

## ***Incorporating an emissions reduction objective into the national energy objectives – stakeholder feedback template***

This template has been developed to assist stakeholders in providing feedback on the *National Energy Laws Amendment (Emissions Reduction Objectives) Bill 2022* (Draft Bill).

The following submission is from CoPower and the Uniting Church in Australia, Synod of Victoria and Tasmania. The Synod is a member of CoPower.

### **Chapter 3: Approach to incorporating an emissions reduction objective**

**Question 1:** Do you consider incorporating the emissions reduction objective into the existing 'economic-efficiency' framework is an effective way of integrating the concept into the decision making of energy market bodies?

Feedback 1: While it is a step forward to include emissions reduction as an objective in the current 'economic-efficiency' framework, we feel that such an approach does not give sufficient weight to the urgent need to reduce emissions. Emission reduction must happen and then it must be done in a way that considers price, quality, safety, reliability and security.

Emissions reduction must be the primary objective in the "economic-efficiency" framework with price, quality, safety, reliability and security as secondary objectives.

However, to include emissions reduction as an objective in the 'economic-efficiency' framework would at least mean its gets greater consideration than is currently the case.

In addition to the emissions reduction objective, there should also be added an objective to consider explicitly the impact of the decision on low-income and disadvantaged households, beyond just price. The current framing of the objectives does not sufficiently take into account the social and distributional impacts of energy policy beyond the consideration of price, quality and reliability.

Further, it would be better if consideration of price was framed as cost or affordability, to place the focus on the bills that households receive. The wholesale price of electricity only accounts for approximately a third of most household bills. Often the network cost is higher than the cost of the electricity used. A focus on cost or affordability would consider all the charges imposed on customers, not just the wholesale price of energy.

**Question 2:** Is the current level of discretion afforded through an 'economic efficiency' framework appropriate for balancing an emissions reduction component against existing components of the energy objectives?

Feedback 2: No, as per the above, the need to urgently reduce emissions should carry more weight than the other factors in the 'economic efficiency' framework. However, the rate of emissions reduction does need some discretion in consideration of the other objectives in the 'economic-efficiency' framework.

### **Section 3.3 Reference to Australia's greenhouse gas emissions reduction targets**

**Question 4:** Does this approach give an appropriate level of clarity as well as discretion to market bodies to consider relevant targets in their decision making? If not, detail your reasons and suggested solutions.

Feedback 4: The suggested approach does provide an appropriate level of clarity around emissions reduction, with a high level of discretion. Again, our concern remains that the level of discretion means that emissions reduction may be given inadequate weighting in decisions by market bodies.

Additionally, the State Governments have, in general, higher emission reduction targets than the Commonwealth Government. Our preferred outcome would be that the market bodies not be permitted to make decisions that would conflict with or disregard the emission reduction targets of State Governments while giving consideration to the other objectives of price, quality, safety, reliability and security of supply of energy. Where the State Government emissions reduction target is more ambitious than the Commonwealth Government target the State Government target should be the one that is considered.

**Question 5:** Does the inclusion of ‘public commitments’ including ‘publicly as a matter of policy,’ as well as legislated targets, provide sufficient certainty for effective consideration of an emissions objective by market bodies?

Feedback 5: There will be some uncertainty created by the inclusion of the legislated targets as well as those made under an international agreement and those stated publicly as a matter as policy. However, given the level of discretion the market bodies are being permitted in their consideration of the emissions reduction objective, it is hard to imagine a situation where the uncertainty would create any practical problem.

### **Section 3.4 Amendments to acknowledge interactions between electricity and gas markets and enable management of transition impact**

Questions on ‘consumers of energy’

**Question 7:** What impacts (positive and/or negative) would the proposed change have on your organisation or your stakeholders/customers?

- a) What are these instances/processes and what sort of content would you want to be included in this guidance?
- b) Do you foresee any unintended adverse consequences coming from such a change, especially for market participants or consumers?

Feedback 7: Our concern with the change is if it will legitimise a role for gas for longer than is necessary. There is a need to end the use of fossil fuels as soon as possible, which includes the use of gas.

The UN has stressed the urgency on ending the use of all fossil fuels:<sup>1</sup>

*Fossil fuels, such as coal, oil and gas, are by far the largest contributor to global climate change, accounting for over 75 percent of global greenhouse gas emissions and nearly 90 percent of all carbon dioxide emissions.*

*The science is clear: to avoid the worst impacts of climate change, emissions need to be reduced by almost half by 2030 and reach net-zero by 2050.*

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<sup>1</sup> <https://www.un.org/en/climatechange/raising-ambition/renewable-energy#:~:text=The%20science%20is%20clear%3A%20to,affordable%2C%20sustainable%2C%20and%20reliable.>

*To achieve this, we need to end our reliance on fossil fuels and invest in alternative sources of energy that are clean, accessible, affordable, sustainable, and reliable.*

A March 2022 report from the University of Manchester argued that to have a 50% chance of limiting climate change to an average global temperature rise of 1.5°C, the wealthiest group of ‘producer nations’, with the highest capacity to achieve a ‘just transition’, output of oil and gas needs to be cut by 74% by 2030, with complete phase out by 2034.<sup>2</sup>

In March 2021, the Australian Academy of Science stated that the total emission reduction pledges of the Australian Government and other governments through the UN Framework Convention on Climate Change Paris Agreement, even if implemented on time, would result in an average global temperature rise of 3°C.<sup>3</sup> They argued that “any expansion of the gas industry is incompatible with achieving the Paris Agreement targets.”<sup>4</sup> They recommended the removal of greenhouse gas emissions from electricity generation and distribution.<sup>5</sup> Maintaining a long term role of gas in the provision of energy is inconsistent with their recommendation.

