

Tim Kelly  
Adelaide South Australia

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Climate Change Team,  
GPO Box 1047 Adelaide  
SA 5001

## **Submission to the South Australian Government on the Climate Change Strategy Discussion Papers**

Thank you for providing the opportunity to contribute to South Australia's Revised Climate Change Strategy, the first significant review of the States Climate Change Strategy since 2007.

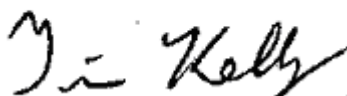
It is concerning that such a short consultation timeframe has been provided for consultation, particularly given that a review of the States Climate Change Strategy could have been undertaken at more frequent intervals since 2007, and at least shortly after the Premier's Climate Change Council was released in February 2014. It appears that there is a rush to complete this strategy for announcements by the Premier for the Conference of Parties – States and Regions forum in Paris in December. Such a rush may compromise the quality of the final document where there is not enough time to deal with complex climate policy issues, particularly in the areas of reforms to greenhouse emissions allocation, renewable energy allocation, GreenPower reforms and the need to have a much improved approach to replace the COAG Complementarity Principles(2008 & 2012, p. 290as amended July 2015), should emissions trading be re-established.

In this submission, issues associated with each discussion paper are discussed and recommendations made. As there is a high degree of overlap and interdependence across each discussion paper topic, there is some degree of repetition and cross referencing required to refer to responses and recommendations from across the entire submission.

I look forward to seeing a revised and sustained commitment by the State Government to make the meaningful next steps in greenhouse gas reduction and climate adaptation policy and leadership.

I would be happy to discuss my submission in person.

Yours sincerely



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## **1 Overview consultation paper**

The Overview Paper presents South Australia as a jurisdiction of early action and a state that has “continued to take action on climate change despite changes in the national climate change and economic policy environment”. The situation is however far more complex with State Government performance in tackling climate change being extremely patchy. Whilst there has been a strong approach to establish a South Australia’s Climate Change Adaptation Framework, areas climate change mitigation policy and government action have been bitterly disappointing.

### **1.1 National Renewable Energy Target the Driver of South Australia’s wind farms.**

The South Australian government frequently claims credit for the level of renewable energy in the state, but tends also to use words which over claim the state’s contribution to this outcome. By far, the national Renewable Energy Target (RET) policy has been the dominant instrument to drive reduced state emissions, low carbon investment, lower greenhouse gas intensity, a higher percentage of renewables generation and a higher percentage of renewables use (by location not purchasing).

The South Australian communities can take credit for a general acceptance of wind farms but the states wind farm developments are largely an economic achievement rather than a greenhouse reduction achievement. Most of the wind farms established in South Australia are a direct result of the mandatory mechanism paid for by all consumers of grid based electricity, with much of the funding coming from consumers in larger states such as Queensland, New South Wales and Victoria. Attracting the RET investment here creates employment and opportunity but does not create additional renewable energy or reduce emissions beyond the mandatory target.

Over-claiming has been recognised in a Business Spectator article titled “*South Australia's 'do nothing' renewables target*” (Edis, 2014), which suggests that there is little aspiration in South Australia’s renewable targets and no actions necessary because the RET is largely responsible for delivering the outcome.

To understand the true position of South Australia’s progress in climate change action, it is first necessary to segregate the benefits driven by the RET. If South Australia had no greenhouse reduction targets, renewable energy and reduced emissions might have been achieved to similar levels.

However, advocacy for a higher national renewables target and GreenPower contracts for additional renewable energy would be key policies to drive a transition to renewable energy beyond the slow pace required by the Renewable Energy (Electricity) Act (2000).

**Recommendation 1** It is recommended that the State Government describe its efforts on additional actions to reduce emissions and increase renewable energy beyond the level that will be achieved because of the national Renewable Energy Target.

**Recommendation 1b** It is recommended that the state Government accurately identify whether policies are aimed at:

- reducing emissions
- increasing renewable energy (beyond mandated levels)
- attracting economic development
- combinations of the above.

## 1.2 Where South Australia has slipped

Understanding that much of South Australia's climate mitigation and renewable energy is a direct outcome of the legislated Renewable Energy Target (RET), it is necessary to understand where South Australia has actually made progress or slipped in its policies and commitments that would deliver results above those required by the RET legislation. It is the policies designed to achieve more than the RET which actually define the extent of State Government leadership, commitment and policy success in renewable energy and reducing emissions.

### On the positive side:

- It is correct that the State Government was an early mover on feed in tariffs adding to the ability for households to sell RECs, then Small Scale Certificates, and these combined measures led to a dramatic take up of household solar power
- The State Government promoted the GreenPower Accreditation Program to drive additional take-up of renewables, and led this by committing to purchase 6% Renewable energy (~2003) then 20% GreenPower from 2008- 2011, then increasing towards a 50% GreenPower for its own electricity use by 2014 (Government of South Australia, 2011b, p. 45).
- The State Government has created a supportive regulatory framework for renewable energy required by the Renewable Energy Electricity Act (Commonwealth of Australia, 2000), to help attract this investment to South Australia.
- The State Government created on site renewable energy demonstration sites such as solar panels on the Art Gallery and museum, as well as small wind turbines on city buildings such as the State Administration Centre

### Key areas where South Australia has slipped:

1. The most significant area where the State Government has slipped in its response to climate change was due to its adoption of the COAG Complementarity Principles (2008 & 2012). Despite concerns about the Complementarity Principles as not providing an adequate basis for the assessment of state based climate change policies

and Under these principles, the State Government accepted that it was “*bound by Commonwealth policies in this area*” “(Government of South Australia, 2011a, p. 4(Government Response))” and many successful policies and programs continued to be decimated as a result. For example, the term “reducing emissions” was largely removed from the State Government vocabulary, as any policy aimed at reducing emissions could be named as non complementary to the emissions cap that would be set by the Federal Government. Much of the State Governments climate legislation and targets could be considered as non complementary, and should an Emissions Trading Scheme return in the future, there is a risk that destruction of participatory actions to reduce emissions such as Carbon Neutral Adelaide, may again be regarded as non complementary.

There is a much better alternative approach to how multiple climate mitigation policies could co-exist with an Emissions Trading Scheme, but the state Government has not facilitated genuine consultation in this important area of climate mitigation policy.

**Recommendation 2** The State Government should facilitate discussion with community and COAG on how multiple climate mitigation policies may co-exist with Emissions Trading Schemes, as an alternative to the COAG Complementarity Principles.

2. The State Government stopped purchasing GreenPower for its own operations on 1 January 2015(Government of South Australia, 2013). Promotions of GreenPower in South Australia are now virtually non-existent. The State Government is a member of the National GreenPower Accreditation Program and therefore shares in the responsibility to govern and administer the program yet it has taken no action to advocate for legal reforms that would improve the program and it does not openly discuss issues relating to the GreenPower Accreditation Program. In this set of Climate Change Strategy discussion papers, the State Government does not even mention the GreenPower Accreditation Program.
3. The actual performance of demonstration such as for the art gallery and mini wind turbines was not communicated to public stakeholders. It is understood that the Art Gallery solar installation for example, did not actually generate power for use or back to the grid for the best part of a decade (please correct me if my understanding is not correct).
4. In advance of the 2010 State Election, and at the sixteenth session of the Conference of the Parties to the UNFCCC held in Cancun Mexico, the State Government of South Australia announced that it intended to set a carbon emissions limit for new electricity generation(Government of South Australia, 2010). The proposal for a limit of 0.7 tonnes CO<sub>2</sub>-e based on combustion emissions only, rather than the GHG Protocol approach which considers more of the life cycle emissions from upstream processes. Yet even with this omission, the state Government did not proceed with the proposal and did not reflect back to the community on why it abandoned its proposal.

