



7 February 2023

**Mr David Fredericks PSM
Secretary
Department Climate Change, Energy, the
Environment and Water**

Submitted via the Department website.

Dear Mr Fredericks,

Incorporating an emissions reduction objective into the national energy objectives

Fortescue, including the Metals group and our green energy subsidiary Fortescue Future Industries (FFI), strongly supports the proposal to legislate emissions reduction as a formal consideration within the three National Energy Objectives (NEO). The renewable energy industry has long called for recognition of an emissions objective in the NEO and FFI is pleased to see a formal link between emissions targets and national energy policy making.

Acknowledging that emissions reductions must be considered in balance with the other energy objectives will enable the Australian Energy Market Commission (AEMC), the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) to appropriately consider the important intersection between emissions policy and the economics of Australia's transition to decarbonisation.

The inability for the market bodies, particularly the AEMC and the AEMO, to deeply consider emission policies across the National Electricity Market (NEM) has limited the progress of market reform and system planning over several years. There are a number of planning processes and rule change decisions that may have had materially different outcomes if emissions were formally assessed as Objectives in the NEO at an earlier stage. Critically, considering emissions in the NEO will provide more confidence in the robustness of the planning and determinations, not just for outcomes directly targeting emissions reductions, but for all investment in the NEM. Making this change now will assist with aligning the rules and the policy, ensuring a smooth transition towards Australia's emissions reductions targets, particularly with the electricity system taking a major share of that abatement.

FFI suggests establishing formal transparent guidance for industry, consumers and other stakeholders to understand how the market bodies will operationalise the emissions objective within the NEO. We suggest that this approach should be standardised across the market bodies to ensure consistency in decision making. Public guidance on the decision-making process will assist stakeholders in providing more robust feedback to the AEMC, AEMO and AER.

We also suggest that detailed guidance on how carbon abatement will be valued in the decision making frameworks should be developed by Energy Ministers. This will inform the market bodies



on how they should incorporate emissions into the decision making framework for policy, planning and regulatory processes. A function of ensuring a least cost outcome for energy consumers is quantifying the costs and benefits of each option, meaning there will need to be a value attributed to carbon abatement to effectively integrate emissions into this decision making matrix.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission or to arrange a briefing, please contact tom.parkinson@fmgl.com.au or myself on the below details.

Yours sincerely

A handwritten signature in black ink, appearing to be 'N. Berry', written over a faint circular watermark.

Nick Berry

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FORTESCUE FUTURE INDUSTRIES