Further, the National Asthma Council Australia has warned that gas cooking in the home increases the risk of childhood asthma.<sup>6</sup> A study published in 2018 found that approximately 12% of childhood asthma in Australia can be attributed to the use of gas stoves for cooking.<sup>7</sup> A more recent study in the US, from 21 December 2022, came up with similar results. The study, published in the International Journal of Environmental Research and Public Health, found that 12.7% of current childhood asthma in the US is attributable to gas stove usage.<sup>8</sup> One of the commissioners on the US Consumer Product Safety Commission (CPSC) stated the commission was currently assessing the safety of gas stoves with an outright ban on new gas stoves a real possibility.<sup>9</sup>

Continuing to legitimise the use of gas for longer than necessary has additional negative public health impacts, beyond contributing to climate change.

### Section 3.6 Commencement and transitional arrangements

**Question 15:** Do you agree with the proposed Proclamation date being six months after passage through the South Australian Parliament?

Feedback 15: Given the current intention is that decision processes under the law and rules that are underway at the time the amendments commence will be continued and finalised as if the changes to the objectives were not in place when the decision was finalised, it seems excessive to delay the amendments taking effect six months after passage through the South Australian Parliament. It would be our preference that the amendments take effective within two months of their passage, unless there are practical limitations for the energy market bodies being able to implement the amendments within that timeframe. We are concerned if there is a six month delay to the commencement of the amendments after their

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<sup>2</sup> Calverley, D., & Anderson, K. (2022). *Phaseout Pathways for Fossil Fuel Production Within Paris-compliant Carbon Budgets*, 6.

<sup>3</sup> Australian Academy of Science (2021). *The risks to Australia of a 3°C warmer world*. 7.

<sup>4</sup> Ibid., 12.

<sup>5</sup> Ibid., 68.

<sup>6</sup> <https://www.nationalasthma.org.au/living-with-asthma/resources/patients-carers/factsheets/gas-stoves-and-asthma-in-children#:~:text=How%20does%20gas%20combustion%20lead,and%20may%20worsen%20asthma%20symptoms.>

<sup>7</sup> L Knibbs et al. (2018). *Damp housing, gas stoves, and the burden of childhood asthma in Australia*. Medical Journal of Australia (7): 299-302.

<sup>8</sup> Talor Greunwald et al (2022). Population Attributable Fraction of Gas Stoves and Childhood Asthma in the United States. <https://www.mdpi.com/1660-4601/20/1/175>

<sup>9</sup> <https://thehill.com/policy/energy-environment/3775458-consumer-safety-board-to-weigh-regulations-on-gas-stoves/>

passage, market participants that believe the amendments will be less favourable to their interests may seek to have processes commence in that six months so that the amendments must be disregarded.

**Question 17:** What already-commenced regulatory processes under the energy laws or rules might benefit from transitional arrangements that provide for the emissions reduction component to apply (i.e. automatically and not be subject to market body discretion)?

- a) Should business-initiated processes such as RIT-Ts and RIT-Ds be captured, rather than just market body processes?

Feedback 17: Business-initiated processes are likely to be the most vulnerable to businesses seeking to get a process underway in the transition period if they believe the amendments will be detrimental to their business interests, despite emissions reductions being in the broader interests of the Australian and global community.

**Question 18:** Should market bodies be afforded a broad discretion to decide when to apply the amended objective to a process that is 'underway'?

Feedback 18: The submitting organisations' preference would be that the amendments would apply to existing processes underway, unless it was impractical to do so. Failing that outcome, then allowing market bodies to have broad discretion to apply the amended objective to processes that are underway is the next best outcome.

## Other matters

We note that there is no question in the feedback template about the calculation of the monetarised value of emissions. Our view is that this is likely to have substantial ramifications for decision making around the implementation of an emission reduction objective in the NEO. It is concerning, therefore, that this issue is not given more emphasis.

The consultation document says:

*With the inclusion of the emissions reduction component into the energy objectives, an approach would be to include a monetarised value of emissions in the calculation of the net benefits within the cost benefit analysis framework. This would allow the comparison of the overall estimated costs and benefits including those related to the emissions reduction objective. Having the emissions reduction objective as an input into a cost benefit analysis framework allows for the weighing up of the costs and benefits to ensure the most efficient way of meeting the national energy objectives, including the new emissions reduction objective.*

*The AER would consider the current international standards on carbon pricing and other industry standards when assessing the monetarised value of the emissions. The calculation of emissions reduction from a proposed project or program would take account of the total net emissions from an investment. It would therefore incorporate emissions from inputs (e.g. materials used in the investment), as well as outputs (e.g. emissions reductions from coal or gas).*

Although this information is included in a Case Study, rather than the body of the document, it is of vital importance to the proposed changes. How the "monetarised value of emissions" is to be calculated becomes of vital importance, yet all we are told is that "The AER would consider the current international standards on carbon pricing and other industry standards when assessing the monetarised value of the emissions". We are concerned that currently there are not consistent international standards on emissions pricing. The price should include the social cost of carbon, as Joseph Stiglitz and Nicholas Stern have

suggested.<sup>10</sup> There is a need to provide guidance to regulators on the appropriate way to determine the monetarised value of emissions. Regulators need to use a consistent methodology. There are serious issues here that have not been canvassed in either the consultation documents or proposed legislation.

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<sup>10</sup> Nicholas Stern and Joseph Stiglitz, 'Getting the Social Cost of Carbon Right', *Project Syndicate*, 15 February 2021, <https://www.project-syndicate.org/commentary/biden-administration-climate-change-higher-carbon-price-by-nicholas-stern-and-joseph-e-stiglitz-2021-02>