



Via email to:

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Incorporating an emissions reduction objective into the National Energy Objective

The Smart Energy Council welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (the Department) on its consultation on proposed legislative changes to incorporate an emissions reduction objective into the national energy objective.

The Smart Energy Council (SEC) is the peak independent body for Australia's smart energy industry, representing around 1000 household, commercial and large-scale renewable energy, renewable hydrogen, and smart transport companies. The SEC believes we can have a strong economy and a safe climate.

The SEC acknowledges that as currently stated, the National Energy Objective is narrow and out of date. There is significant opportunity provided by harmonising and aligning key elements of the Government's energy industry objective. Done well, a revision to the National Energy Objective should ensure that the long-term interests of domestic energy customers are at the centre of the decisions made by energy market government institutions and that these decisions are not inconsistent with the Climate Change Act 2022.

Context

The aim of updating the National Energy Objective by way of the *National Energy Laws Amendment (Emissions Reduction Objectives) Bill 2022* (Draft Bill), is to integrate emissions reduction and energy policy in the national energy laws, and provide greater clarity to Australia's energy market government institutions in terms of their respective decision-making.

The SEC supports the intent of the Draft Bill acknowledging that it is just one aspect of an overall suite of measures that is needed to deliver reliable, affordable and flexible renewable energy to power the Australian economy this decade.

The success of the Draft Bill, taking onboard SEC's recommendations, shall enable SEC's broader economy-strengthening, smart energy agenda to be realised.

Key Points

Critical to the success of the intention of the Climate Change Act 2022 is that all of Australia's laws, regulations and programs put this ambition as a floor in their respective objectives and decision-making. The National Energy Objective is no exception. This is critical both for our own domestic energy transformation, but also to ensure that the Australian economy remains internationally competitive as our major trading partners commence their own decarbonisation trajectories.

The SEC understands that once adopted the revised National Energy Objective will see emissions reductions be considered alongside the other 'outcomes' including price, quality, safety, reliability and security of supply when it comes to decisions made by energy market government institutions such as AEMC, AEMO, AER, Energy Security Board, and the MCE. The SEC agrees integrating the terms 'electricity' and 'natural gas' as 'energy' shall promote broader systems thinking and strengthen the outcomes from decisions by energy market government institutions.

The SEC also offers a series of recommendations to the Draft Bill.

Recommendation 1: Revise the Draft bill to require the Climate Change Act 2022 emissions reduction targets have primacy alongside the other objectives.

Sound, reliable, efficient and effective decision making without a "true north" is extremely difficult. The current 'trade off' aspect of the proposed formula gives rise to opaque and potentially poor decision making.

Therefore if Recommendation 1 is not adopted, then the following recommendations must be adopted.

Recommendation 2: Revise the Draft Bill so that energy market government institutions be required to publicly report against key decisions made so that stakeholders can more fully understand the extent to which energy users were considered in the balancing of, or trade-offs against, objectives made such as in system planning, rule change determinations, self-initiated and statutory reviews and reports.

Recommendation 3: Revise the Draft Bill so that the 'long-term interests of consumers of energy' remain in the centre of all decisions made by:

- revising the key stakeholder group such that they are not 'consumers' but 'energy users'. The switch from 'consumers' to 'users' opens the way to see this stakeholder group as being other than consumers - also as parents, children and other citizens. Without this revision the salience of the greenhouse gas emission reduction objective can not stand on its own against the others.
- adding the adjective 'domestic' to 'energy users' so as to ensure that energy market government entities are exclusively determining on the basis of the interests of energy

users in the domestic market, and not those in export markets. This will be particularly important for determinations around natural gas supply planning and pricing.

The Smart Energy Council acknowledges that several leading civil society groups are advocating for the national energy objective to be broadened and include social equity, cost and affordability - and that changes to this effect would be desirable; the SEC is in step with this call.

Recommendation 4: If the Draft Bill does not accommodate these considerations, steps should be taken to ensure social equity, cost and affordability are considered in the regulatory and programmatic decision-making of the institutions that are covered by the National Energy Objective.

I welcome the opportunity to provide further information on any of the points made in our submission. Wishing you well with your deliberations.

Should you wish to discuss this further, I can be contacted at [REDACTED] at wayne@smartenergy.org.au

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Smart Energy Council