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## **SUBMISSION TO RET DISCUSSION PAPER 4: THE TREATMENT OF 'SOLAR CREDITS' RENEWABLE ENERGY CERTIFICATES UNDER THE RET**

This information has been prepared on behalf of the plantation products and paper industry by A3P. A3P appreciates the opportunity to make a submission.

The plantation products and paper industry has the potential to make a greater contribution to Australia's renewable energy mix than the Renewable Energy Target (RET) Scheme, as currently designed, may stimulate. A3P seeks to bring to the Government's attention the policies that are limiting investment in wood based renewable energy.

### *Limited opportunities for investment in bioenergy*

The design of the RET favours technologies that can be deployed quickly (such as expansions to existing hydro generation capacity and construction of wind turbines). The RET fails to support substantial expansion and new investment in wood-based electricity generation, where lengthy development lead times are required. Investment in renewable biomass energy in Australia is currently limited to relatively minor projects (e.g. production of wood pellets for export to Europe).

The RET is not designed to promote the sustainable expansion of a range of renewable energy technologies. While there will be some incentive for the generation of renewable electricity from forest biomass, growth in this area could be enhanced with the right policy signals.

Because the RET is constrained to electricity generation, it does not provide incentives for the use of renewable forest biomass for the production of heat and liquid transport fuels. A3P requests the Government to consider carefully the need for additional policy measures to address the dearth of drivers for the production of renewable heat and liquid transport fuels from forest biomass in Australia.

### *The impact of 'Solar Credits' on investment in bioenergy*

In Australia, bioenergy ventures (the production of heat, power and liquid fuels from biomass and process wastes, e.g. black liquor) operate at very small scales, most often as internal operations within wood and paper manufacturing facilities. Bioenergy investment levels are well below those of comparable developed countries in Europe and the Americas.

The expectation of the RET has generated significant commercial interest in bioenergy production within Australia's forestry industry, however, to date investment remains largely unrealised. Despite significant resource opportunities and the introduction of the RET, Government policy does not actively promote the expansion of sustainable energy production from biomass.

A3P believes that a market-based measure is not the most appropriate way of promoting the development of renewable energy technologies, and that the RET will fail the Government's own complementarity principles once emissions trading is operational in Australia. However, since the RET is a reality, the integrity of its fundamental underpinning philosophy should not be tampered with. The RET was designed to enable Australia to reach the 20% renewable energy target in the most efficient way, but the treatment of Solar Credits RECs directly affects the price of RECs and the viability of potential projects. Small scale photovoltaic, wind and micro-hydro systems are entitled to five times as many RECs as comparable bioenergy projects.

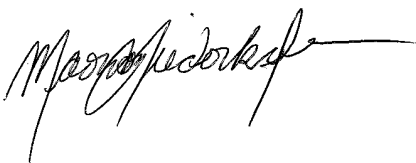
The concessions created under the 'Solar Credits Scheme' are understood to be stimulating small scale investment, but also destabilising the market and, in doing so, deterring significant larger scale wood-based bioenergy investment.

*Ensuring competitiveness is maintained*

Although not directly related to the issues detailed in the discussion paper, A3P reiterates its support, subject to suitable regulation, for the provision of assistance to emissions-intensive trade-exposed industries under the RET (and, when introduced, the CPRS) to maintain their international competitiveness and soften the economic impact of these additional costs on Australian operations. A3P considers this to be a crucial aspect of the design of the RET.

Thank you for accepting our comments. A3P would appreciate the opportunity to participate in further consultations and discussions. If you have any questions please contact me on 02 6273 8111 or at [marion.niederkofler@a3p.asn.au](mailto:marion.niederkofler@a3p.asn.au)

Yours sincerely



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