

# action 1: clean greenhouse friendly energy

With growing acceptance that climate change is happening and that deep cuts in our greenhouse gas emissions are required, we need to rethink and redesign our energy supply system. This cannot occur overnight, but taking action early will enable us to make a smooth transition to a low-carbon future and position our economy for continued growth. To achieve change to support a sustainable energy supply system in Victoria, a range of policy drivers are needed and are being pursued by the Government.

## What we will do

### 1.1 Victorian renewable energy target

We will introduce legislation to lift Victoria's level of renewable energy from the current level of 4% up to 10% in 2016.

The Victorian Renewable Energy Target (VRET) will deliver a much needed boost to Victoria's renewable energy sector, and will trigger up to \$2 billion of new investment in renewable energy projects over the next 10 years. Under VRET, electricity retailers will be required to purchase an additional 3,274 gigawatt hours (GWh) of renewable energy by 2016. More than 1000 megawatts (MW) of renewable energy will be installed, reducing greenhouse gas emissions by more than 2.5 million tonnes per year, which is the equivalent of taking 600,000 cars off our roads each year.

Victoria is taking this strong leadership position following the failure of the Federal Government to expand its national Mandatory Renewable Energy Target (MRET) scheme. It will be the first time an Australian State has legislated a mandatory renewable energy scheme.

In 2002, we set our policy target for Victoria to reach a 10% renewable energy level by 2010 in the expectation that the Federal

Government would continue and extend its scheme. However, the Federal Government did not even accept the recommendation of its own Tambling Review to continue and extend the MRET scheme to 20,000 GWh by 2020.

Over the past five years, we have pursued our target of 10% renewable energy by 2010, and as a result Victoria's wind energy capacity has increased from less than 1MW to 104MW installed. In addition, the Victorian Government is encouraging consumers to purchase Green Power and is providing support for innovative renewable energy projects.

Without a market-based incentive scheme such as VRET, the renewable energy industry in Victoria would stall and investment would leave the State.

The Government will invest \$1.5 million to establish the scheme.

VRET will create up to 2200 new jobs in the renewable energy industry and up to \$2 billion in capital investment, mostly in provincial Victoria. VRET will cost the average Victorian household less than \$1 per month (starting in 2008) and will only increase an average household electricity bill by \$8 annually. The Bracks Government has recently announced cuts in average power prices for households and small businesses between \$33 and \$57 over the next 2 years.

VRET will continue until 2030 and reduce greenhouse gas emissions by 27 million tonnes over this period.

VRET will provide long-term support that will ensure the renewable energy industry in Victoria will continue to grow steadily into the future.

*It is now clear that we face a deepening global climate crisis that requires us to act boldly, quickly and wisely.*  
Al Gore, former Vice President of the United States

In addition to VRET, we will also continue to work towards our ambitious 10% renewable energy target as early as 2010, through a range of complementary measures to promote renewable energy in Victoria. These include further promotion of voluntary Green Power purchases by households and businesses in Victoria, solar power on houses, technology support and smart energy zones. These additional measures could add to our renewable energy capacity, taking the level of renewable energy as high as 12% by 2016.

*The Government's Renewable Energy Action Plan will be released shortly.*

### **1.2 Support for Renewable Energy Technology**

**We will increase support for the renewable energy sector with \$12.35 million for developing new technologies.**

The Renewable Energy Support Fund will be boosted by \$2.35 million in 2006/07, to support medium-scale technologies in factories and communities. This will mean more towns and businesses can generate their own power, reducing reliance on the national electricity grid.

We will invest a further \$10 million over three years to support renewable energy technology research and development. This will help drive technology in the fast-growing sustainable energy sector reach the commercialisation stage. Grants will be provided on merit to world-class research proposals that can leverage additional support from industry and the Commonwealth.

### **1.3 Support for National Emissions Trading**

**We will design a market-based emissions trading scheme for Australia so that we start giving business a market incentive to reduce greenhouse gas emissions.**

Until we start factoring the cost of greenhouse gases into our economy, we cannot begin the shift to a low-carbon future. That's why we are leading the work with other States and Territories for a National Emissions Trading Scheme (NETS) to give incentives for business and electricity generators to be more efficient. Emissions trading provides clear signals to electricity generators to reduce their greenhouse gas emissions in the most cost-effective way.

