



7 AUGUST 2018

JOINT STATEMENT ON THE NATIONAL ENERGY GUARANTEE

A broad array of Australia’s energy stakeholders today called on the COAG Energy Council to approve the Energy Security Board’s framework for the National Energy Guarantee and commence changes to the National Electricity Law, even as debate continues on the appropriate emissions reduction targets for the electricity sector.

Action is needed on many fronts to ensure Australians have the affordable, reliable and clean energy we demand. Deep policy uncertainty hangs over electricity investment beyond the current national Renewable Energy Target. An efficient and durable mechanism that integrates energy and climate policy will greatly reduce this uncertainty.

The National Energy Guarantee is a mechanism to pursue emissions reductions and maintain reliability in the National Electricity Market while minimising cost through flexibility. The final proposed mechanism has been much improved by stakeholder feedback through the Energy Security Board's consultations. No other options offer both better policy and more political durability.

For the Guarantee mechanism to be enacted, or removed once agreed, the unanimous agreement of the National Electricity Market jurisdictions is required. This high bar would make the resulting system more robust than any emissions reduction policy previously proposed. On the other hand, if the COAG Energy Council were to defer decisions too long, a looming series of elections raises the risk that the opportunity to reach agreement on a mechanism would be lost.

The States and Territories should approve as soon as possible the general design of the Guarantee mechanism and the specific enabling changes to the National Electricity Law that the Energy Security Board proposes. In doing so they do not need to agree with the Commonwealth's proposed emissions targets, which are a distinct question and will be hotly debated in the Federal Parliament. Nothing in the Guarantee will prevent the States and Territories from pursuing additional renewable energy or emission reduction policies if they so decide, though they should ensure any policies they do pursue are well coordinated and offer net benefits.

In that Federal debate, and given current deep political disagreement over targets, compromise will be needed from all sides to deliver the greatest achievable certainty. Success will likely require a flexible approach, with a pathway for governments to amend targets subject to an adequate notice period and proper process. Together with COAG agreement on the Guarantee mechanism, such a compromise would sharply reduce policy uncertainty and help the electricity sector deliver affordable, reliable and clean energy.

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