5. When Jay Wetherill took up the Premiership in January 2013 the Sustainability and Climate Change Division of Premier and Cabinet was quickly dissolved, the position for Minister of Climate Change was abandoned with functions and staff significantly downsized and transferred to the Department of Environment, Water and Natural Resources. A vast amount of corporate knowledge on climate policy was lost and it was not until early in 2015 that the Premier re-established a formal role of Minister for Climate Change.

In summary, during the carbon pricing mechanism the Government of South Australia helped to discouraged participation by businesses, communities and households from reducing emissions as this aspect was deemed as non complementary to a carbon price. It made no progress to adapt and reform the GreenPower market mechanism to support those paying extra for renewable energy, and it failed to implement its regulatory proposal to ensure that emissions from new power stations were capped to prevent decades of new pollution. Arguably, the State Government has not consistently sustained a strong capability and diverse knowledge base on climate mitigation policy in its departments.

### **GreenPower**

Because the State Government's own GreenPower Accreditation Scheme is not even mentioned in six discussion papers for the new climate strategy, there is real concern about a the lack of open-ness and transparency by the State Government in regard to GreenPower and the support for the concept that retail energy that customers should be able to buy renewable energy as end users.

GreenPower is an important concept that is being improved globally and has the potential to help transform the stationary energy sector towards renewable energy whilst enabling a stronger future for the electricity grid. However GreenPower needs reform (See Section 7.12).

**Recommendation 3** The State Government re-establish its GreenPower commitments and work to reform GreenPower so that it does provide value for money to customers.

### **1.3 Our Vision? Who's Vision?**

Page 8 of the Overview Paper has a section titled as "Our Vision", and then repeats the Premier's Climate Change Council vision that was created in February 2014. However, there is a crucial omission as the South Australian Government has not stated whether it has adopted this vision as the foundation of the new Climate Change Strategy. If the State Government has adopted the PCCC vision it should say so in an unambiguous way. If it has not, it should outline its own vision.

**Recommendation 4** The State Government should clarify whether it has adopted the Premier's Climate Change Council Vision to underpin South Australia's climate Change

Strategy. If it has not adopted this vision, it should provide an alternative vision.

## 1.4 Guiding Policy Principles

The guiding Policy Principles do not provide an adequate foundation for State Government Climate Change Policy and do not describe how state policies interact with Federal Government policies. They are generalised and lack key elements of the Government role.

### 1.4.1 Leadership

#### Recommendation 5

The leadership role of the State Government should include:

- A principle to advocate for policy reforms where necessary, for areas such as ensuring a participative environment in markets so that when people take action, their contributions are valued and that they receive value for money (for example – in reforming the COAG Complementarity approach, and GreenPower).
- A principle to lead in procurement that drives additional low carbon action, products and services from within South Australia
- A principle to lead in climate adaptation, mitigation and an integrated approach to addressing these interdependent needs.
- A principle that that the State Government will provide a continuous policy, development and support role for climate mitigation regardless of whether the Federal Government utilises a carbon tax, emissions trading, direct action or direct regulation as core policy levers.

### 1.4.2 Cost effective, best practice measures

The principle proposed regarding cost effective and best practice measures is particularly dangerous in its overly simplistic approach to what is cost effective.

For example, this policy approach is consistent with the current focus on carbon offsets rather than looking at GreenPower pricing and structural reforms. Short term thinking may conclude that offsets are cheaper than GreenPower Premiums and therefore provide better value for money. However, longer term thinking would demonstrate cognisance that nearly 200 million tonnes CO<sub>2</sub>-e from the Stationary Energy Sector cannot be addressed by offsets for the longer term. Land for revegetation (a once off gain) and all other offset opportunities would quickly be consumed and the price of offsets would dramatically rise. Therefore, the greater value for money will be achieved by reforming the GreenPower mechanism to drive additional renewable energy which will continue to prevent emissions into the future.

Secrecy in making decisions about what is cost effective is also a concern. Where the state Government decides that an option is not cost effective based on a consultant report it has specially commissioned, then it should publish that report and the assumptions used.



Preference to mechanisms that are recognised internationally is also a concern, as linking with such schemes could lead to investment in mitigation activities moving offshore with a consequential loss of employment and economic activity in Australia. Whether South Australia demonstrates leadership by reducing its emissions, or instead decides to be a player in internationally linked schemes could have dramatic economic differences including little sovereign control of targets and carbon prices and lost low carbon investment in the state.

It is essential therefore, that the assessment of a policy being cost effective that it takes into account the long term interests of an Australian based low carbon economy, and is resilient to fluctuating overseas market conditions.

### 1.4.3 Coherent and consistent policy

It is agreed that coherent and consistent policy is essential, however it is unlikely that this will ever be achieved nationally in a way that will meet the urgency to maintain a safe climate. It is therefore important that the State Government should acknowledge the need to maintain its climate policies, capabilities and responses within an imperfect national policy context.

#### **Recommendation 6**

To ensure such policies are coherent, the principles should ensure that:

- All actions which make tangible reductions to reduce emissions are recognised as making it easier for Government to tighten Australia's national target and scheme caps through time (This replaces the COAG Complementarity approach).
- Policy decisions are based on life cycle comparisons of greenhouse benefits rather than using incomplete data such as combustion emissions.
- As per Recommendation (1 b) , Proper acknowledgement as to whether a policy objectives are for economic purposes, reducing emissions or both. In particular, policies which provide additional greenhouse reductions above legal requirements should be given higher recognition compared against those which simply attract investment from within existing legal requirements.

### 1.4.4 Consultation

The State Government is not consistent in its consultation. There was no consultation surrounding the State Government's support for the COAG Complementarity Policies and this had a devastating impact on the way businesses and communities can participate in a low carbon economy.

#### **Recommendation 7**

It is recommended that state Government's establish procedures which provide a **consistent**

**approach to consultation** on important climate related policies such as the COAG Complementarity Principles and GreenPower.

### 1.4.5 Environmental and social impacts

Very few major projects and mining approvals ensure meaningful commitments for renewable energy and reducing emissions above design energy efficiency. A more decisive approach is needed to ensure that actual commitments are built into proposals and conditions of approval, rather than simply to investigating an option that may never be implemented.

Part of the problem is that low carbon choices (market pull mechanisms) are not being created or supported in a way that ensures integrity and value for money.

Given that South Australia has a number of new large projects to be undertaken in the next few years there is no better time to demonstrate through these projects that South Australia is committed to climate change leadership in all aspects. For Example:

- Northern Connector (design nature broadways in applying the SEBs offsets for the hundreds of mature river red gums that will be destroyed)
- Northern Rail & Electrification (Reverse Auction/tender for SA accredited GreenPower or at least offer GreenPower ticket options)
- Ports (incorporate on site or GreenPower renewable energy into conditions of approval)
- Submarines and destroyer fabrication (Climate change is probably Australia's biggest long term security threat so build the subs and ships with on-site renewables and accredited GreenPower)
- Norwood Trams (Operate using accredited GreenPower or at least offer GreenPower ticket options Plus, see if there is a short on board battery solution for the trams to skip past the now mature (at last) Norwood Parade trees that would otherwise be removed)

Commitments for renewable energy in projects need to be better than committing to a future investigation on the feasibility of an option.

