



Senator for Tasmania
Palmer United Party Deputy Senate Leader
Senator Jacqui Lambie

Media Statement or Opinion Piece

7.9.14

Tasmania's Great RET Rip Off: Lambie

(Words 464)

"The Australian RET Scheme is good for Tasmania - right? Wrong!

After this week's briefing from Tas - Hydro during the latest Senate sitting, and the research carried out by the Parliamentary library*, it's clear that the mainland RET scheme rips off more than \$1.1B from Tasmania each year.

On behalf of the Tasmanian people, Tas - Hydro only receives in Australian RET credit income, about \$60M p/a - or 5%, of the possible RET credits created by the electricity generated from Tasmanian renewable water power. So why are we missing out on the other 95%, or more than \$1.1B of possible Australian RET credits?

This is an important question that the federal Liberal Party, who first designed the RET system, must answer. Everyone knows that water power (Hydro) is one of the best forms of renewable energy available to human kind. Unlike wind power - Hydro can supply cheap, reliable, base load electricity for 21st century factories, businesses and families.

There's no risk of brown outs, voltage fluctuations or loss of electric supply, if a community is powered 100% by Hydro - which Tasmania is! So it disappoints and upsets me that our Liberal, Labor and Green politicians for over a decade, have accepted a mainland RET scheme which only pays Tasmania \$60m a year for RET Credits – when we should receive more than \$1.1B.

Not only have they accepted this injustice, they now lie and tell people, Tasmania has a great deal under the current mainland RET system. Nothing could be further from the truth. The big 4 Tasmanian employers (*Nystar Minerals, Bell Bay Aluminium, Grange Resources, Norske Skog Paper Manufactures*) who use 57% of our clean renewable Hydro energy, are slugged over \$20M in RET penalties. Why – they produce goods using renewable energy not brown coal electricity?

This cost is added on top of the ordinary federal and state taxes the Big 4 Tasmanian's already pay - and along with the Bass Strait Freight cost crisis - has endangered their commercial viability. Put quite simply, the few hundred jobs generated by the mainland RET scheme are in danger of wiping out the almost 10,000 direct and indirect jobs created by the Big 4 Tasmanian manufactures.



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\$900M worth of local business and up to ten thousand jobs could be wiped out unless

1. Tasmania is guaranteed 100% RET Credits for our Hydro electricity or
2. Tasmanian Businesses are stopped from being unfairly penalised for using 100% renewable energy!

And I haven't even begun to talk about today's news that our National economy has entered the danger zone and commodity prices are at record low prices. I challenge all Tasmanian politicians to stop the RET lies and put their state first.

Time to get real and stop the great Tasmanian RET rip off." said Senator Lambie.

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Attached* Parliamentary Library Research

Income and costs to Tasmania arising from the Renewable Energy target

This brief has been prepared in response to your request for information on:

1. How much does TAS Hydro receive in RET credit
2. How much do TAS businesses have to pay in RET penalties or charges

for the past five years

In the most part, this brief deals with the large-scale renewable energy target (RET). For an overview of how the RET works, and the difference between the large-scale and small-scale RET, my recent [quick guide to the RET](#) provides an explanation.

How much does TAS Hydro receive in RET credit?

Tasmanian Hydro does not separately itemise revenue that it receives from large-scale generation certificates separately in its annual reports, and this information does not seem to be available publicly. In addition, the price of renewable energy certificates is not transparent, as they are often traded on the basis of private contract.

However, we can derive a rough estimate of Hydro Tasmania's income from Tasmanian-based wind and RET-eligible hydropower generation, through an analysis of the number of certificates issued. (Each certificate represents the generation of one megawatt-hour of energy from renewable sources).

For the purposes of this estimate, we assume that all large-scale hydro and wind generation in Tasmania is attributable to Tasmanian Hydro. This isn't entirely correct, as the Musselroe Wind Farm credits are shared amongst the joint venture partners, but they are still attributable to Tasmania.

