



Picking winners and policy uncertainty: Stakeholder perceptions of Australia's Renewable Energy Target



Genevieve Simpson*, Julian Clifton

School of Earth and Environment, University of Western Australia, 35 Stirling Highway, Crawley, Western Australia 6009, Australia

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ABSTRACT

Australia's Renewable Energy Target (RET) mandates investment in renewable electricity generation through a renewable energy certificate market. A legislated national consultative review of the RET was carried out in 2012, resulting in 8660 submissions. Respondents were invited to comment on the value of the legislated target, including whether the legislated target should be a fixed GWh target or a fixed policy-based percentage-of-demand target, and the impact of review processes on the renewable energy industry. This paper presents the first analysis of submissions and evaluates their implications for the future of this policy. There was a consistent alignment of opinion amongst respondents, with industry and fossil-fuel generation/retailer groups opposing the RET objectives, whilst these were supported by NGOs and the renewable sector. However, most respondents favoured maintaining the overall goal of providing 20% renewable electricity generation by 2020. Concerns were raised by most groups of respondents regarding policy continuity and excessive reviewing procedures. In its response to the review, the Climate Change Authority made a total of 34 recommendations, 18 maintaining the status quo. Only six recommendations were endorsed by the Australian Government that would result in changes to the scheme. It is concluded that such review processes can be significantly harmful to maintaining stability and certainty in an industry requiring long-term commitment for investments, and that the Australian Government continues to favour the status quo in responding to consultative review processes relating to renewable energy policies.

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1. Introduction – the renewable energy target legislation and review processes in Australia

The role of renewable energy in replacing incumbent fossil-fuel generating electricity systems is assuming greater significance as governments are under pressure to reduce greenhouse gas emissions. The enduring question within the renewable energy policy framework is how much support (economically and otherwise) the renewable energy industry requires to thrive.

Australia has had three manifestations of national legislation aimed at promoting the renewable energy industry and, in turn, reducing greenhouse gas emissions. The measurable outcome of these policies is to see an increase in the proportion of 'clean' generation technologies in the electricity generation mix [1]. This is done by requiring electricity retailers to source a proportion of the electricity for their customers from certified 'clean' generators through the purchase of renewable energy certificates, encompassing both

large-scale renewable sources such as wind farms and small-scale sources such as household renewable technologies.

Periodic reviews of the schemes were included as a requirement of the legislation. The first of these reviews was the Tambling Review in 2003, which invited submissions on the functioning of the initial legislation [1]. Subsequent to the Tambling Review were frequent additional review processes that considered the legislative framework, specific aspects of the legislation and the interaction between the legislation and other policy initiatives [2]. A review of the most recent incarnation of the legislation, to be undertaken by the independent Climate Change Authority, was initiated in August 2012 [1].

These review processes and the broader academic literature regarding renewable energy certificates highlight various issues with the development of such policies. These include the lack of appropriate consultation processes when developing legislation [3]; the lack of certainty and consistency in renewable energy policies, in particular for small-scale renewable energy technologies [4]; and the on-going commitment to existing policies favouring the status quo and fossil-fuel generating industries in particular [5].

* Corresponding author. Tel.: +61 8 6488 3661.

E-mail addresses: Genevieve.Simpson@uwa.edu.au, gmsimpson@gmail.com (G. Simpson).

Kent and Mercer [6] proposed that the submissions made available as part of the 2003 Tambling Review provided potentially the most comprehensive overview of the status of Australia's renewable energy sector. Ten years have elapsed since this review, with changes in Government, relevant legislation and industry over this time. An assessment of the submissions to the most recent review of the legislation, the 2012 Climate Change Authority's review of the RET, therefore provides insight into the current state of the renewable energy sector and perceptions of renewable legislation and associated policy development processes.

2. Material and methods

The Climate Change Authority undertook a consultative review process, including the development of an issues paper for general comment, and a discussion paper that provided a draft of final recommendations for further comment. There were 8660 submissions received in response to the Issues Paper (8500 campaign submissions and 160 stakeholder submissions), with 54 responses to the Discussion Paper [1]. Four roundtables and 60 one-on-one interviews were undertaken over the course of the review process.

This assessment of the Australian Government's Renewable Energy (Electricity) Act 2000 legislation and the associated Climate Change Authority Review of the RET follows a similar approach to Kent and Mercer's [6] evaluation of the Tambling Review process. Submissions to the Climate Change Authority's Issues Paper were critically assessed against the questions posed within the Review Issues Paper. All submissions were assessed according to criteria as outlined in Kent and Mercer [6], namely the type of stakeholder, their overall perspective of the legislation (whether they support or reject its value) and any particular issues of note to the stakeholder. Particular issues of interest were those surrounding the effects of uncertainty in the legislation on industry, including in relation to the GWh target, the effects of continual review processes, and perceptions of embedded policies favouring other technology types, including a certificate multiplier for small-scale photovoltaic systems. Information on the number of responses to particular themes was recorded by stakeholder type (peak industry group, corporation, academic, individual, environmental NGO), with supporting statements provided alongside each respondent's details.