**Recommendation 8** It is recommended that the South Australian Government demonstrate

That major projects in the state can make significant steps towards preventing emissions, using a good percentage of renewable energy and offsetting emissions that cannot be avoided.

**Recommendation 8b** ensure that there is a focus given to improve market pull mechanisms for GreenPower renewable energy, carbon offsets and low carbon products and services for these to provide better and fair value for money.

## 2 Lead consultation paper

Leadership on climate change is about taking action in the areas beyond business as usual and inspiring others to join. As previously identified, much of what the South Australian claims as leadership success in reducing emissions is actually related to the Renewable Energy Target and different ways of expressing the outcome of this target. True leadership in tackling climate change for the future would be demonstrated in taking action on those areas which are beyond business as usual and what the RET will deliver.

Whilst there is a role in celebrating achievements to date for South Australia's climate change legislation and policies, it is also essential to openly discuss areas where progress has stalled, and where further action is needed.

### 2.1 Values, baselines and claims

There is a need for greater transparency around the baseline and annual emissions values that are used as the basis for the State Governments claims. The 2013 SA State of the Environment Report (South Australian Environment Protection Authority, 2013, p. 58) claim that in 1990, emissions from land use, land use change and forestry were around 1.5 million tonnes CO<sub>2</sub>-e for SA. However, calculations and assumptions to arrive at this value are not available to the public. South Australia's *Native Vegetation Management Act 1985*, had virtually eliminated broad scale land clearance in South Australia by 1990, so the basis for such a large volume of land clearance in 1990 is unknown. The Department of the Environment team that manage the Australian Greenhouse Emissions Information System (AGEIS) will only say that 1990 land clearance emissions are likely to have been from "The ongoing decay of soil carbon on previously cleared land" but again, do not disclose calculations and assumptions that cover this.

As for re-forestation, plantings after 1990 would have stabilised by now into regular harvest cycles so it is difficult to accept that in 2013, South Australia achieved 2,568,000 tonnes of carbon bio sequestration through re-forestation (as reported by Department of Environment, 2013), without seeing a spatial map of where this was occurring and to what extent per hectare.

It is noted that Governments seem to choose different baseline years to suit their purposes. South Australia could demonstrate leadership in integrity by committing to the permanent use of 1990 as the baseline year. However, it should stop including the 1990 deforestation component in this baseline as this lacks integrity.

### 2.2 Climate Change and Greenhouse Gas Emissions Reduction Act (2007)

The first Object of the Act Section 3, 1 (a) 1 defines an objective to reduce emissions by 60% compared with 1990 levels by 2050. If replicated globally, this reduction target is inadequate to achieve a stable climate as acknowledged on page 12 of the Lead Consultation Paper:

*"Scientific consensus, including expert advice from the IPCC, advises that limiting global temperature rises to 2 degrees Celcius or less is likely to require a substantial reduction in global energy sector*

*Greenhouse gas emissions of as much as 90% or more below 1010 levels between 2040 and 2070”.*

Therefore, the State reduction target should be set at this level of ambition (say a 90% reduction compared with 1990 levels) in reducing emissions. Anything less is not leadership.

**Section 3 Objective 1 (a) ii (A)** should provide a longer term objective for renewable energy generation projecting to the goal that is required of near 100% renewable energy by 2050. There should also be a legislative requirement for establishment of a state Renewable Energy Roadmap to achieve this goal in a prompt and efficient manner. To have any meaning, the target must be set at levels in South Australia which are beyond the outcomes already established by the Federal Government Renewable Energy (Electricity) Act 2000.

The current target set at 50% by 2025 actually means that the State Government has reserved a place for 50% fossil fuels from here on. That is not consistent with achieving a safe climate and won't create the conditions for a low carbo economy to be achieved.

**Section 3 Objective 1 (a) ii (B)** - is a meaningless repeat of the generation target, based on electricity sent out in South Australia's grid which is obviously consumed. No additional action beyond the Objective 1 (a) ii (A) has ever been required to achieve this target. The target should have always been related to a series of GreenPower consumption Targets similar to that being used by the Government of the ACT. Sadly however no attention has been made in better allocating who can legitimately claim use of renewable energy, so we have double counting situation where reduced emissions and use are claimed based on state averages, whilst at the same time those paying for GreenPower are also guided to claim use and reduced emissions. Without altering this section of the legislation, the South Australian Government will be complicit in jurisdictions such as the ACT claiming use from South Australia's Hornsdale wind farm, whilst South Australia will also count this use in its own claims.

**Section 3 Objective 1 (b) I, and ii**, make provision for specific targets and interim targets to be created. The loose wording of this section has resulted in no new meaningful targets for reducing emissions or for renewable energy being created in regulation. The Act should require the long term targets for 90% greenhouse gas emissions reduction, and near 100% Renewable Energy Generation by 2050, and in this section should also require that interim targets be set at 5 yearly intervals on a transition pathway to achieve these outcomes.

Whilst it would also be advantageous to establish a GreenPower based renewable energy consumption target, it is not recommended to set such a target until there is major reform of GreenPower, the National Greenhouse and Energy Reporting legislative framework and the Renewable Energy Electricity Act (2000).

### **2.2.1 Part 2 Targets of the Act**

The targets of South Australia's Climate Change Legislation should be updated to support the suggested revised objectives:

**Recommendation 9** It is recommended that Targets of South Australia’s Climate Change and Greenhouse Gas Emissions Reduction Act be updated to cover:

- 90% reduction in greenhouse gas emissions compared with 1990 levels by 2050
- Near 100% renewable energy generation for the stationary electricity sector by 2050
- 5 yearly interim targets for both emission reductions and renewable energy generation
- A GreenPower based renewable energy consumption target to be established following legislative reforms of this mechanism to stop double counting.
- Clarification that these targets are based on activities and emissions within South Australia (excluding offsets or permits from other national or international jurisdictions).

### 2.2.2 Two yearly reports

The reports provided by the minister on the operation of the Act are not prepared independently from Government influence, and are therefore likely to omit issues of poor performance and policy that should be addressed.

### 2.2.3 Part 4—Policies, programs and other initiatives

The State Government does not maintain a collated set of policies in one place for reducing emissions, adapting to climate change, demonstrating leadership or securing the objectives of the Act. There are a large number of climate policies that the State Government has announced, maintained or abandoned, and it is difficult to understand which policies are current as there is no requirement to notify the South Australian community when a policy is abandoned.

Part 4 Section 14, (2) (b) describes that the Minister must develop a policy or policies that demonstrate leadership through the reduction of the Government’s own greenhouse gas emissions and reporting mechanisms. However, it is unclear what these policies are, given that the GreenPower target has been abandoned and there is no greenhouse reduction target for Government operations. It is also unclear what the Government reporting mechanism is, given that the SASP does not cover a sufficient range of Government policies to reduce its own emissions.

Part 4 Section 14, (2) (d) describes that the Minister “seek to apply up-to-date practices and methodologies in calculating greenhouse gas emissions, and the use of renewable energy, taking into account national and international developments”. This section does not ensure that the Minister provides justification where it applies a practice that is not consistent with say the GHG Protocols on electricity generation or on new guidance for Scope 2 emissions.

### 2.2.4 Sector Agreements

The Term Sector Agreements is a misnomer considering that the act provides for agreements to be established with single businesses and individuals.