The following table shows the number of certificates issued to Tasmanian wind and hydro generators in each of the last five years:



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Table 1 – number of Renewable Energy Certificates/Large-scale generation certificates created by hydro and wind generators in Tasmania 2009-2013. Source: Parliamentary Library estimates, compiled from [REC Registry](#) data.

| | Hydro | Wind | Total |
|--------------|-----------|-----------|-----------|
| 2009 | 4,925 | 418,372 | 423,297 |
| 2010 | 694,529 | 420,508 | 1,115,037 |
| 2011 | 465,390 | 333,754 | 799,144 |
| 2012 | 1,107,927 | 519,726 | 1,627,653 |
| 2013 | 2,081,356 | 542,635 | 2,623,991 |
| Total | 4,354,127 | 2,234,995 | 6,589,122 |

It is possible to estimate very roughly the total value of these certificates. Each year, the Clean Energy Regulator publishes an average market price for large-scale generation certificates, based on the prices observed in the previous year. This is called the volume-weighted average market price (VWAMP); it represents an estimate of the average price of a certificate, but may vary significantly from the prices actually received for certificates. It should be noted that these figures are rough estimates of the value of RET-related certificates created in Tasmania – they do not necessarily represent the actual revenue attributable to Hydro Tasmania in respect of the RET.

It should also be noted that not all of these certificates will be surrendered in respect of obligations under the Large-scale renewable energy target or small-scale renewable energy scheme – some certificates may be surrendered voluntarily under the GreenPower scheme, rather than the RET.

Table 2 – Number and estimated value of RECs/LGCs created in Tasmania 2009-2013. Source: Source: Parliamentary Library estimates, compiled from [REC Registry](#) and [Clean Energy Regulator](#) data.

| | Hydro | Wind | Total | VWAMP | Value of certificates, \$ million |
|--------------|-----------|-----------|-----------|---------|-----------------------------------|
| 2009 | 4,925 | 418,372 | 423,297 | \$35 | \$14.8 |
| 2010 | 694,529 | 420,508 | 1,115,037 | \$38.39 | \$42.8 |
| 2011 | 465,390 | 333,754 | 799,144 | \$35.24 | \$28.2 |
| 2012 | 1,107,927 | 519,726 | 1,627,653 | \$38.69 | \$63.0 |
| 2013 | 2,081,356 | 542,635 | 2,623,991 | \$35.24 | \$92.5 |
| Total | 4,354,127 | 2,234,995 | 6,589,122 | | \$241.2 |

Note - 2009 price is a guess, no reliable data is available for this year

The number of RECs generated in Tasmania vary considerably – as most hydro generation in Tasmania existed prior to the commencement of the Mandatory Renewable Energy Target in 2001, it is ineligible to be supported by the RET. This means that whilst Hydro Tasmania may have significant renewable generation for a particular year, it may not be credited with a large number of renewable energy certificates. However, all of Tasmania's wind generation is RET-eligible, so the number of certificates issued for wind remains relatively high.



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2. How much do TAS businesses have to pay in RET penalties or charges.

Unfortunately, this data is not available. Although businesses have explicit or implicit costs associated with the RET, these costs are not necessarily made public. However, it is possible to make an estimate as to what businesses might currently be paying to support the Renewable Energy Target.

There are three types of businesses who might incur costs as associated with the RET:

- 1) Large purchasers of electricity, who purchase electricity directly on the wholesale market. These businesses are liable under the RET, and must purchase renewable energy certificates to cover a specified percentage of their electricity purchases. These businesses have a direct cost to buy these certificates.
- 2) Smaller businesses who buy their electricity from a retailer, on an unregulated contract or tariff. In this case, the retailer is responsible for purchasing renewable energy certificates under the RET, and passes the cost on to customers. The pass-through of costs could be explicit (i.e. contracts could include a term related to the price of renewable energy certificates) or implicit (where the cost is simply factored into the price of electricity sold to the business).
- 3) Small businesses who buy their electricity from a retailer on a regulated tariff. In this case, the retailer is responsible for purchasing renewable energy certificates under the RET, and passes the cost on to customers. The pass-through of costs would generally be implicit.

Large, wholesale purchasers of electricity

These companies buy electricity on the national wholesale market. The cost that they must pay in relation to the RET is to purchase enough renewable energy certificates to cover a specified percentage of their electricity purchases – which is known as the [renewable power percentage \(RPP\)](#) in relation to the large-scale electricity target, and the [small technology percentage \(STP\)](#) in relation to the small-scale renewable energy scheme.

