



THE HON ANGUS TAYLOR MP
MINISTER FOR ENERGY AND EMISSIONS REDUCTION

MC19-010319

08 NOV 2019

Mayor David O'Loughlin
Australian Local Government Association
8 Geils Court
DEAKIN ACT 2600

Dear Mayor *David*

Thank you for your letter of 14 August 2019 concerning emissions and climate change. I appreciate the time you have taken to bring this matter to my attention and the important role of the Australian Local Government Association.

The Liberal National Government is conscious of the challenges facing councils and the communities they represent across Australia. As Minister for Energy and Emissions Reduction, my priority is bringing power prices down and keeping the lights, on while meeting Australia's emissions reduction commitments.

The Government is committed to reducing emissions to 26 to 28 per cent below 2005 levels by 2030. This target is achievable and responsible, and represents one of the most ambitious reductions in per capita emissions and emissions per unit of GDP among developed countries while ensuring our economy will continue to grow and prosper.

The Government has a comprehensive set of policies to reduce greenhouse gas emissions, increase energy efficiency and fast track the development and uptake of clean energy. In February this year, the Government announced a \$3.5 billion Climate Solutions Package. The package includes a \$2 billion Climate Solutions Fund to build on the success of the Emissions Reduction Fund and continue our investment in low-cost abatement.

The Emissions Reduction Fund supports activities to reduce emissions across our economy, including growing trees to store carbon and remove it from the atmosphere, storing carbon in the soil and better fire management in northern Australia. This supports businesses, communities and farmers across Australia to try new practices and technologies that increase productivity, reduce greenhouse gases and combat climate change.

The Climate Solutions Package also includes funding to develop a National Strategy for Electric Vehicles, which will address barriers to uptake so that Australians who choose to adopt new technologies are supported in doing so. The Government has already made a number of targeted investments in charging infrastructure, including along interstate highways connecting our major capital cities.

The Government is working to improve energy efficiency by reducing the energy used in appliances, equipment and buildings. This will reduce energy costs for households and businesses.

We are also supporting renewable generation technology and funding research into new technologies, including hydrogen. The Government is leading the development of a National Hydrogen Strategy, which will be published by the end of the year. We have already invested more than \$100 million into hydrogen projects, positioning Australia as a global leader in hydrogen production.

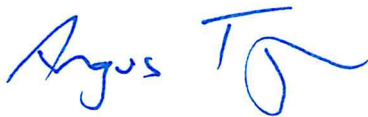
Australia is a world-leader in per capita investment in clean energy, with more than double the investment of countries like the United Kingdom, Germany and France. This is an achievement of Australians can be proud of.

Attachment A to this letter sets out responses to the resolutions from the National General Assembly of Local Government.

I encourage the ALGA to continue its positive work in supporting communities across Australia.

Thank you for bringing your concerns to my attention. I have copied this letter to the Minister for the Environment, the Hon Sussan Ley MP.

Yours sincerely

A handwritten signature in blue ink that reads "Angus T" followed by a stylized flourish.

ANGUS TAYLOR

Enc

The following responses are provided to each of the resolutions put forward by the ALGA Board:

Resolution 31

The Government accepts the science of climate change and is delivering on commitments in line with its roles and responsibilities as set out in the National Climate Resilience and Adaptation Strategy. The Strategy recognises that national and subnational governments, businesses, households and communities have different but important roles in managing climate risks (www.environment.gov.au/climate-change/adaptation/strategy).

Information to assist with managing climate risks is available in *Climate Compass* – a climate risk management framework developed for Commonwealth agencies that may also be relevant to local governments (<https://www.environment.gov.au/climate-change/adaptation/publications/climate-compass-climate-risk-management-framework>). The Climate Change in Australia website (www.climatechangeinaustralia.gov.au/) provides comprehensive information about the future climate, and the CoastAdapt website (www.coastadapt.com.au/) provides an accessible means of identifying, assessing and responding to climate risks in the coastal zone.

Resolution 36

The National Carbon Offset Standard is a voluntary standard to manage greenhouse gas emissions and to achieve carbon neutrality. It provides best-practice guidance on how to measure, reduce, offset, report and audit emissions for organisations, products & services, events, precincts and buildings.

The Standard can be used in a number of ways. Organisations can use the Standard to better understand and manage their carbon emissions, to credibly claim carbon neutrality and to seek carbon neutral certification.

Further information is available at: <http://www.environment.gov.au/climate-change/government/carbon-neutral/ncos>

Resolution 55

The Council of Australian Governments (COAG) Energy Council will meet by the end of 2019 to consider the *Trajectory for Low Energy Existing Homes* including measures to improve the energy efficiency of existing homes and apartments.

The Clean Energy Finance Corporation (CEFC) supports energy efficiency, renewable and low carbon energy projects through loans and equity investments. The CEFC supports energy efficient homes, through student, community and build-to-rent housing. This has included support for low income families in regional communities through Housing Plus, seniors through the LDK Greenway Seniors' Living Village and students through an innovation hub in Western Australia.

Resolution 77

Assistance to local government for renewable energy facilities is available through the Renewable Energy Target (RET) scheme. The RET scheme supports the deployment of both large and small-scale renewable energy projects. Eligible systems may create a renewable energy certificate for every megawatt hour of electricity they generate. These certificates can be traded with liable entities (primarily electricity retailers), who surrender the certificates to meet their annual renewable energy obligations. Participants in the small-scale renewable energy scheme may create their certificates upfront when the system is installed and can assign the certificates to the system installer in exchange for a discount on the installation and purchase price of the system.