It is suggested that the mechanism instead provide for Climate Change Agreements, and that there be several categories:

- The larger voluntary agreements may follow the template currently used.
- A new legally enforceable agreement should be established to incorporate the commitments made in major projects, mining and petroleum resource projects such that there is a higher level of assurance that the agreed outcomes will be delivered.
- A small scale voluntary sector agreement process should be available online for any business or individual seeking to make their commitments online in a short process.

### 2.2.5 Ministerial Portfolio

Given that the state Government dissolved the Ministerial Portfolio for Climate Change (which was previously the Premier) and then re-established the portfolio under the Environment Minister, perhaps it would be appropriate to commit to maintaining this Ministerial portfolio, (and departmental resources) in the legislation.

## 2.3 Demonstrating Leadership

The State Government must lead with integrity, not just looking for announcements, but also in material demonstrations of leadership in *policy development* and *policy reform*.

### 2.3.1 5 Key Leadership Priorities

- **Reform the dull and boring but essential foundations of a low carbon economy**  
Too often, government ministers and departments don't have time to focus on reforms to the foundation basics of a low carbon economy, because they are too busy on the big announcements and grand concepts. However, there is a case to spend time on these fundamentals right to create the conditions where a low carbon economy can thrive.
  - Because governments are not likely to mandate 100 % renewable energy tomorrow, there is a need to reform the NGER Legislation, the Renewable Energy (Electricity) Act 2000 and the GreenPower framework so that customers can buy and use renewable electricity through allocation. Currently this is not possible in law. Huge opportunities would be created for initiatives such as Carbon Neutral Adelaide and electric vehicles if these reforms were undertaken. Without reforms, more customers will likely move off the electricity grid when they can.
  - An alternative to the COAG Complementarity Principles would mobilise participation in all sectors to reduce emissions should emissions trading return. Without this, individual and business efforts to reduce emissions in energy efficiency, renewable energy and most other areas of climate change action are made futile and irrelevant. The COAG Complementarity problems should be properly acknowledged and addressed. They must not be denied, and they

must not be repeated. It is also important to start addressing the complementarity issues now whilst there is the time and opportunity to have a genuine discussion. There will be a view from many economists that if we just had a perfect system and everyone reacted rationally to price signals that everything will be fine. There must also be space to put forward the alternative views that we will never have the perfect system with the sufficient targets success also depends on a supportive culture, participation, and achieving more than any target at a fixed point in time.

- Offsets and permits are different. Should there be a return to emissions trading it is important to understand that permits used as offsets simply create greater scarcity resulting in upward pressure on prices for permits making it more difficult for Governments to tighten emission caps and targets through time This equals no sustained benefit. Offsets which are underpinned by real and tangible carbon sequestration or avoidance however do not create upward pressure on permit prices and actually help to make it easier for governments to tighten emission caps and targets through time. So when planning the next ETS, don't allow permits to be used as offsets.

- **Demonstrate leadership by committing to 100% Accredited GreenPower for all Government electricity use.**

This can be achieved through a variety of contractual mechanisms for a combined power purchase agreement such as the reverse auction process used by the ACT Government. It must be GreenPower to have any chance of remaining additional to Australia's international commitments and to prevent another party from claiming renewables from the same generator. With the purchasing power of 270,000,000 kWh per annum (growing with electric trains), the State Government has a tremendous procurement capacity to pull new South Australian large scale renewable energy projects into creation.

- **Advocate for GreenPower Reform**

The current collapse in the State Government backed GreenPower Accreditation Framework needs to be reversed and this can only happen by advocating for reforms to the Federal Government and COAG Energy Council . A summary of the reforms suggested are included as Appendix 3. With these reforms, GreenPower the price of renewable energy would reflect the falling cost of renewables rather than being structured as a constant surcharge above standard grid electricity. In addition, the double counting associated with GreenPower must stop and the GreenPower customer should actually be allocated the attributes of reduced emissions and renewable energy use that they pay for. With such reforms, GreenPower customers may have a greater incentive to stay on the grid rather than leave to risk a death spiral of the National Electricity Market.

- **Adopt a different policy position on the COAG Complementary Principles.**

Given that Federal Labor and the State Labor Government both support a return to an

Emissions Trading Scheme, it is vital that the issue of the COAG Complementarity Principles be re-visited and addressed now. There is little point in committing to new state targets, climate mitigation policies, massive projects such as Carbon Neutral Adelaide, and reviving climate sector agreements if all of a sudden the State Government then returns to a position that such initiatives are non-complementary and should be scrapped. Even worse would be a return of the silence that was associated with the state Governments acceptance of these COAG Complementarity principles.

Instead of considering that it is only the setting of a cap that reduces emissions and that individual efforts are therefore futile, it is recommended that a completely different approach be taken to the entire concept of coexistence of voluntary and state action alongside any emissions trading scheme. A better logic and fundamental principle to include all Australians in the effort to reduce emissions is: **All efforts that reduce emissions make it easier for the national target and emission caps to be reduced through time.**

- **Address Conflicting Government Objectives.** It was recognised in earlier versions of South Australia's Strategic Plan that conflicting government objectives and priorities should be addressed. Sadly there is still strong evidence of thinking in silos and this is evident in creating many separate discussion papers for this climate change strategy consultation. There is even a separate process for the Department of State Development which is not involved in the engagement events I have attended. At some point, the State Government will need to decide whether it will support a renewable energy future or a fossil gas revolution, or a nuclear future. Will South Australia be a global nuclear waste dump or a place of green industries and clean food. It is just not possible to have it all. At the very least there needs to be a plan to transition from fossil fuels to near 100% renewable energy for South Australia by 2050 and as quickly as possible.
- **Being transparent and accountable**  
**The South Australian Government can lead in being transparent and accountable for its decisions.** This means acknowledging when policies fail or are abandoned. Reporting on commitments such as the carbon neutral Adelaide Desalination Plant, Government electricity consumption, why it really abandoned its 50% GreenPower Target for government electricity use and where demonstration projects go wrong. If a premier announces a policy, then a premier should also advise South Australians when that policy is abandoned, and explain why. The Government should also be accountable to South Australians when it does not consult on important matters such as the COAG Complementarity Principles.



### **3 Reduce consultation paper**

#### **3.1 Pull renewable energy into the market with GreenPower**

The Strategic recipe for reducing South Australia's greenhouse gas emissions to sustainable levels is not about claiming that if South Australia was a country it would be leading the world etc, it is about creating the long term vision, goals and policy support measures to enable the state to transform.

South Australia could lead by committing to become a Renewable Energy State, defined as being 100% renewables much of the time, as soon as possible and at the latest by 2050. This means that it would need to plan for gas generation and interstate electricity imports to be less than 5%.

If South Australia made such a commitment, and campaigned hard for the Repower Port Augusta proposal (using Concentrated Solar Thermal or Photo Voltaic systems or both), then this would be the launching platform and green light to transform the state and its role in low carbon markets.

From Adelaide, through Northern Adelaide, Mallala, Snowtown Crystal Brook and to Port Augusta and beyond renewable energy regions would be recognised and grow, positioning the state for energy security, export opportunities in technology, services and high quality renewable products.

The State Government could again lead with GreenPower Power Purchase Agreement for new renewables via a reverse auction process that would enable our electric trains and trams to be fully covered by GreenPower. As an active customer, the State Government would also advocate for GreenPower reforms and improvements in pricing structure to reflect the falling cost of renewables, rather than being an unfair surcharge on electricity contracts.

