public opinion polling and campaign, leveraging influential people who are supporting the RET.
- Continuing to meet and brief key Coalition Ministers

Potential Outcome

The CEC is targeting an outcome that results in no change to the RET. However, it is possible that the Labour opposition may agree to some changes on the basis that the finance sector will seek bi-partisan support if they are to finance future project activity. A likely outcome is a reduction in the RET by 10-15%, which would still ensure continuity of the PV market in Australia. SMA will be actively working to help deliver this outcome.

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