The RET Review: The future of renewable energy

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Outline

• What has the RET delivered?
• What has the Review Panel recommended?
• Why is the RET a good thing?
• Why is the RET a bad thing?
• What next?
What has the RET delivered?

• The objectives:

  • encourage the additional generation of electricity from renewable sources
  • reduce emissions of greenhouse gases in the electricity sector
  • ensure that renewable energy sources are ecologically sustainable.

• The RET has delivered on the objectives as designed, but not always as designers, proponents and opponents had anticipated.

• The additional cost of renewable energy has been increasing with the target and has been passed on to consumers.

• The cost of the RET to consumers has been small, relative to other cost drivers

• The RET has exerted some downward pressure on wholesale prices
The Review: conclusions and recommendations

- **Key conclusion:**
  - the RET has helped to establish the renewables industry in Australia and is now a high cost approach to reducing emissions in the future.

- **Key recommendations:**
  - Amend the RET in the light of changing circumstances and relative costs of emissions reduction
  - Close the scheme to new entrants or allocate a future share of 50% of new growth to renewables
  - Abolish or bring forward the phase-out of the Small-scale Renewable Energy Scheme
  - Remove the requirement for further statutory reviews
  - Remove prospects of double counting between the RET and the Emissions Reduction Fund, the CEFC or ARENA
Why is the RET a good thing?

- Has supported the growth in renewable electricity generation
- Represents a low-cost market mechanism that delivered renewable energy as designed
- Provide reasonable certainty for investors in renewable energy
- Has reduced emissions in the absence of an economy-wide climate change policy – the only policy left standing.
- The cost to consumers has been relatively low, with downward pressure on wholesale prices offsetting upward pressure on retail prices
Why is the RET a bad thing?

• Became disconnected from the electricity market when the 20% target was converted to a fixed generation target. The result has been a pie fight.

• Became disconnected from climate change policy with the fixed price emissions trading scheme (aka “Carbon Tax”)

• Despite promised certainty, the RET has been subject to continual reviews which have opened up the key parameters each time.

• Became an easy target for climate change sceptics in an era of rising electricity prices

• Fundamental design flaws became potentially fatal
What next?

- **Possibilities:**
  - Adoption of one of the Panel’s recommendations
  - Revert to “real 20%” target
  - Exclude aluminium and extend time period beyond 2020
  - Maintain status quo to 2016 (the default option)
  - Extend the RET to a Clean Energy Target (CET)

- **Issues**
  - There is no good outcome – therefore, least bad
  - A deal that doesn’t stick or is just a delay doesn’t work
  - Need for a deal between the major parties
  - Move back to the main agenda of climate change policy – just as ugly
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