At near 100% Renewable energy, it would not matter that a significant portion of the renewable portfolio was driven by the federal RET with funding from other states, because South Australia would be pulling its weight way beyond any free riding the RET outcomes .

#### **3.2 Regulate to prevent new fossil fuel powers stations**

It is very likely that South Australia is already at a point where new fossil fuel power stations supplying the Eastern Australia Grid (of which SA is a part) are just not required. The low carbon investment paper has arbitrarily defined low carbon power stations as being less than 0.4 tonnes CO<sub>2</sub>-e per MWh but has not clarified whether this is using the GHG Protocol approach to electricity generation which includes upstream scope 3 emissions. Regardless of whether the rate is 0.4 tonnes CO<sub>2</sub>-e / MWh or more, this is still much too high to be considered as low carbon and would be more meaningful if it was less than 0.2 tonnes CO<sub>2</sub>-e/MWh. At 0.2 tonnes CO<sub>2</sub>-e/MWh, efficient solar thermal, solar PV and wind generation would be included. The existing gas power stations could continue to be used until the renewables capacity and storage capacity eventually makes these systems near redundant.

### **3.3 Conditions of Approval for Mines and Major Projects**

The recent proposal to expand the Roxby Downs mine highlighted that the best opportunity to build in low emissions options was at the project proposal stage so that stronger and more meaningful Statements of Environmental Objectives are prepared for ongoing performance to be reported against these statements. Sadly, most project proposals to date for major projects and mining have merely included vague references to investigate the feasibility of incorporating renewable energy in the future, but scant definition of whether renewable energy would even be implemented if it was 1c per KWh to adopt.

It is recommended that there be a new approach to seeking approval for major projects and mining development in South Australia as a renewable energy state. Rather than simply commit to feasibility assessments, the State Government could require that proponents outline their plans and initiatives to include commitments to achieve near 100% renewable energy for their projects. If proponents cannot achieve near 100%, they should outline what they can achieve. The outcomes of an agreed renewable power percentage would then be incorporated into the *Conditions of Approval* and to be managed via Climate Change Agreement (suggested replacement term for 'sector Agreement' with the South Australian Government).

### **3.4 Greening South Australia**

Whilst there is a Nature Links Corridor plan for South Australia, it could be escalated to achieve higher levels of targeted revegetation and restoration to build effective Nature Link Broadways across rural areas and urban areas.

## **4 Innovate consultation paper**

It is suggested that the South Australian Government focus on creating the conditions where innovation can flourish. In this regard creating the opportunity for new projects to incorporate commitments for climate adaptation and mitigation is essential. Reforming GreenPower to enable renewable energy to be legally allocated against electric vehicles, households, businesses and specific projects, including Carbon Neutral Adelaide and electric trains and trams will enable the entire low carbon electricity market to function.

As mentioned in Section 1.4.5, An example of innovation through a project could be demonstrated through the defence ship and submarine building in South Australia. These projects are highly technical and capital intensive. They are also high in energy use due to the cutting, welding, heat treatment of steel and other fabrication processes. A commitment to undertake these projects with GreenPower renewable energy would create further opportunity for Power Purchase Agreements in South Australia to increase renewable energy demand above that established by the RET. A Climate Change Agreement between the manufacturer and Australian Defence Force with the South Australian Government would demonstrate that the parties acknowledge the need to reduce emissions as a key part of minimising security risks caused by climate change.

## **5 Adapt consultation Paper**

The State Government is leading on Climate Change Adaptation having developed and implemented a state-wide Climate Adaptation process and program.

### **5.1 Implementation of Adaptation Planning**

There is a need to progress climate Adaptation to a state-wide implementation phase and work to clarify and improve lead roles and collaborative partnerships. For example, in Community Health, Regions may identify climate adaptation needs that are similar across the state which may best be coordinated at a state level. However, and Health services, emergency preparedness, local government services and community programs are delivered at a local scale. Clarifying the necessary partnerships to implement climate Adaptation to protect human health is therefore an area which needs State-wide Strategic support for local collaborative planning, programs and delivery of services.

### **5.2 Integration of Adaptation Planning with all aspects of Climate Planning**

Recognising the interdependence of climate adaptation, mitigation and economic development in a low carbon economy, there should be a sustained effort for integrated thinking. As previously discussed, the COAG Complementarity Principles which disintegrated the task of reducing emissions from the role of individuals, households, businesses and climate Adaptation Planning was disastrous in my view and undermined the necessary culture to tackle climate change.

## **6 Carbon Neutral Adelaide Consultation Paper**

The Carbon Neutral Adelaide discussion Paper is the most problematic government policy initiative to discuss.

Whilst the City of Adelaide have an established carbon neutral goal for their own operations by 2020 (Adelaide City Council, 2011, p. 2), the giant leap to announce that Adelaide would be the “*Worlds first carbon neutral city*” (Hieu Van Le, 2015, p. 7) does not appear to be underpinned with feasible solutions and the agreement of all stakeholders to participate. Fundamental and basic elements of such an initiative did not appear to have been prepared and are still largely lacking. For example:

- What standard and guidelines will be followed to support this claim on a world stage?
- Who will be responsible for delivering and reporting progress towards Carbon Neutral Adelaide?
- Who will pay for reducing, avoiding and offsetting the emissions of businesses, households, government agencies, workers and travellers?
- What estimating monitoring and reporting framework will be used?
- To what extent are travel emissions addressed? (would it cover the daily transport emissions into, within and exiting Adelaide to a place of residence?)

- How will public transport emissions be avoided or offset? Will there be GreenPower tickets for the electric trams and trains? Will there be carbon offset tickets for diesel and gas busses and trains?
- What happens to the project if a person or business refuses to participate?.
- What happens should emissions trading return? Will the entire project be deemed as non-complementary and be abandoned?

I ask these questions not to create issue with the project but to identify the enormous challenges that will need to be overcome.

## 6.1 Monitoring and Reporting of Carbon Neutral Adelaide

There is a significant monitoring and reporting aspect because all south Australians that use or visit the City of Adelaide will need to be provided meaningful progress updates on this initiative.

In regard to two previous carbon neutral projects, South Australians have not been provided full and easy access of the outcomes on an annual basis:

- It is difficult to find publicly details of the changes in levels of emissions and the offsets for the State Governments Carbon Neutral Cabinet
- South Australia's largest infrastructure project, the Adelaide Desalination Plant was pledged to be carbon neutral for construction and operations. Indeed this was a condition of the Governor's conditions of approval for the project. However, in December 2011, it was reported that "*SA Water chief executive John Ringham said it had abandoned the commitment to make the desalination plant carbon-neutral because there was "no clear, agreed definition of what carbon neutrality was"*" (Martin, 2011). No further public statements or reporting has occurred beyond this abandonment, however after expressing surprise about the Carbon Neutral Adelaide announcement to the Premier, the Minister for the Environment in personal correspondence has identified that construction and operational emissions were fully offset in 2013, through to 2016 and that this will now be described in the SA Water 2014/15 Annual Report.

Making the Carbon Neutral Adelaide is a significant commitment with a subsequent lifetime of implementation in a social agreement with the South Australian and global community. If the State Government is still unclear as to what carbon neutrality means and is not prepared to be fully accountable into the future then it should not make such commitments in the first place. Furthermore, the limited inclusion of emissions as described, is not sufficient to be credible in making a carbon neutral claim. If the state Government is not prepared to account for the scope 3 emissions associated with fuel use and electricity use and is not prepared to account for major construction materials then it should not proceed with the initiative.