The Final Review Report was released on 19 December 2012 [7]. The Australian Government's formal response to recommendations outlined in the Final Review Report was released on 23 March 2013 [8]. The Climate Change Authority's recommendations and the Australian Government's response to the Climate Change Authority's Review Report were examined. Analysis of the extent to which the Australian Government is prepared to undertake modifications to the legislation in light of the Climate Change Authority's findings assisted in determining whether the review process is seen as beneficial to Australia's renewable energy industry or whether it is an unnecessary disturbance.

Collection of data for the research was via the Climate Change Authority website [7], which publishes all calls for submission, submissions from stakeholders and the Review Report itself. The Australian Government published its response to the Climate Change Authority's Review Report and recommendations through the Department of Climate Change and Energy Efficiency website [8].

3. Theory – Australia's RET – targets, legislation and reviews

The first of Australia's renewable energy schemes came into force in April 2001 under the Renewable Energy (Electricity) Act 2000 [6]. The key measure of the Act was the initiation of the Mandatory Renewable Energy Target (MRET), which was to see a 2%

per annum increase to renewable energy generation by 2010, from a 1996/1997 10.5% baseline. Energy demand forecasts at the time of setting the target were used to equate the additional 2% renewable generation to a GWh target, namely 9500 GWh, which was the legislated target included in the Act.

Periodic reviews of the scheme were included as a requirement in the legislation. The Tambling Review in 2003 invited submissions on the functioning of the MRET [9]. The review process determined that an increase in electricity demand between the scheme's initiation and the time of review had resulted in the 9500 GWh target equating to less than a 2% increase in renewable generation. The Review Panel's recommendations included maintaining the 9500 GWh target to 2010 and then increasing the target to 2020 to promote industry investment. The Government supported the maintenance of the 9500 GWh target but rejected the proposal to expand the scheme. The Review Panel also considered amending the legislation to state a fixed percentage target with a floating GWh value, as opposed to the fixed GWh target. The Review Panel recommended maintaining a fixed GWh target to ensure certainty for investors.

In August 2009, legislation was passed to implement the expanded national RET, which brought the former MRET and existing and proposed state and territory schemes into one national scheme [10]. It expanded the previous MRET to a forecast 20% contribution to the electricity mix by 2020, set in the legislation as 45,000 GWh. The RET also included specific support for small-scale, rooftop solar photovoltaic systems, through the 'Solar Credits Multiplier' [1].

In June 2010, further legislation was passed to separate the expanded national RET into two parts, the Large-scale Renewable Energy Target (LRET), covering large-scale projects such as wind farms, commercial solar and geothermal, and the Small-scale Renewable Energy Scheme (SRES), covering domestic photovoltaic, wind turbine and efficient water-heating technologies [1]. The legislation separated the 45,000 GWh target into 41,000 GWh by 2020 for the LRET and a minimum 4000 GWh by 2020 for the SRES. The changes were designed to provide greater certainty for large-scale renewable energy projects, households and installers of small-scale renewable energy systems.

To date, the MRET and RET have resulted in renewable energy capacity almost doubling from 10,650 MW in 2001 to 19,700 MW in 2012 [1]. In spite of this, due to an increase in demand for electricity within Australia, renewable electricity generation as a proportion of total electricity generation per year has not changed significantly since 2000/01, having grown from approximately 8% to 10%. Wind and solar photovoltaic (PV) technology make up the majority of new renewable generation as a result of the MRET and RET [11]. Wind generation has grown under the RET from 200 GWh in 2000/01 to 5800 GWh in 2010/11. Solar photovoltaic generation has increased over the same time period from 50 GWh to 850 GWh (Fig. 1).

Under the 2011 updated legislation enacting the RET, the Climate Change Authority was tasked with completing a review of the scheme before the end of 31 December 2012 [12]. While the Climate Change Authority did not have a stipulated Terms of Reference for undertaking the review, any recommendation put forward by the Authority may not be inconsistent with the objectives of the Act, which were to a) encourage the additional generation of electricity from renewable sources; b) reduce emissions of greenhouse gases in the electricity sector; and c) ensure renewable energy sources are ecologically sustainable [13].

4. Results and discussion

All of the 160 stakeholder submissions were read and analysed according to areas of note within the Issues Paper. The 8500

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