Wholesale purchasers of electricity have an obligation with respect to both schemes. In 2014, the RPP is 9.87% and the STP is 10.48%. Therefore, large electricity users must purchase large-scale certificates equivalent to 9.87% of their electricity use and small technology certificates to cover 10.48% of their electricity usage. (One certificate is equal to one megawatt-hour of renewable electricity, so for every 1,000 megawatt-hours a liable business uses, it must surrender to the Clean Energy Regulator 98.7 large-scale certificates and 104.8 small-scale certificates).

As at the 22 August 2014, LGCs were trading at \$29.10 and STCs \$38.85, according to [Green Energy Markets](#) (LGC prices are considerably depressed given the speculation around the future of the RET), which means that for every megawatt-hour of electricity purchased on the wholesale market, a RET liable entity would be liable to purchase an additional \$6.94 in renewable energy certificates ($9.87\% \times \$29.10 + 10.48\% \times \38.85). The current wholesale price for electricity in Tasmania (16/8/2014) was around \$32 per megawatt-hour, so RET costs impose an additional 20% on top of the wholesale price. This does not include network/distribution costs, which are another component.



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However, some companies in emissions-intensive, trade exposed industries are granted a partial exemption for the requirements of the Renewable Energy Target – either 90% exemption for highly trade exposed industries, or 60% for moderately trade exposed industries. Examples of highly trade-exposed industries include alumina smelting and cement production. For these industries, the cost of the RET would be about 70c per megawatt-hour of electricity purchased.

Unfortunately, data on the energy consumption of these businesses are not available, so it is not possible to determine the exact amount of money that these companies would be liable for under the RET.

It should also be taken into account that large-scale purchasers of electricity benefit from lower electricity wholesale prices under the RET, as a result of the so-called [merit-order effect](#). [Recent modelling from the University of New South Wales](#) suggests that emissions-intensive businesses receive significant benefits (in the form of lower wholesale electricity prices) from the RET, which outweighs by several times the relatively small amount that they pay through renewable energy certificates.

Smaller businesses

Smaller businesses who purchase electricity from a retailer (generally Aurora Energy), either purchase their electricity on a regulated or contract tariff. As energy contracts are not publicly available, it is not possible to determine the cost to Tasmanian businesses on tariffs as a result of the RET.

For those smaller businesses that purchase their energy on regulated tariffs from Aurora, it is possible to estimate the component of their electricity bill due to the RET. According to Aurora Energy's [2014-15 pricing proposal](#), the cost of acquiring renewable energy certificates amounted to \$16.2 million out of a total cost of supplying electricity of \$452.4 million. This means that costs due to the RET are approximately 3.58% of retail electricity prices. Similarly, the total forecast consumption was 1,982,760 megawatt-hours, suggesting a cost for renewable energy certificates of approximately \$8.17 per megawatt-hour, or 0.082 cents per kilowatt-hour (the unit that electricity bills are typically quoted in).

This estimate can be applied to typical consumption levels of different types of customers, as in table 3 below. Note that these figures are simply estimates, and the actual RET component of electricity bills could vary considerably depending on individual contract terms.

Table 3 – Estimates of RET cost to various types of business in Tasmania¹

| Premises type | Electricity Consumption (Megawatt-hours) | Typical RET component of electricity bill (per year) | Typical electricity bill (per year) |
|--|--|--|-------------------------------------|
| Residential customers, small businesses: | 0 - 50 | \$0 – 408.50 | \$0 – 10,000 |

¹. Parliamentary Library estimates, usage estimates from Electricity Supply Industry Panel, [Tasmania's Energy Sector – An Overview, Discussion paper](#), April 2011, RET component based on estimate of \$8.17 per megawatt-hour, from Aurora Energy's [2014-15 pricing proposal](#)



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|--|----------------|------------------------|-----------------------|
| Smaller offices | 50 - 150 | \$408.50 – 1,225.50 | \$10,000 – 25,000 |
| Large offices and small factories | 150 - 750 | \$1225.50 - \$6,127.50 | \$25,000 – 80,000 |
| Medium factories and small commercial complexes | 750 – 4,000 | \$6,127.50 - \$32,680 | \$80,000 – 400,000 |
| Large industrial facilities and commercial complexes | 4,000 – 20,000 | \$32,680 - \$163,400 | \$400,000 – 2 million |

Very large users above this range would generally be covered by some sort of exemption from the RET.