It is simply not appropriate for the state government to decide that "*The Carbon Neutral Adelaide initiative will predominantly focus on Scope 1 and 2 emissions*" because this makes a mockery of Australia's Carbon Neutral Program which requires that all significant scope 3 emissions be covered (Australian Government, 2013, p. 20). If the approach is to cherry pick

emissions to be addressed and offset, then Carbon Neutral Adelaide will become an embarrassing case study.

## 6.2 Some suggestions towards achieving Carbon Neutral Adelaide

### Recommendation 10

For a credible Carbon Neutral Adelaide:

- Define the roles and responsibilities of those who will be participating
- Define the standard for preparing the emissions inventory (suggest that this is the GHG Protocol for Cities and the Corporate Accounting and Reporting Standard for each building project that takes place within the city) (GHG Protocol, 2012), and meet any additional requirements to make a claim under the NCOS Carbon Neutral Program.
- Define an adequate level of inclusions and justify any emission sources that are excluded from the inventory. For example, the scope 3 emissions associated with electricity and fuel use should be included in the inventory as these are easily calculated and there is no justification to for their exclusion.
- In addition, other significant scope 3 emissions should be included in accordance with the NCOS Carbon Neutral Guidelines (Australian Government, 2013), because this project is associated with a carbon neutral claim. Other scope 3 emissions to be included would include those associated with water use, food use and construction materials such as concrete, steel, copper, aluminium, glass and plastics.
- Accredite Carbon Neutral Adelaide under the NCOS Carbon Neutral Plan which would provide the relevant assurance that the claims made are assured and have integrity.
- Ensure that all net imports of grid electricity are covered by GreenPower contracts
- Advocate for the urgent reforms of GreenPower that would prevent double counting issues, and comply with the GHG Protocol Scope 2 Guidance (World Resources Institute, 2015)
- Use only carbon offsets accredited or endorsed by the Australian Government, and ideally, sourced from within South Australia.
- Make a policy determination not to use any form of carbon permit as a carbon offset

## 7 Low Carbon Investment Plan - Strategy Paper

The Role that Renewables SA has played has been extremely valuable in providing foundation work and studies to inform the future potential of renewable electricity in South Australia. Sadly in other areas of policy development and reform to support GreenPower customers has been absent. Procurement of renewable electricity to meet the Government's 50% GreenPower target has not been continued. Engagement and disclosure of Government

decisions regarding GreenPower purchasing are not evident other than deep within budget papers.

### **7.1 A message from the South Australian Government**

The message makes the Claim that “*We have generated 39 per cent of our electricity from renewable energy, which translates into \$6.6 billion in investment in renewable energy generation in South Australia*”. It would be more complete to advise that the Federal Government Renewable Energy Target mechanism has provided funding for renewable electricity to be generated across Australia and South Australia with good renewable sources in solar and wind has attracted much of the investment to occur in South Australia.

### **7.2 Current leadership**

This entire section misrepresents the outcome of the Renewable Energy Target as leadership in South Australia. Providing a favourable regulatory framework for project approvals is a sound economic development decision.

The State Government must be clear as to what it is leading in. Whilst it leads in attracting existing RET investment in South Australia, aided by the states great wind resources. It does not lead in renewable energy policy and has no right to claim leadership for the increased renewable energy required because of the RET. Sadly, the South Australian government seems to be leader in confusing economic attraction with climate change and renewable energy leadership.

### **7.3 Wind**

It is entirely inappropriate to compare South Australia’s wind penetration with that of “... *leading international jurisdictions such as Denmark and Portugal*”, as South Australia is part of the East Australia Electricity Grid with four other states and one territory contributing to the cost of the renewables installed in our part of the grid. If we were Denmark or Portugal, then customers from Queensland, New South Wales, Victoria Tasmania and the ACT would not be paying for a large proportion of investment in our renewable energy generation and use.

### **7.4 Solar**

As with wind, much of South Australia’s household solar has been funded through the Renewable Energy Target (small scale) mechanism. However, the State Government is justified to claim that take up was enhanced through the state based mandatory feed in mechanisms.

### **7.5 \$10 billion in low carbon generation by 2025.”**

Given that \$6.6B of investment has already been invested, the Hornsdale Wind Farm has approval, and the Palmer and \$1.5B Ceres wind farms have a good prospects for proceeding, what is the actual scale of the investment challenge by 2025? What does the modelling show will be delivered regardless of whether South Australia has a target? Is this just another way of claiming the outcomes of the Federal Government RET mechanism? It might be the case that no action is required to achieve this target.

## 7.6 Future direction

The government must clarify whether it has adopted the Premier's Climate Change Council vision or whether it has its own vision.

## 7.7 Grid intensity benefits

The Grid Intensity Benefits section is not entirely relevant. Yes South Australia has a lower state based emission factor from the cost of the RET passed through to all consumers. It is unfair that customers in Queensland, the ACT, NSW, Victoria and Tasmania do not get recognition for their contribution to South Australia's renewable electricity projects. Yet it is understood that state based emissions factors were not used as the basis for carbon pass through costs, which were determined via a National Electricity Market (NEM) emissions intensity factor. It was not possible to easily check the assumptions behind the Discussion Paper Claims as the reference provided was incomplete.

## 7.8 Unconventional Gas

The life cycle fossil gas emissions are too high to be considered as low carbon. Exporting fossil gas resources involves further losses to chill, compress and transport gasses further increasing the life cycle greenhouse gas emissions.

The methods used to assess fugitive emissions from fossil gas via the NGER Framework are also incomplete as these did not require baseline assessment of pre-gas extraction emissions from the landscape and do not mandate an assessment of emissions following de-watering and hydraulic fracturing to detect increases of emissions from wells, cracks, fissures water pathways and land seeps.

The Department of State development has not provided any reference to a peer reviewed life cycle footprint of emissions to produce either domestic electricity or the much higher footprint to produce electricity overseas from liquefied fossil gas from Australia. Without such assessments, there is absolutely no justification for suggesting that unconventional gas is low carbon.

What is certain is that without a transition plan towards renewable energy, gas is not part of the solution where it delays such a transition.

### **Recommendation 11**

Until DSD can provide independent and peer reviewed assessments of the total life cycle emissions/MWh for electricity generation **in South Australia** using unconventional gas there is no justification to include this fossil fuel as part of a low carbon economy.

### **Recommendation 11b**

Until DSD can provide independent and peer reviewed assessments of the total life cycle emissions/MWh for electricity generation **in other countries** using SA unconventional gas,

there is no justification to include this fossil fuel as part of a low carbon economy.

## **7.9 Uranium**

Similarly, an expanded role for uranium does not create lower emissions, because it delays the transition to renewables whilst also risking the health, social, economic, and environmental viability of entire regions. The only future for the uranium industry is another unacceptable failure, disaster and crash. Every day the worlds 400+ nuclear reactors become another day older and another day closer to serious accident.

Every day a growing number of renewable energy power stations are created and the consequences of any failure of these are minimal.

## **7.10 Renewable Energy Roadmap**

It is important that Renewable energy has a stand alone goal, together with a strategy and roadmap that is not awkwardly tangled with fossil fuels and an uncertain nuclear drive. There is certainly no need for nuclear power to be established in this state when it has already been demonstrated in progress to date that South Australia could be powered with near 100 % renewable electricity.

