

# Emissions reduction in the national energy objectives

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## About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

## Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program works for better regulatory and policy outcomes so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate. PIAC receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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## **1. Introduction**

The Public Interest Advocacy Centre (PIAC) provides this submission in response to the consultation on proposed legislative changes to incorporate an emissions reduction objective into the national energy objectives.

PIAC welcomes and supports the Energy Ministers' commitment to integrate emissions reduction and energy policy and regulation through amendment of the three national energy objectives – the National Electricity Objective (NEO), the National Gas Objective (NGO) and the National Energy Retail Objective (NERO), as set out in the National Electricity Law (NEL), the National Gas Law (NGL) and the National Energy Retail Law (NERL) respectively. This commitment will help address a fundamental flaw in the energy objectives.

Australia's energy system is rapidly transforming, and the laws and rules that govern it need to be reformed to meet significant new challenges, not least of which being a robust response to climate change. This includes the national energy objectives, which must be updated to ensure that decision makers are focused on the critical task of emissions reduction. As the consultation paper notes, updated objectives also send an important message to industry, market participants, investors and the public, of the need to work together to manage the transformation of the energy sector to ensure modern decarbonised, reliable energy systems and services.

PIAC supports the joint submission to this process, by the Australian Council of Social Services (ACOSS) and other stakeholders highlighting the value of broader reform of the the national energy objectives. We agree that the inclusion of a decarbonisation objective will not on its own address the challenges around increasing energy systems costs related to the transition, rising energy bills, resilience, and growing energy inequity. PIAC agrees that a broader examination of the energy objectives than is proposed for the current process is required to ensure that the future energy system is clean, affordable and fair for everyone. PIAC supports recommendations from ACOSS and others for social equity and demand side objectives to be included in any amendments made to the national energy objectives. If these changes cannot be accommodated in the current process, we support recommendations for Energy Ministers to commit to a process to address them by 2024.

## **2. The proposed emissions reduction objective**

PIAC broadly supports the inclusion of emissions reduction in the national energy objectives, and supports many aspects of the proposal detailed in the consultation paper.

We agree with the proposed change to 'consumers of energy' instead of 'consumers of electricity' and 'consumers of gas', in the NEL and NGL respectively. PIAC considers this is necessary to ensure that objectives are met efficiently by the energy system as a whole.

PIAC also supports the proposal for market bodies to develop guidance regarding how they will interpret the revised national energy objectives. The development of this guidance should be undertaken in consultation with stakeholders. This will help with implementation and assist

market participants in understanding their role in achieving emissions reduction and the expectation of the various market bodies.

The proposed commencement date six months after passage through the South Australian parliament is reasonable, providing adequate notice in advance of implementation.

*This part of PIACs submissions is relevant in answer to questions 3, 6, 7 and 15 as detailed in the consultation paper.*

## **2.1 Relative importance of emissions reduction**

Emissions reduction should be viewed as a primary aspect of the objectives alongside efficiency of investment in, and operation and use of energy services for the long-term interest of consumers. The intent of incorporating an emissions reduction aspect to objectives is to link decisions to what is required to meet the challenge of climate change, reducing and eliminating energy-related greenhouse gas emissions. There are evidence-based limits to the level of emissions which can be sustained without triggering temperature rises beyond those referred to in the Paris Agreement, to which Australia is a party. The nature of limits on sustainable emissions should be reflected in the relative position (and priority) of any emissions related aspect to energy objectives.

Objectives which are aspects of long-term consumer interest, such as price and security of supply should retain their importance, as should the overarching need to ensure efficiency. However, any assessment of efficiency (and how trade-offs are made in the long-term interest of consumers) must be done within the confines of what is required to maintain a sustainable level of emissions. That is, consideration of the long-term interest of consumers determines how emissions reductions can best be achieved, not whether or to what degree emissions reductions are prioritised in any decisions. Emissions cannot be traded off against other aspects in the way that price is traded off against reliability in considering the long-term interest of consumers.

## **2.2 Ensuring effective emissions reduction**

Effective incorporation of an emissions reduction aspect to the NEO, NGO and NERO requires it to be within the text of the NEO, NGO and NERO. The proposed draft text places the emissions reduction criteria alongside price, quality, safety, reliability and security as one of a number of criteria considered in assessing the long-term interests of consumers of energy. PIAC does not consider this appropriate.