The Government supports ongoing innovation in low emissions and clean technologies through the CEFC and the Australian Renewable Energy Agency (ARENA). ARENA provides grant funding towards research and development and early-stage commercialisation of renewable energy technologies and projects.

The Government also established the \$200 million Clean Energy Innovation Fund, to support early stage and emerging clean energy technologies. This fund is co-managed by the CEFC and ARENA. More information on ARENA and the CEFC's support for renewable energy technologies is available online at www.cefc.com.au and www.arena.gov.au. Since it began investing in 2013 and as at 30 June 2019, the CEFC's commitments total \$7.2 billion to over 140 projects. Investments contribute to a diverse range of projects with a total value of over \$24 billion.

Since its inception in 2012 and as at 30 June 2019, ARENA has provided \$1.435 billion in grant funding to 478 projects contributing to projects with a total value of \$5.489 billion.

The Government's Energy Efficient Communities Program will deliver \$5 million in grants to community organisations to improve energy efficiency practices and invest in renewable energy.

- Grants will support community groups to save energy through investing in equipment upgrades that reduce energy consumption, including solar generation and battery storage equipment; and completing energy systems assessments to investigate energy efficiency opportunities.
- Community groups can apply for up grants of up to \$12,500. No co-contribution is required.

Resolution 78

In February 2019, the Government agreed to provide a \$1.38 billion equity contribution for the Snowy 2.0 project, conditional on it reaching financial close. If built, Snowy 2.0 will provide an additional 2,000 MW of fast-start, dispatchable capacity and 350,000 MW hours of energy storage, enough to power 500,000 homes for a week at peak demand.

The Underwriting New Generation Investments program will deliver new, reliable generation into the market, putting downward pressure on prices and ensuring the security of the grid. It will be technology neutral, providing a level playing field to enable the best and lowest cost generation options to be supported.

There has been strong interest in the program with 66 submissions received in response to the call for Registrations of Interest in January 2019. These submissions included generation projects across all regions of the National Electricity Market and Western Australia and covered a range of generation types. In March 2019, the Government shortlisted twelve projects for further assessment — six renewable pumped hydro projects, five gas projects, and one small coal upgrade project.

The Government is now examining the shortlisted projects in closer detail before any decisions are made to underwrite any projects. The Government is also continuing to engage with all project proponents to support the development of a pipeline of generation projects to ensure reliable and affordable energy.

In December 2018, the Government asked the CEFC to prioritise firming intermittent sources of renewable energy generation to specifically prioritise investments that support reliability and security of electricity supply. As at 14 December 2018, the CEFC has invested \$250 million to firm renewables and, as at 12 July 2019, ARENA has provided \$350 million to projects that help stabilise the electricity grid such as pumped hydro and distributed energy.

Resolution 97

In August 2018, the Government directed the Australian Competition and Consumer Commission (ACCC) to hold a public inquiry into the prices, profits and margins in the supply of electricity in the National Electricity Market. This inquiry will run until 31 August 2025 and the ACCC will report on the inquiry at least every six months.

The Government has also introduced the *Treasury Laws Amendment (Prohibiting Energy Market Misconduct) Bill 2019* to provide another tool to keep the big energy companies honest. The Bill inserts three new electricity sector-specific prohibitions into the *Competition and Consumer Act 2010*, each designed to address a specific issue that could arise in electricity markets, as identified by the ACCC Retail Electricity Pricing Inquiry.

- Electricity retailers must make reasonable adjustments to prices to pass on savings through to consumers on market offers where their supply chain costs have fallen substantially over a sustained period.
- Generators must not refuse to offer electricity financial contracts for anti-competitive purposes.
- Generators must not seek to distort or manipulate prices in wholesale electricity markets, nor bid in a way that is fraudulent, dishonest or in bad faith.

The Government believes that increasing overall gas supply is the best way to ensure customers have access to competitively priced gas. Since the Government outlined measures to protect Australia's domestic gas in early 2017, the spot price of gas in eastern Australia has fallen by more than 25 per cent, and gas contract offers have fallen by up to 50 per cent. The Government is bringing forward a review of the Australian Domestic Gas Security Mechanism to ensure the mechanism is still delivering a functional domestic gas market with the lowest possible prices for consumers.

The Government is also considering options to establish a prospective national gas reservation scheme. Past approvals of large gas export projects have not adequately considered the impact on the domestic market and that has contributed to some of the pressures we have seen in recent years. The Government will continue encouraging state governments to lift moratoria to allow for additional investment in gas exploration and production.

To increase market transparency and supply the Government will direct the ACCC to extend its gas market inquiry until 2025. This will allow the ACCC to continue examining the whole gas supply chain, including retail pricing, to identify opportunities to improve transparency, monitor the impact of recent reforms and reduce prices.

The Government is also progressing further gas market reforms through the COAG Energy Council. These reforms are wide-ranging and include transparency, transportation and supply reforms to place downward pressure on gas prices.

Resolution 102.1

The Business Energy Advice Program (BEAP) provides free energy advice services for small businesses across Australia. The Department of the Environment and Energy's BEAP Rollout Partner, the NSW Business Chamber, is partnering with Regional Councils nation-wide to provide targeted energy advice to their residents. The free personalised advice provided by the BEAP can help small businesses choose the best value energy plan for their situation, save money on their energy bills, reduce energy consumption, and access applicable grants for equipment upgrades.

The Government has also announced support for feasibility studies into microgrids through a \$50 million Regional and Remote Communities Reliability Fund. The fund will help identify low cost reliable alternatives to grid supply, which reduce exposure to extreme weather events like bushfires.