THE VOICE OF **LEADERSHIP**

30 May 2014

Renewable Energy Target Review
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Via e-mail: RETReview@pmc.gov.au

Review of the Renewable Energy Target

The Property Council welcomes the opportunity to provide comments to the review of the Renewable Energy Target (RET).

The Property Council represents the $670 billion property investment industry in Australia.

The Property Council's 2,000 member firms and 55,000 active industry professionals span the entire spectrum of the property and construction industry.

Our members operate across all property asset classes - including office, shopping centres, residential development, industrial, tourism, leisure, aged care, retirement and infrastructure.

The Property Council has historically supported the RET as an important pillar of Australia's efforts to transition to a low carbon economy.

The RET has markedly improved the affordability of renewable generation - triggering increased uptake by the property industry.

Our members have actively participated in both the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Scheme (LRET).

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While we support the continuation of the RET, the Property Council will consider the results of ACIL Allen Consulting's forthcoming economic analysis commissioned by the Department carefully and make further submissions if necessary.

THE RET AND THE PROPERTY INDUSTRY

Building owners and developers have been steadily looking to renewable and distributed energy solutions to reduce their greenhouse gas emissions.

Solar PV is the favoured renewable solution for commercial buildings – with installed capacity more than tripling from 14 GWh in 2010 to 48 GWh in 2012 (ClimateWorks).

Many property asset types lend themselves to installation of solar PV, with everything from high-rise CBD office towers to large industrial estates taking advantage of this technology.

The Property Council holds the view that with a better targeted RET Scheme, the property industry could make an even larger contribution to the rollout of low-carbon technologies.

INTERACTION WITH THE EMISSIONS REDUCTION FUND

The establishment of the Emissions Reduction Fund (ERF) should not impact the ongoing policy case for the RET.

The clear objective of the ERF is to identify and fund low cost abatement opportunities. The Property Council believes the ERF represents an effective, market based approach to lowering emissions quickly in a targeted and cost-effective manner.

Unlike the ERF, the RET is part of a longer term strategy to drive innovation and step-change in Australia's energy supply – a key ingredient of success if we are to transition to a low carbon economy.

We hold the strong view that competition from economy-wide abatement sources will keep ERF auction prices low. The minimal and short-term (5 year) incentives offered by the ERF will be unlikely to drive mainstream uptake of renewable energy.

Under the proposed ERF legislation, abatement projects will be precluded where they are promoted under another government program. This will rule out projects which are also able to access funding under the RET.

Given the very different objectives and practical outcomes of the ERF and RET, **it would be ill-advised for the Government to conclude that the establishment of the ERF displaces the need for the RET**. Such a decision would undermine future investment in renewable generation.

MAINTAIN AND IMPROVE THE SMALL-SCALE RENEWABLE ENERGY SCHEME

The SRES has been an effective catalyst for private investment in small-scale renewables such as solar PV.

Anecdotal evidence from members suggests that the payback period on an SRES compliant solar PV system (in the absence of incentives) is around 7-8 years. The SRES reduces this period to roughly 5 years, which is still a marginal business proposition for many companies.

The Property Council is uncomfortable with the Government's plans to phase out the SRES and roll small-scale technologies into the LRET. Under current market conditions this would likely see large scale centralised renewable generation cannibalise the incentives for small scale distributed technology.

Rather than scrapping the SRES, the Property Council recommends that it be strengthened by enabling slightly larger projects into the scheme.

Larger projects deliver substantial economies of scale to proponents – reducing payback periods and generating an increased supply of STCs.

The Property Council recommends that the SRES be retained and the small-scale threshold be **increased** to 250kW.

EXPANDING THE SRES TO ENERGY STORAGE TECHNOLOGIES

The Property Council would strongly support the expansion of the SRES to a broader range low-carbon technologies – including energy storage solutions.

Energy generated by renewables such as solar PV is best utilised at or near the point of generation. This can be achieved using a range of storage solutions including:

- batteries (Sodium-Sulphur, Lead-Acid, Nickel-Cadmium, redox flow and Lithium-Ion);
- compressed air; and,
- flywheels.

Storing renewable energy on-site limits grid losses and provides more flexibility to asset owners seeking to deliver sustainability outcomes at a building or precinct scale.

A recent paper detailing outcomes of the CSIRO's 'Future Grid Forum' identified several benefits of the 'megashift' towards electricity storage, including:

- improved uptake of renewables by smoothing or shifting supply;
- management of peaks and troughs in the distribution system;
- enhanced customer independence from grid electricity;
- cost effective alternatives for edge-of-grid customers in rural areas;
- improved infrastructure for deployment of electric vehicles; and,
- better managed integration of the above advances.

The property industry has already begun adopting storage solutions in a number of flagship developments, however an expanded SRES scheme could incentivise broader uptake.

Incentivising adoption of storage technologies would require a new approach to awarding STCs. Options would include introducing a premium crediting rate for electricity fed into the grid during times of peak demand, or direct crediting based on energy storage capacity.

The Property Council would welcome the opportunity to develop options for incentivising energy storage solutions under the RET Scheme.

CONCLUSION

In short, the RET has played an important part in reducing the property industry's greenhouse gas emissions and should be retained.

It should be further strengthened by taking the following steps:

1. scrap plans to merge the SRES and LRET;
2. broaden the SRES scheme to incentivise uptake of energy storage technologies linked to renewable generation; and,
3. increase the threshold for small-scale technologies from 100kW to 250kW.

For further information on the Property Council's position please do not hesitate to contact me directly on 0417 861 491 or CThomas@propertyoz.com.au.

Yours sincerely

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