

6 February 2023

Department of Climate Change, Energy, the Environment and Water  
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Dear Energy Ministers

### **Proposed legislative changes to incorporate an emissions reduction objective into the national energy objectives – AEMC comments**

The Australian Energy Market Commission (**AEMC**) welcomes the opportunity to respond to the consultation paper 'Incorporating an emissions reduction objective into the national energy objectives' and the associated draft *National Energy Laws Amendment (Emissions Reduction Objectives) Bill 2023 (Draft Bill)*, published on 20 December 2022.

The AEMC is an independent statutory body that works for Australia's future productivity and living standards, by contributing to a decarbonising, affordable and reliable energy system for consumers. We make and amend the National Electricity Rules, National Gas Rules and National Energy Retail Rules, and provide expert advice to the Commonwealth, state and territory governments on improvements to energy market arrangements.

The AEMC supports including emission reductions in the national electricity objective (NEO), national gas objective (NGO) and national energy retail objective, and recognises this is an important step in facilitating the decarbonisation of Australia's energy sector.

These changes are significant for the AEMC's work. We are developing an implementation plan which includes the actions set out in section 4.1 of the consultation paper. As part of this, we will update our guidance for stakeholders on how the energy objectives shape our decisions, to provide transparency on how we will apply the revised national energy objectives (**new objectives**).

To improve our ability to implement the new objectives and make rules in the long-term interests of consumers, we make the following comments on specific aspects of the consultation paper and Draft Bill.

**Clarity on targets:** We recommend a higher-level reference to emission reductions in the new objectives, such as "reducing Australia's greenhouse gas emissions", in place of the more detailed list of considerations set out in the Draft Bill. A high-level approach would be in keeping with the level of detail in the existing limbs of the objectives.

If the provisions in the Draft Bill relating to emission reduction targets are retained, which include targets set out in public commitments and public statements, the AEMC requests jurisdictions to provide a statement on the targets that are in scope from time

to time, to provide clarity to the market bodies. This could take the form of an annual list of each jurisdiction's relevant laws, agreements, policies and public commitments that have targets to reduce, or that are likely to reduce, emissions in Australia. We would publish that information on the AEMC's website, and update it when advised to do so. It would provide a reference for each of the market bodies when determining the targets that are relevant for a particular decision or function.

**Taking a holistic approach across the gas and electricity markets:** Given the increasing interactions between the gas and electricity sectors, the AEMC supports the change to 'consumers of energy' included in the Draft Bill. This change will allow us to consider the emissions impacts of a particular rule change across both sectors, allowing for more efficient contribution to emissions reductions through our rule-making.

While not necessary for emission reduction purposes, the AEMC also requests the additional change to 'supply of energy' in the NEO and NGO as contemplated in the consultation paper. This change is necessary to allow the AEMC to consider the impacts of a particular rule change on the price, quality, safety, reliability and security of supply of both electricity and gas. With this change, a proposed amendment to the National Gas Rules could be justified in terms of its benefits for electricity prices or the reliability of electricity supply.

**Allowing for early commencement:** The AEMC would like the ability to apply the new objectives as soon as practicable, rather than having to wait for six months after the Act is passed. Having the ability to apply the new objectives earlier will allow the new objectives to impact our rules sooner, flowing through to guidelines and procedures made by the other market bodies.

We support the provision in the Draft Bill giving the AEMC discretion to apply the new objectives to rule changes and reviews underway at the time the changes to the objectives commence. We will review our existing projects and provide guidance on how we will apply this discretion to achieve outcomes that are in the long term interests of consumers.

We look forward to continuing our engagement with Energy Ministers on these issues. If you wish to further discuss matters raised in our submission, please contact Benn Barr, Chief Executive, at [benn.barr@aemc.gov.au](mailto:benn.barr@aemc.gov.au).

Yours sincerely



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