RENEWABLE ENERGY TARGET SCHEME DESIGN

The Australian Government set a target to achieve a 20 per cent share of renewables in Australia's electricity mix by 2020. To achieve this, the Government is supporting the deployment of renewable energy in Australia's electricity supply through the national Renewable Energy Target (RET) scheme. The RET scheme guarantees a market for additional renewable energy generation, using a mechanism of tradeable Renewable Energy Certificates known as RECs (backed by a legislative obligation).

The Government, in cooperation with the States and Territories through COAG, is increasing the legislated target more than four times from 9,500 gigawatt-hours (GWh) to 45,000 GWh in 2020. The RET scheme expands on the existing Mandatory Renewable Energy Target (MRET) and absorbs existing and proposed State and Territory renewable energy schemes into a single national scheme.

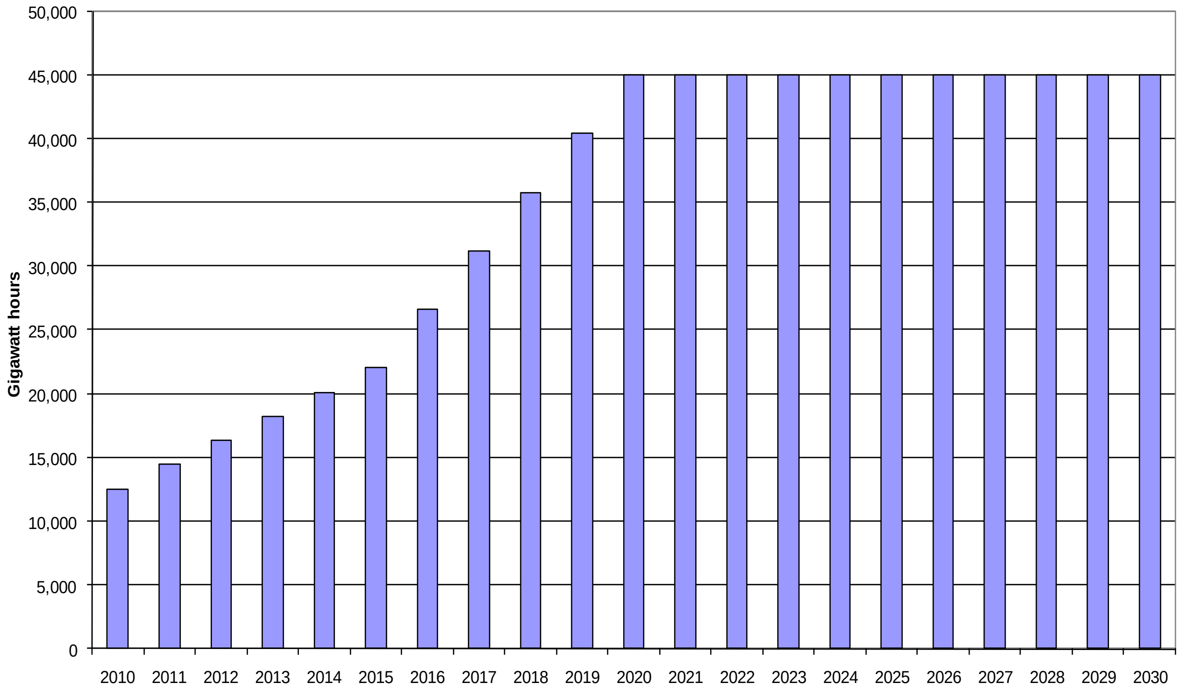
The Carbon Pollution Reduction Scheme will help to bring renewable energy technologies into the market over time. The expanded RET scheme will accelerate uptake and prepare the electricity sector to contribute to the significant emissions reductions that will be needed to address climate change. The RET scheme design focuses on reaching the 45,000 GWh target in 2020 at least cost and is closely based on the existing MRET scheme. It is envisaged that the measure will commence on 1 July 2009 with the expanded targets to commence from 1 January 2010. The key elements of the RET scheme design are outlined below:

Profile of Annual Targets

- The target profile (below) is a ramp-up of annual targets in calendar years from 2010, rising to 45,000 GWh in 2020. The target profile is to be maintained at 45,000 GWh from 2020 to 2030, at which point the RET scheme will conclude.

