22nd July 2019

Climate Change Team
Department of Environment, Land, Water and Planning
Victorian Government
By Email

**ACCIONA’s Submission on the Independent Expert Panel’s recommendation on Interim Emission Reduction Targets for Victoria.**

**ACCIONA Overview**

ACCIONA is one of the world’s largest renewable energy independent power producers, with operations covering the development, construction, ownership and operation of renewable energy assets across 16 countries. ACCIONA has over 10,000 megawatts of renewable energy assets covering a range of technologies including hydroelectric, wind, solar PV, solar thermal and biomass.

In Australia, ACCIONA has built and owns four operating wind farms: Waubra, Gunning, Mt Gellibrand and Cathedral Rocks (in joint venture) totalling over 430MW. In 2014 ACCIONA constructed the 20MW Royalla Solar Farm in the ACT for Fotowatio Renewables Ventures, and is currently constructing the Mortlake South Wind Farm which was successful under the VRET reverse auction in 2018.

The ACCIONA Group operates globally and is also active in infrastructure and water sectors around the world. To date, ACCIONA has invested more than $1.3 billion in Australia and employs over 1,000 people.

**Introduction**

ACCIONA welcomes the opportunity to make this submission on the Independent Expert Panel’s recommendation on Interim Emission Reduction Targets for Victoria.

Current national frameworks are widely regarded as insufficient in achieving the levels of decarbonisation required to stay within internationally agreed 2°C limits. So leadership by the Victorian Government to implement meaningful emission reduction targets is timely.

As a participant in the National Electricity Market since 2002, as well as a long-term owner, operator and investor in renewable energy assets in Australia and globally, ACCIONA is committed to supporting market and regulatory developments to transition our energy system to a low emission intensity, reliable supply base. Robust, long term emission reduction targets are a key requirement to drive this transition.
For the Australian, and in particular the Victorian, economies to reduce emissions efficiently and at least cost, clear, long-term policy settings to guide and support long lived investment decisions are needed.

ACCIONA supports Victoria’s legislated commitment to net zero emissions by 2050 and its intention to implement interim targets to guide the emission intensity transition of the State. ACCIONA acknowledges the leadership and commitment of the Victorian Government to establishing such policy settings.

Below in this submission ACCIONA has outlined some key features and considerations that should be given to not just setting the interim targets but also to ensure effectiveness in achieving these targets going forward.

**Proposed interim target levels**

- Victoria is adopting a proactive approach to managing its emissions trajectory and implementing policies to drive the decarbonisation of its economy in an efficient way.

- Establishing ambitious but feasible emission reduction targets for the Victorian economy will provide greater scope for the economy to efficiently and effectively achieve the requisite emission reductions. The alternative is facing more onerous obligations in later years due to a lack of ambition and early action.

- ACCIONA supports the interim targets recommended by the Expert Panel at the higher end of the suggested range – i.e. 60% below 2005 levels in 2030. Acciona anticipates that such targets are necessary to both position Victoria well to achieve net zero emission by 2050 and provide consistency with international commitments.

- ACCIONA strongly believes that the higher end targets are achievable for Victoria if supported by strong government will and policy action (noting that Commonwealth policy support is needed for Australia to achieve its international obligations as a whole).

**Policies needed to drive the emission reductions**

- In addition to establishing interim emission reduction targets, the ability of the economy to achieve the targets rests on the suite of policies and programs to support the necessary emission intensity transition. Greater clarity is required as to how the government intends to impose emission reduction targets on sectors / emitters.

- ACCIONA believes that the policies should consider every sector (i.e., transport, building, agriculture and forestry, industry, energy and waste), where realistic prospects for emission reductions can be achieved. That said, as the most emission intensive sector in the Victorian economy, it is imperative that Victoria’s energy sector leads the decarbonisation transition.
The Victorian energy sector also offers the greatest opportunity to reduce the State emission intensity at economic levels through both the increased penetration of renewable and low emission energy supply and the electrification of industrial process and transport. To ensure economic efficiency in meeting the targets, the energy sector is well placed to do the ‘heavy lifting’ and ACCIONA strongly recommends that sectorial targets are developed on that basis.

Continued deployment of renewable energy generation will play a crucial role in effecting the decarbonisation of the energy sector. However, due to the capital intensive, long lived nature of energy sector investments, long term policy clarity is crucial.

Specific renewable energy policy and targets to provide investor confidence and drive the continued deployment of low cost, renewable energy into the energy supply mix post 2025 is needed. Without an extension of the Victorian government’s Renewable Energy Targets, there is a risk that investment post 2025 will drop off.

Other forms of government support such as pilot funding and strategic investments to support the continued innovation and commercialisation of less mature renewable and low emission technologies is also required.

Interim Targets supported by clear price signals and enforceable compliance mechanisms

- ACCIONA supports the use of competitive, market based mechanisms to provide efficient price signals to incentivise the orderly transition to a low carbon economy and attract the requisite investment to achieve emission reductions.

- In particular, ACCIONA believes that a price on carbon – be it a cap and trade scheme or emission intensity scheme – is one of the most efficient mechanisms to facilitate large-scale emission reductions. As such ACCIONA advocates that a price on carbon needs to be a fundamental pillar of the Victorian climate change policies to both support the interim targets and the 2050 net zero emissions objective.

- To ensure the Victorian interim emission reduction targets are achieved, the targets need to be supported by clear and enforceable compliance mechanisms including financial penalties for non-compliance.

- Use of international permits to meet emission reduction targets should be avoided. ACCIONA believes that the use of international offsets could undermine the investment confidence needed to achieve the requisite structural change to meet the 2050 target.

- Monitoring and reporting of the achievement towards the Victorian emission reduction targets is also an important feature. Monitoring should be undertaken using robust, internationally recognized methodologies, and must be reported in a public and transparent fashion.
ACCIÓN A welcomes the opportunity for ongoing participation in this consultation process. If you have any questions in relation to our response, please contact me or Melanie Sutton to discuss further.

Yours sincerely

[Signature]

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