Given the evidence-based requirement to achieve a minimum level of emission reductions so as to not exceed the commitments in the Paris Agreement, and the importance of meeting this requirement in avoiding catastrophic climate change, emissions cannot be a criteria of equal consideration to aspects such as price, quality and reliability. Emissions objectives in line with requirements are binary considerations, either capable of being achieved by a decision or not. Further, emissions reduction cannot be achieved if all investment, operation and use decisions are made on the basis of narrow economic efficiency analysis.

PIAC considers it important to ensure consideration of emissions reduction in the objectives is focussed on the outcome, namely, an energy system which is sustainable and contributes to ensuring Australia's emissions are in line with what is required to meet Paris Agreement targets,

rather than incorporated as an undefined, relative consideration. What is required is reference to an outcome, namely that the level of emissions is reduced so that the targets will be achieved.

One potential way to achieve this may be to refer to 'sustainable energy services' in the objective, as demonstrated below, and then define 'sustainable energy services' by reference to the level of emissions which would meet the relevant targets, using the verb 'must' in order to make achieving emissions reduction mandatory.

'to promote efficient investment in, and efficient operation and use of, **sustainable energy services** for the long term interests of consumers of energy with respect to: Price, ...'

A definition could then be provided so that:

'*sustainable energy services*' means energy services which must only emit a level of greenhouse gases that achieve greenhouse gas emissions reduction targets.

An alternative potential solution could be to insert emissions reduction within the national energy objectives prior to reference to the 'long term interests of consumers of energy', again using the verb 'must' and referring to the outcome of achieving a necessary level of emissions reduction.

This could be drafted along the following or similar lines:

'to promote efficient investment in, and efficient operation and use of, energy services **which must only emit a level of greenhouse gases that achieve greenhouse gas emissions reduction targets, and is** for the long term interests of consumers of energy with respect to: Price, ..."

A definition of 'greenhouse emissions reduction targets' could then be provided which captures the various different types of targets as provided in the proposed consultation draft (i.e. those targets in the Climate Change Act 2022 (Cth), stated in a law of the Commonwealth, a State or a Territory etc....).

*This part of PIACs submissions is relevant in answer to questions 1 and 2 in the consultation paper.*

### **2.3 Reference to greenhouse gas emission targets**

The proposed definition of emissions targets is sufficiently broad to capture all relevant targets, and provides flexibility to allow for the fact that targets will change over time as more evidence regarding climate change and required climate responses becomes available.

The proposed reference to targets alone is not sufficient however. We consider it clearer and more effective to refer to the intended outcomes, namely reduction of energy system emissions such that emissions targets will be achieved.

Referring to the NEO as an example, if the approach adopted in the Draft Bill, Annex A of the consultation paper is retained, we recommend subsection (c) of the NEL should be formulated as follows:

## 7—National electricity objective

The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of energy with respect to—

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the **level of energy system-related greenhouse gas emissions that will achieve** targets for reducing Australia’s greenhouse gas emissions to which the Commonwealth, a State or a Territory has made a public commitment, including—
  - (i) Australia’s greenhouse gas emissions reduction targets provided for under the Climate Change Act 2022 of the Commonwealth; and
  - (ii) other targets for reducing, or that is likely to contribute to reducing, Australia’s greenhouse gas emissions—
    - (A) stated in a law of the Commonwealth, a State or a Territory; or
    - (B) stated in, or made under, an international agreement to which the Commonwealth, a State or a Territory is a party; or
    - (C) stated publicly as a matter of policy by the Commonwealth, a State or a Territory.

*This part of PIACs submissions is relevant in answer to questions 1, 2, 4 and 5 as detailed in the consultation paper.*

## **2.4 Application of the emissions reduction requirements to the ISP 2024 process**

PIAC believes that the interests of consumers, including disadvantaged and marginalised consumers, are best served by a rapid transition to the new energy system. Consequently, it is important that the ISP process, which involves long-term planning of the energy system, is immediately required to be guided by the updated national energy objectives.

The ISP 2024 process is underway and, within the proposed transition provisions of the amended laws, the updated national energy objectives should explicitly be made binding on the ISP 2024 process.

Further, a consequential amendment to National Electricity Rule 5.22 should be immediately made in order to add explicit reference to the national energy objectives and the importance of achieving a sustainable level of greenhouse gas emissions which will meet the emissions reduction targets.

*This part of PIACs submissions is relevant in answer to questions 11, 12, 13, 14, 16, 17, 18, and 19 as detailed in the consultation paper.*