## **7.11 National Policy Frameworks**

Most of this section is commentary without any direction or solutions.

There is no mention of the National GreenPower Accreditation Framework of which the Department of State Development is a member of the National GreenPower Steering Group. There is no discussion about shortcomings nor any indication that the State Government will actively participate in policy reforms.

There is no mention of the COAG Complementarity Principles which if returned with emissions trading run the risk of shutting down all businesses and activities seeking to reduce emissions, creating bizarre exclusivity that the only the Government cap and the biggest polluters can operate in this space and all other efforts deemed futile and non-complementary – again,

## **7.12 DSD assessment of new initiatives**

The discussion paper informs of criteria to assess initiatives. This entire page appears offensive and misguided. DSD should be facilitating true low carbon investment, including for electricity generation below 0.2 tonnes CO<sub>2</sub>-e based on a life cycle greenhouse footprint. That is as far as the DSD assessment should extend. Beyond acting as an investor or grant provider, or considering financial impacts on customers, it may not be appropriate for DSD to assess the effectiveness of a policy. It should focus on what it can do as an enabler.

Under what circumstances is DSD proposing to assess new initiatives? Who else will DSD invite to contribute ideas towards such assessments?



If the page is simply discussing the criteria for DSD purchasing of electricity for government operations, then it should make this clear.

### **7.12.1 Carbon Neutral Adelaide**

The description of Carbon neutral Adelaide to a low carbon economy should describe the role of:

- operating electric trains and trams on accredited GreenPower to drive renewable energy development
- purchasing carbon offsets from South Australia revegetation initiatives and other carbon offset creation
- Rooftop solar and wind
- Streetscape and rooftop vegetation

### **7.12.2 Resilient approaches**

Alarm bells are raised here as who gets to assess what the short term and long term price impacts are? Is it customers? Is it the market? Is it Treasury and Finance? What assumptions are used and how will they be disclosed?

## **7.13 Clear policy and an efficient regulatory environment.**

South Australia has not set clear targets under the Climate Change and Greenhouse Gas emissions Act 2007.

It has set an unsafe target for 60% emissions reduction by 2050, but has not clarified whether this will be achieved through the State performance or through sending funds overseas for offsets and permits with emissions trading. No interim emission reduction targets have been set and no emissions reduction pathway has been set.

No ultimate or long term renewable energy target has been set so it can only be assumed that the Government seeks to preserve a place for 50% fossil gas electricity. The State Government is never open and transparent about the South Australian renewable generation target reflecting the forecast of the National Renewable Energy Target outcomes.

No clear renewable energy consumption target is provided. The current Renewable Energy Use Target is meaningless as it simply assumes that renewable energy generated and sent into the grid is used. There should be reforms to GreenPower to enable a GreenPower based consumption target (as being adopted by the ACT Government).

### **7.13.1 Clear Policy on GreenPower required**

In all other market frameworks there are providers and free customers. With renewable energy there is mostly a wholesale market but end use consumers have no say in the proportion of renewables allocated to their use because the legislative framework being the National Greenhouse and Energy Reporting Determination (Commonwealth of Australia, 2008, p. 290 as amended July 2015) uses state based emission factors. GreenPower in its current form through its Marketing Guidelines (GreenPower, 2012) merely double counts an allocation and pretends that consumers can claim reduced emissions. This has been an

identified problem for near a decade and I argue that state governments in control of the National GreenPower Steering Group, the Federal Government, the ACCC and the AER have not properly addressed the issues or explained their position in law or taken steps towards reform. In choosing not to address the issues associated with GreenPower (see Appendix 3) customers are misled, treated unfairly and ultimately many are not able to see value for money when buying a flawed so called 'product'.

The South Australian State Government silence on GreenPower and its decision not purchase accredited GreenPower despite its shared ownership of the program, highlights a significant failure to maintain clear policy and advocate for an efficient regulatory environment that would underpin GreenPower to work in the way that it is marketed and viewed by many customers.

The GreenPower Marketing Guidelines Section 2.2- Rule 8.2 reads:

“Carbon claims may refer to the individuals or entities reduction in emission intensity of their electricity consumption” (GreenPower, 2012, p. 6).

This statement can be regarded as false, misleading and designed to cause double counting as the concept is not supported by any legislation and is indeed entirely contradictory to the National Greenhouse and Energy Reporting (NGER) Determination (Commonwealth of Australia, 2008), under the NGER Act (2007). No amount of clever language or guidelines outside legislation that perpetuate the double counting can actually give credibility to the program. Fundamentally, the Marketing Guideline Clause Section 2.2- Rule 8.2 causes every MWh of GreenPower to be double counted in relation to GreenPower use and in relation to reduced emissions.

Given the current exposure of the Volkswagen emission-cheating scandal, it is timely to review practices such as the accounting and allocation of emissions to end use electricity customers.

If the State Government cannot openly explain why it is OK to support double counting of renewable energy allocated to two sets of customers then a choice must be made.

### **Either**

***Option 1** - Advocate to change the NGER Act and Renewable Energy (Electricity) Act to support contractual accounting with allocation of renewable electricity to GreenPower Customers*

### **Or**

***Option 2** - Clarify that the GreenPower Framework is merely a donation like program where the so called customer actually receives no attributes no reduced emissions. Also remove Section 2.2- Rule 8.2 from the GreenPower Marketing Guidelines.*

I would strongly advocate for **Option 1** to enable a complete supplier-customer framework for accredited GreenPower to work in a way that will support a low carbon economy, will enable electric cars, trains, trams, buildings and businesses to actually be run on renewable energy with renewable use and reduced emissions allocated to these customers.

### **Recommendation 12**

DSD could be leaders to advocate for major reforms of GreenPower so that as renewables become cheaper, the lower costs are fairly reflected to GreenPower customers and with carbon pricing or emission constraints GreenPower should become cheaper than fossil based retail electricity.

## **7.14 Case Study 9 Reverse Auction and Case Study 10 Collective PPAs**

Reverse Auctions or collective PPAs must always incorporate a combined electricity and GreenPower contract. Without this, there is absolutely no right to consider that the contract as in any way associated with renewable energy. Remember the caution given to WA Water Corporation by the ACCC identified in the Business News WA titled “*ACCC finds Water Corp Ads misleading*” (Lawson, 2008).

It is also apparent that the State Governments early power purchasing arrangements for renewable energy prior to 2008, were not based on accredited GreenPower (Weatherill, Conlon, & Hill, 2002) and were therefore vulnerable to triple counting (allocated across the grid, claimed by the state government and RECs could be sold to a third party as GreenPower, or surrendered to meet mandatory requirements). There is a need to be extremely clear in the distinction in buying grid electricity as different from buying renewable electricity as GreenPower (despite the need to reform the GreenPower mechanism). There should be no repeat of the shortcuts taken in early contracting for renewables. Integrity and reform is required.

As none of the consultation papers make mention of GreenPower there is a serious omission.

There is no justification for silence on GreenPower when discussing power purchase agreements..

