



The Renewable Energy Sub Group Secretariat  
Renewables, offsets and COAG Branch  
Department of Climate Change  
GPO Box 854  
Canberra ACT 2601  
Email RET@c1imatechange.gov.au

28<sup>th</sup> of July 2008

Dear Sirs,

**Re: Expanded Renewable Energy Target (RET) Scheme**

Thank you for the opportunity to submit Amcor's comments regarding the expanded RET Scheme.

Amcor agrees with the need to promote renewable energy, but our preference is that this should be covered by the proposed Emissions Trading Scheme, not a separate mechanism that favours renewable energy such as wind, hydro and solar ahead of other low emission intensive solutions such as co-generation from natural gas.

Such a scheme will only add to the energy cost burden which will already be placed on industry by the ETS.

**Impact**

Amcor has approximately 50 manufacturing plants across Australia.

Amcor is a major user of electricity in Australia consuming in excess of 550 GWh/yr of electricity, mainly in the manufacture of recycled packaging paper and glass wine bottles both of which are Emissions Intensive and Trade Exposed industries.

Purchasing Renewable Energy Certificates (RECs) to meet our 20% liability at a cap price of \$40/MWh plus tax (\$60/MWhj would add approximately \$6.6M/yr to Amcor's electricity bill. This is on top of the impact of the ETS.

**Eligible Sources - Treatment of Co-Generation**

Since the demise of the Federal Government's GGAP program there has been no encouragement for gas fired co-generation although it can play a significant part in reducing greenhouse gas emissions from electricity generation.



Unlike wind power which requires spinning reserve of coal fired or gas fired plant to provide back up when there is insufficient wind resource, gas fired cogeneration is available as base load.

As a minimum we would expect that on site gas fired power generation should be exempt from any RET charges and that it should be eligible for MRET off-sets, up to the amount of RECS that would be displaced when comparing its emissions intensity with average for the National Grid.

#### Pass Through Costs

Our recent experience with the RET charge passed through by electricity retailers is that they usually pass through the charge at the default rate; there is no incentive or reason for them to do anything less.

Unless they are compelled to secure RECs and pass them through at market prices they will continue to do so. This makes the REC market a windfall for electricity retailers as there is little or no scrutiny of pass through costs.

#### Removal state Based Schemes

If the expanded MRET is to be introduced, then all state based renewable schemes should immediately be abolished.

#### Coverage

Emissions Intensive Trade Exposed Industries should not be exposed to the full cost of the RET and should be eligible for compensation.

#### Phase Out

While we agree to the need for certainty of investment for a period of time, once the ETS is operating, there should be no need for a separate RET. The RET should only continue as long as the amount of energy it can deliver is below the ETS target.

#### Modelling of other Costs

There is no indication in the discussion paper as to what modelling has been done to determine the actual contribution to the power system from renewable energy; particularly wind power, nor what it will do to the price of electricity.

Wind power is not always dependable, especially when required in peak summer whereas solar, hydro and cogeneration are much more dependable.



Wind resources are usually located far away from the existing transmission grid and so there are significant costs associated with wind power grid connections which need to be taken into account.

Wind power adds considerably to the cost of transmission networks; these costs are regulated and by and large generators pay only a small percentage of transmission costs, the remainder is paid for by all electricity consumers.

Another cost impact of wind energy is on NEMMCO's Ancillary Services Charges. These charges will increase significantly due to the FCAS market having to provide sufficient spinning reserve to cope with fluctuations in wind power capacity.

The greenhouse impact of this inefficiency needs to be off-set from the direct emission reductions from wind power.

Finally, the addition of significant wind generating capacity in SA has led to that state sometimes having its transmission inter-connectors de-rated and/or constrained. This leads to a significant separation in prices between Victoria and South Australian electricity pool prices. The same may be true of other regions as the percentage of wind power increases.

We trust that you will take all these issues into account when considering a significant increase in the RET.

Yours sincerely,

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