THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

RENEWABLE ENERGY (ELECTRICITY) AMENDMENT BILL 2010

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be Moved on Behalf of the Government

(Circulated by authority of the Minister for Climate Change, Energy Efficiency and Water, Senator the Honourable Penelope Ying Yen Wong)
RENEWABLE ENERGY (ELECTRICITY) AMENDMENT BILL 2010

OUTLINE

This amendment to the Renewable Energy (Electricity) Amendment Bill 2010 (the Bill) will allow for a contingent arrangement to be included for the Large-scale Renewable Energy Target (LRET) whereby the annual targets are adjusted should the stock of banked Renewable Energy Certificates (RECs) exceed a benchmark of 20 million as at 31 December 2010, net of the February 2011 surrender amount and voluntarily surrendered RECs.

This would be delivered through provision in the legislation to adjust the targets if the number of valid RECs exceeds 34.5 million at the end of 2010. The 34.5 million figure represents the number of RECs required to be surrendered to meet the 2010 annual target (12.5 million RECs); an estimate of the number of RECs expected to be voluntarily surrendered (2 million RECs); and the benchmark number of banked RECs (20 million RECs).

If the provision is triggered, the targets would be increased in each of 2012 and 2013 by half the excess above 34.5 million RECs. There would also be an offsetting reduction in annual targets in the period 2016 to 2019, each by one quarter of the excess.

A key part of the Government’s policy intent in separating the large and small-scale components of the RET was to provide greater investment certainty for large-scale projects. This amendment is intended as a transitional measure, to provide greater investment certainty as to the level of banked RECs prior to commencement of the LRET.

FINANCIAL IMPACT STATEMENT

This amendment will not have a financial impact on the Commonwealth.
SCHEDULE 1 – AMENDMENTS

Item 1 – Schedule 1, item 124, page 66 (before line 3), before subsection (2), insert:

1. This item amends the Bill to insert a new subsection 40(1A) to allow for a contingent arrangement whereby the Large-scale Renewable Energy Target (LRET) annual targets are adjusted should the stock of valid Renewable Energy Certificates (RECs) exceed 20 million as at 31 December 2010, net of the February 2011 surrender amount and voluntarily surrendered RECs. The item prescribes which annual targets are to be adjusted and by how much.

2. Specifically, the item prescribes a formula to increase LRET annual targets in 2012 and 2013 where the number of valid RECs at the end of 2010 exceeds the equivalent of 34,500 gigawatt-hours (GWh), or 34.5 million RECs. An offsetting reduction in annual targets occurs in the years 2016 to 2019. Valid RECs are considered to be RECs which have been created and registered by the Renewable Energy Regulator.

3. The 34.5 million RECs represents: the number of RECs required to be surrendered to meet the 2010 annual target (12.5 million RECs), an estimate of the number of RECs expected to be voluntarily surrendered (2 million RECs), as well as the benchmark number of banked RECs (20 million RECs).

4. This item provides that if at the end of 2010, the total value of RECs, in gigawatt-hours (GWh) equivalent, exceeds 34.5 million, then the LRET annual targets for 2012 and 2013, as outlined in the table in subsection (1), will each be increased by half of the excess value.

5. The item also provides that the LRET annual targets each year from 2016 to 2019 will be reduced by one-quarter of the excess value (in GWh). As such, the total of any increase in annual targets in 2012 and 2013 will be offset by a reduction in annual targets from 2016 to 2019 by the same total.

6. The item also provides that the Renewable Energy Regulator will be required to publish on its website as soon as practicable in 2011 the number of excess RECs as at the end of 31 December 2010.

Item 2 – Schedule 1, item 124, page 66 (line 5)

7. This item amends the Bill to change references to ‘has effect as’ to ‘has effect (after first taking account of subsection (1A))’. This change is in regard to the provisions in the Bill that refer to the potential commencement date for waste coal mine gas being eligible in the RET. The item amends the Bill to refer to the potential for the annual targets in 2012, 2013 and 2016 to 2019 to be adjusted, as outlined in item 1.