Year	Annual Target in Gigawatt-hours
2010	12500
2011	14400
2012	16300
2013	18200
2014	20100
2015	22000
2016	26600
2017	31200
2018	35800
2019	40400
2020	45000
2021	45000
2022	45000
2023	45000
2024	45000
2025	45000
2026	45000
2027	45000
2028	45000
2029	45000
2030	45000

RET annual target profile in calendar years



Eligible sources

- The design maintains the same eligibility criteria as under the current MRET scheme including:
    - Solar Water Heaters remain eligible to create RECs with a 10-year deeming period (upfront) through to the end of the scheme.
    - Native forest wood waste remains eligible to create RECs, subject to the current MRET restrictions.

- The Commonwealth will prepare a report to COAG before the end of 2009 to examine the eligibility of heat pumps as well as new small-scale renewable technologies that are not currently eligible under the RET, and the current 'self-generation' provisions of the RET, which mainly affect off-grid remote resource developments, to ensure that they are meeting the original policy intent to exclude such projects without creating any unintended impacts on the RET's overall objectives.

Banking of RECs

- The design maintains the same treatment for banking RECs as under the MRET scheme.
    - RECs created or purchased by liable parties to meet annual targets can be 'banked' by the owners for sale or surrender in later years of the scheme.
    - Banking is permitted for the life of the scheme without restriction.

Project eligibility periods

- The design does not limit the timeframe within which renewable energy projects may create RECs within the life of the measure.
    - All projects, once accredited, will be able to create RECs until the scheme expires.

Treatment of existing generators

- All existing projects eligible under the MRET will be eligible to participate in the expanded RET for the life of the scheme.
  - Current electricity generation baselines (above which existing projects are able to create RECs) would be extended to the end of the scheme.

Compliance mechanisms — shortfall charge

- The design includes a fixed (un-indexed) shortfall charge or penalty for non-compliance.
  - This approach is similar to the MRET scheme which includes a fixed shortfall charge.
- The shortfall charge will be set at $65 per megawatt-hour, maintained in nominal terms over the life of the scheme.

Multiplier for Renewable Energy Certificates created by small generation units

- The design includes a multiplier, known as Solar Credits, to be applied for RECs created by small scale solar, wind and hydro electricity systems.
- Solar Credits are intended to commence from 1 July 2009 and will be phased out by 2015-16.
- The Solar Credits multiplier will decrease over time according to the profile below:

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 onwards
Multiplier	5	5	5	4	3	2	No multiplier

- The multiplier applicable to a particular system would depend on its installation date.
- The current upfront deeming for small generation units under the MRET will continue to apply.
- For each micro-generation system, the multiplier would apply only to the first 1.5 kilowatts of system capacity.
  - Generation from capacity above 1.5 kW will still be eligible for the standard 1:1 rate of RECs creation.
- The credits will only apply to the first small scale generation system installed at an address.

Assistance to electricity-intensive, trade-exposed industries

- Assistance to electricity-intensive, trade-exposed industries (otherwise known as RET-affected, trade-exposed or RATE industries) mirrors the differentiated rates of assistance for all emissions-intensive, trade-exposed (EITE) industries under the Carbon Pollution Reduction Scheme (CPRS).

- A legislated partial exemption from liability under the RET scheme will apply to all activities eligible for assistance as EITE activities under the CPRS. The legislated partial exemption will apply to entities undertaking RATE activities in respect of:
  - 90 per cent of their expanded RET liability that applies to electricity used in activities eligible for 90 per cent EITE assistance; or
  - 60 per cent of their expanded RET liability that applies to electricity used in activities eligible for 60 per cent EITE assistance.

- Assistance would be provided through a legislative exemption from liability to:
  - entities undertaking RATE activities that are directly liable under the RET; or
  - electricity retailers supplying electricity to entities undertaking RATE activities.

- Assistance will only be for the RET liability that relates to the expanded portion of the annual target (that is, the amount of the target above the 9,500 GWh that exists under the MRET).

- The exemption will also only be for the electricity used in undertaking RATE activities.

- A review of assistance to RATE industries will be included in the review of the operation of the RET scheme to be undertaken in 2014.

Scheme review

- The review of the operation of the RET scheme will be undertaken in 2014 to coincide with the review of the CPRS so that the review of RATE assistance can be conducted in parallel with the planned review of assistance for EITE industries.