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Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

Email: RetailEnergyReview@esc.vic.gov.au

Input on targets and consideration of priority actions to reduce Victoria’s emissions

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group or Powershop) thank the Victorian Government (the Government) for the opportunity to provide input to inform its decision on targets and consideration of priority actions to reduce Victoria’s emissions to inform development of pledges to 2025. This input is based on the Final Report: Independent Expert Panel on Interim Emissions Reduction Targets for Victoria (2021-2030) (the Report).

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia’s transition to renewable energy.

Powershop is an innovative retailer committed to providing lower prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Over the last five years, Powershop has introduced a number of significant, innovative and customer-centric initiatives into the Victorian market, including the first mobile app that allows customers to monitor their usage, a peer-to-peer solar trading trial and a successful customer-led demand response program. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and funding a large range of community and social enterprise energy projects across Victoria through our Your Community Energy program.

To assist the Government we have provided our feedback consistent with responses to the Government’s online survey.

Survey Responses

The Independent Expert Panel’s recommended targets

The Independent Expert Panel recommends Victoria set greenhouse gas emissions reduction targets of:

32-39% below 2005 levels in 2025 and 45-60% below 2005 levels in 2030.

1: Do you support these targets recommended by the Panel?

MEA Group supports these targets as an appropriate response to addressing Victoria’s contribution to meeting the global greenhouse reduction commitments.
The proposed targets appear to be achievable without imposing significant burdens on consumers, employment, industry, Victoria’s economic development and the environment. These impacts should continue to be a key consideration as targets should not be set at a level which serves to stifle investment and innovation.

As required by the Climate Change Act 2017, the Independent Expert Panel considered a broad range of issues in reaching its recommended targets including:

Scientific evidence on the significant risks that climate change poses to Victoria;
The actions that Victoria and others (including the Commonwealth government) are already taking to reduce emissions – including the commitment of the international community, through the Paris Agreement, to limit warming to well below 2°C and to pursue efforts to limit the increase to 1.5°C above pre-industrial levels, in order to avoid the worst impacts of climate change;
The implications of Victoria contributing its fair share to limiting global temperature increases in accordance with the Paris goal (emission budgets for Victoria);
The availability of significant emissions reduction opportunities across the Victorian economy; and
The potential economic, social and environmental benefits and costs of Victoria’s transition to a net zero emissions economy.

2: Are these the key issues influencing what the right targets are for Victoria? Are there other issues that should be considered?

These are the key issues that are relevant for determining Victoria’s targets. It should be noted however, that each of these issues has many facets. For example, in addition to the clear environmental benefits of reducing greenhouse emissions, there are likely to be secondary environmental, social and economic benefits such as reducing harmful and other noxious emissions which are having a detrimental impact on the health and wellbeing of many Victorians. Likewise meeting these targets will allow Victoria’s economy and industry to thrive and remain competitive in a low carbon environment.

Victoria has choices about the emissions reduction pathway, or trajectory, to follow to reach net zero emissions by 2050. Different trajectories imply different costs and benefits over time. The Panel’s advice includes indicative trajectories to 2050 associated with its recommended targets (see figure above and Chapter 5 of the Panel’s report).

3: Do you agree with the Panel’s indicative trajectories to 2050?

The panel’s indicative trajectories appear appropriate. The use of the ranges will ensure that emissions can be reduced efficiently and flexibly in line with technology and economic developments. The potential to develop stronger targets to address increased reduction ambitions is also welcomed. The proposed trajectories, when combined with the likely increased capability to reduce emissions as costs reduce and technologies develop, are likely to facilitate reductions greater than the minimums set out in the global agreements.

This flexibility will provide Victoria with a competitive advantage in addressing this global issue.

Reducing Greenhouse Gas Emissions in Victoria

The Independent Expert Panel’s report also identifies opportunities to reduce Victoria’s greenhouse gas emissions (see Chapter 6 of the Panel’s report).

4: Are there other key greenhouse gas emissions reduction opportunities beyond those the Panel identified?

The report seems to identify the key opportunities to reduce greenhouse gas emissions for Victoria. However, the Government should not underestimate the important role that innovation can play in addressing these challenges. New solutions and technologies which not yet evident may emerge within the target timeframe. It is important that such new innovative solutions are not shut down by an overzealous commitment limited to only currently known solutions.

5a: Across the Victorian economy, which activities do you think the Victorian government should prioritise in reducing Victoria’s greenhouse gas emissions?
In addition to the electricity industry the Government should prioritise those sectors that can make significant reductions whilst maintaining and improving Victoria’s social and economic conditions. The key sectors include transport, manufacturing, building and agriculture.

5b: What policies or programs are needed to drive these emissions reductions?

The form of policies and programs will need to be tailored to the individual sector or industry. Solutions will range from pilot demonstration programs, minimum mandated standards through to direct subsidies and meeting specified mandatory emissions levels. Preference should be to favour solutions that encourage consumers and industry to adopt solutions that support emission objectives through sensible market based innovations rather than mandating particular solutions which may not be the most effective in meeting social, economic and emissions objectives.

6: Are there any emissions reduction opportunities identified by the Panel that you would not support Victorian government action on? Why not?

While the existing reverse auction process served a valid contribution during the pause in development of renewal generation assets due to the lack of cohesive national energy policy, we do not consider that this approach should form an ongoing part of Victoria’s emission reduction policies. This is because such direct procurement has the potential to undermine market participation in development and procurement that will ultimately be necessary to meet our emission reduction goals.

Other Comments

15: Do you have other comments about action on climate change in Victoria?

The MEA Group considers that the most important contribution that can be made to emissions reduction in the energy sector, which will be a key component of total reductions, is the development of a cohesive national approach to energy markets and emission reductions. The Victorian government can play a key role in encouraging such a national approach while avoiding unnecessary deviations into limited state based solutions. Only a truly national plan can deliver the community and market certainty necessary to ensure that the necessary investment occurs in a timely manner and at an acceptable economic and social cost.

If you have any queries or would like to discuss any aspect of this submission please do not hesitate to contact me.

Yours sincerely,

Ed McManus
Chief Executive Officer
Powershop Australia Pty Ltd
Meridian Energy Australia