### **Carbon Disclosure Project**

The Carbon Disclosure Project (CDP), now in its fourth year, is expanding for the first time to ask Australia and New Zealand's largest companies to disclose information about their exposure and approach to climate change. The CDP facilitates a dialogue between shareholders and corporations about the business implications presented by climate change and encourages public disclosure of this information. The Victorian Government supports the CDP and its push for company response and disclosure and is supportive of the necessary measurement and analysis of greenhouse gas emissions that such reporting requires.

### **Emissions Trading Scheme**

Under an emissions trading scheme (ETS), a limit or 'cap' is placed on the level of greenhouse gases that can be emitted by businesses that are subject to the scheme. Businesses have the choice of operating within their cap either by reducing their emissions or by purchasing emissions permits from other businesses that are able to reduce emissions at a lower cost. In this way, an ETS provides flexibility for businesses and efficiency in the achievement of overall emissions reductions.



The Government will conduct further analysis and assessment of emissions trading scheme design options to ensure that the ETS can reduce greenhouse emissions in a way that also provides investment certainty and maintains the State's economic growth.

A joint State/ Territories Green Paper will be released shortly to allow all stakeholders to comment on the design of the scheme.

#### **1.4 Greenhouse reporting**

**We will keep pushing for all industry greenhouse gas emissions to be publicly reported, as an essential step towards an emissions trading scheme.**

Victoria has led a nationwide pilot with 25 Australian companies across 70 sites to show how a mandatory reporting scheme can work at a low cost to business and government.

We have been leading the charge for a cost-efficient, transparent and uniform measure of greenhouse gas emissions reporting to fight climate change. Our trial with leading companies found they could use the existing National Pollutant Inventory (NPI) mechanism to measure their emissions of six greenhouse gases and disclose the results to the community within existing reporting budgets. This evidence helped convince a recent meeting of Commonwealth and State Environment Ministers to draft changes to the NPI to include greenhouse gas emissions, with a final decision expected next year.

Victoria will continue to do all it can to push for national reporting and public disclosure of greenhouse gases.

#### **1.5 Cleaner coal**

**We will choose the successful tenderers for the \$103.5 million *Energy Technology Innovation Strategy*.**

In 2005, the Victorian Government announced the \$103.5 million *Energy Technology Innovation Strategy*.

This funding will help commercialise coal-drying, coal gasification and geosequestration technologies to dramatically reduce greenhouse gas emissions from brown coal electricity plants. The *Energy Technology Innovation Strategy* will make sure Victoria's industrial base stays competitive and we capitalise on Victoria's vast brown coal reserves.

Tenders for the clean coal projects have been received and the successful tenders will be announced shortly.

#### **1.6 Improving existing generators**

**We will work with existing generators to improve their greenhouse performance.**

Existing generators are required to apply best practice and continuously improve their environmental performance. Government will work with generators to clarify expectations and support them to improve.

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### 1.7 Green communities

We will invest \$4 million over four years to show how leading Victorian communities can dramatically cut greenhouse emissions.

Solar Cities proposed for Coburg and Central Victoria aim to show how communities can generate their own power. The significant contribution local communities can make by integrating energy efficiency measures, smart meters, retail tariff incentives, solar panels and demand management is largely untapped. That's why we will create opportunities for Victorian communities to meet their own power needs.

We will support projects such as the sustainable energy projects being considered for the housing, retail and commercial precinct being developed at the former Pentridge Prison site in Coburg.

Another project aims to work with 13 local governments in central Victoria together with the Bendigo Bank and Origin Energy to develop an integrated and ambitious sustainable energy solution for the region.

Opportunities for further localised, sustainable energy generation will also be explored, including small scale wind and solar power projects for example in locations such as the redevelopment of the central Greensborough area and other locations identified as major "Activity Centres" in *Melbourne 2030*. These projects will be developed by local communities.