## **7.15 Stakeholder Questions,**

### **7.15.1 Question B - Partnerships with the private sector, research sector and community**

### **Recommendation 13**

**Investment Paper – Creating the conditions for partnerships with the private sector, research sector and community.**

- Advocate for reforms of GreenPower, the National Greenhouse and Energy Reporting Framework and the Renewable Energy Electricity Act (2000) and retail renewable energy pricing structures
- Purchase accredited GreenPower for the State Government's 270,000,000 kWh per year in contracts designed to support South Australian renewable energy such as the Repower Port Augusta proposal
- Advocate that South Australia has a near 100% renewable Energy Generation Target by 2050 and a transition renewables pathway to achieve this as quickly as possible
- Establish South Australia as the Renewable Energy State with Renewable Energy and green industry regions to thrive in providing the components, build, research, development, technology, operations servicing and export opportunities
- Develop a long term strategy that maintains a role for the electricity grid to co-exist with much greater decentralised generation and storage.

## APPENDIX 1 - South Australian Government drops its GreenPower commitment

In the 2012 SA Mid-Year Budget Review, the South Australian deferred its commitment for 50% GreenPower by 2014, based on the following justification:

*“This measure defers the requirement for the government to purchase half of its electricity supplies from green power in future electricity contracts as the introduction of the carbon tax has provided incentive for clean emission electricity purchases. Contracts will be assessed on overall value for money” (Riedy, et al., 2014, p. 32)*

The statement implies that GreenPower does not provide value for money, and incorrectly uses carbon pricing as justification, ignoring that GreenPower was always planned to be additional to Australia’s international commitments

Subsequently in the 2013/14 SA Budget, no provision was made for any return of GreenPower purchasing. The State Government simply provided the following narrative of the wind up of existing contractual obligations:

*“% of government renewable energy purchase In December 2012 the mid-year budget review noted that in 2014–15, the government’s minimum GreenPower purchase requirement would be deferred. Shared Services SA has advised that the 20% GreenPower purchase will continue in the small market electricity contract until the end of the contract on 31 December 2013, after which it will cease. For the large market electricity contract, the 20% GreenPower purchase will continue until 30 June 2014. It will then increase to 50% GreenPower purchase until the end of the contract on 31 December 2014, after which it will cease” (Riedy, et al., 2014, p. 122).*

Since January, 2015, the South Australian Government is buying zero GreenPower and has no budget provision to purchase any in future. When asked about the Government’s broken Strategic Plan commitment, the SA Minister for the Environment responded citing a confidential Government Commissioned KPMG Review:

*“The KPMG review indicated that future purchases of green power would not provide a good value for money approach to emissions reduction and that future climate change action should be designed to be eligible for funding under the commonwealth Emissions Reduction Fund” (Hansard, 2015).*

If the South Australian Government as a key participant of the National GreenPower Steering Committee, and as an electricity customer for approximately 470,000,000 kWh per year is not prepared to advocate favourably for GreenPower, does not see it as providing value for money and is no longer prepared to buy a single kWh of GreenPower, then this reflects a much deeper crisis in customer confidence about the GreenPower Program.

## APPENDIX 2 - COAG Complementarity Principles

### COAG Complementarity Principles (As amended by SCCC, 4 May 2012)

Complementary measures should be assessed against the following principles.

1. The measures are targeted at a market failure that is not expected to be adequately addressed by the carbon price or that impinges on its effectiveness in driving emissions reductions.

- *For example, research and development failures, common use infrastructure issues, information failures and excess market power.*

Complementary measures should adhere to the principles of efficiency, effectiveness, equity and administrative simplicity and be kept under review. They may include:

- a) measures targeted at a market failure in a sector that is not covered by the carbon price.
  - b) measures for where the price signals provided by the carbon price are insufficient to overcome other market failures that prevent the take-up of otherwise cost-effective abatement measures.
  - c) measures targeted at sectors of the economy where price signals may not be as significant a driver of decision making (e.g. land use and planning).
  - d) some measures in (a) or (b) may only need to be transitional depending on expected changes in coverage or movements in the carbon price.
2. Complementary measures should be tightly targeted to the market failure identified in the above criteria that are amenable to government intervention. Where the measures are regulatory they should meet best-practice regulatory principles, including that the benefits of any government intervention should outweigh the costs.
  3. Complementary measures may also be targeted to manage the impacts of the carbon price on particular sectors of the economy (for example to address equity or regional development concerns). Where this is the case, in line with regulatory best-practice, the non-abatement objective should be clearly identified and it should be established that the measure is the best method of attaining the objective.
  4. Where measures meet the above criteria, they should generally be implemented by the level of government that is best able to deliver the measure. In determining this, consideration should be given to which level of government has responsibility as defined by the Constitution or convention/practice, the regulatory and compliance costs that will be imposed on the community, and how the delivery of the measure is best coordinated or managed across jurisdictions.

## **APPENDIX 3 - Summary of structural reforms suggested for GreenPower to work as a product.**

**27 March 2015**

### **Governance**

- The Federal Government should assume overall responsibility for the success of GreenPower in Australia. As the Jurisdiction that makes the legislation and accounting frameworks it should also accept the responsibility to ensure that the GreenPower rules are consistent with legislation and integrated with climate and renewables policy.
- The National GreenPower Steering Group should be an independent committee supported by the Federal Government to serve the best interests of the GreenPower program and GreenPower customers.
- The National GreenPower Steering Group should include representation of GreenPower customers.

### **Renewable Energy (Electricity) Act (2000)**

- The Act should be amended to describe that the following attributes are attached to Large-scale Generation Certificates for trading in GreenPower accredited electricity contracts to support the allocation to GreenPower Customers
  - Renewable Energy Use
  - Reduced greenhouse gas emissions (zero scope 2 emissions and scope 3 emissions as defined by life cycle assessment).

### **National Greenhouse and Energy Reporting Act (2007) and related framework and NGER Determination**

- The methodology for allocating end use emissions to electricity customers should be amended to provide for contractual accounting
  - GreenPower customers should be allocated zero scope 2 emissions
    - Scope 3 emissions allocated to GreenPower customers should be related to those associated with Renewable Energy
  - Renewable energy from old pre 1997 renewable power systems should also be able to be purchased by customers for zero scope 2 emissions. This would not be GreenPower, but would establish a formal place in the market for the Momentum Energy SmilePower product and potentially for old Snowy hydro-electric power (NGER is about allocation not additionality)
    - Scope 3 emissions allocated to customers from old renewable power systems relate to those associated with old renewable energy infrastructure.
  - Grid Power emissions should relate to the residual mix of emissions after netting out the impacts of GreenPower and any other contractually based electricity sales products (as per the 2015 GHG Protocol Scope 2 Guidelines)
  - In allocating the residual grid mix emissions standard electricity customers, whole grid factors should be the starting point (such as for the Eastern

Australia Grid and the separate South West WA grid), with GreenPower and contractual sales netted out of this mix.

### **National Carbon Offset Standard**

- The National Carbon Offset Standard should properly incorporate GreenPower as a way to reduce emissions associated with electricity use.

### **Achieving 100%**

- The current 15% Renewable Power Percentage (RPP) and any old pre 97 renewables (not sold as low emission electricity) should be the recognised starting point for any GreenPower purchasing to ensure that a 100% GreenPower customer is not forced to pay for 115% renewables.

### **GreenPower Pricing Structures**

- GreenPower pricing should be based around the cost of producing and delivering renewable electricity rather than as a penalty above standard electricity.

### **AER and AEMC**

The AER and AEMC should recognise and support the role of GreenPower as a genuine part of the retail electricity market.

Further details in relation to GreenPower Reform are included in my submission to the GreenPower Review in March 2015.

See <http://www.greenpower.gov.au/Business-Centre/Program-Review/~media/4488FFC5C5B04BACAEA881E393F33BB8.pdf>



## 8 References

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