



Express law fast track information for clients

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Parliament passes new renewable energy target

This *Express law* provides an overview of the key changes that will be made by the [Renewable Energy \(Electricity\) Amendment Bill 2009](#) once enacted.

On 20 August 2009, the Renewable Energy (Electricity) Amendment Bill 2009 was passed by both houses of parliament.

The Bill will amend the [Renewable Energy \(Electricity\) Act 2000](#) to expand the existing Mandatory Renewable Energy Target (MRET) scheme into a national Renewable Energy Target (RET) scheme, which includes increased annual renewable energy targets from 2010. These new targets are designed to ensure that 20 per cent of Australia's electricity supply is generated from renewable sources in 2020.

The Bill will also amend the *Renewable Energy (Electricity) Act 2000* to:

- implement a Solar Credits mechanism for small-scale renewable electricity including solar photovoltaic, wind and micro-hydro systems (to replace support for deployment of household-scale solar PV under the government's rebate under the Solar Homes and Communities Plan, and to support installation of small-scale renewable electricity systems by households, businesses and community groups)
- mandate a review of the operation of the renewable energy legislation in 2014
- provide for partial exemptions in respect of emissions-intensive, trade-exposed activities
- enable power stations using non-renewable waste coal mine gas as a fuel source at a specified time to participate in the RET scheme for a specified period, with associated increases in the annual targets.

How does the MRET scheme work?

The existing MRET scheme creates a guaranteed market for renewables-based electricity by requiring wholesale purchasers of electricity (liable entities) to meet a share of the renewable energy target in proportion to their share of the national wholesale electricity market. The mechanism for achieving this is the creation, surrender and trade of 'renewable energy certificates' (RECs). One REC has the value of one megawatt-hour (MWh) of electricity from eligible renewable energy sources. Liable entities that do not surrender sufficient RECs to the Renewable Energy Regulator to cover their liability for a year are liable to pay a renewable energy shortfall charge.

These central features of the MRET will continue under the RET scheme — that is, the RET will operate in a similar way to the MRET but on a larger scale.

Transition to expanded RET scheme

The RET scheme, designed in cooperation with the states and territories through the Council of Australian Governments (COAG), will bring the MRET and existing and proposed state schemes into a single national scheme.

The Bill also includes transitional provisions which will, among other things, enable state certificates that are substantially the same as RECs to be converted to RECs under the national scheme in prescribed circumstances.

These changes will commence on a day fixed by proclamation or otherwise 1 July 2011 (although some of the transitional provisions will commence at different times).

Expanding renewable energy targets

Section 40 of the *Renewable Energy (Electricity) Act 2000*, which sets out the annual targets in gigawatt-hours (GWh) of renewable source electricity, will be replaced with a table setting out annual targets for each of the years from 2010 to 2030 inclusive. The annual targets will increase gradually between 2010 and 2014, and will then increase at a faster rate from 2016 to 2020. By 2020, the renewable energy target reaches 45,000 GWh.

Solar Credits

Under the MRET scheme (and the future RET scheme), RECs can be created in relation to installations of solar water heaters and small generation units (including solar photovoltaic, wind and micro-hydro systems).

The Solar Credits mechanism, which will commence on the day the Act receives Royal Assent, and apply to eligible systems installed on or after 9 June 2009, will enable the number of RECs that can be created in respect of eligible small generation units to be multiplied by a factor specified in the Act (in the circumstances specified in the Regulations). This will increase the support to households and businesses that install small scale solar power, wind and hydro-electricity systems.

Partial exemptions

The Bill will provide for partial exemptions from the renewable energy shortfall charge for liable entities in respect of emissions-intensive trade-exposed activities. The process for obtaining a partial exemption will involve prescribed persons applying to the Renewable Energy Regulator for partial exemption certificates. The partial exemption certificates will set out the amount of the liable entity's partial exemption for the year and will be taken into account in working out the liable entity's REC shortfall for a year (and therefore reduce the renewable energy shortfall charge that may otherwise be payable).

These measures will also commence on the day the Act receives Royal Assent.

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