

PROPOSED RET AMENDMENTS

1. CPRS INDUSTRY EXEMPTIONS REPLICATED UNDER THE RET

The Government will replicate the industry assistance provisions from the CPRS for the purposes of the RET. The Government will provide partial exemptions to all activities that would qualify for the emission-intensive trade-exposed assistance under the Carbon Pollution Reduction Scheme.

The Government will use the same eligibility thresholds as under the CPRS with partial exemptions of 90 per cent and 60 per cent depending on the emissions intensity of the activity.

The current criteria for determining eligibility under the CPRS has been robustly debated and extensively documented through the Green Paper, White Paper and the EITEs Guidance Document. Furthermore the process has benefited from oversight by the Warburton Committee.

The need for a separate eligibility assessment process for activities that will be provided partial exemptions under the RET will not be necessary. As CPRS eligibility assessments are finalised, these will be used as the basis to determine eligibility under the RET and prepare appropriate regulations.

The Government has also agreed that the transitional arrangements will be subject to the recommendations of the 2014 review.

2. ASSISTANCE FOR ADDITIONAL COSTS UNDER THE EXISTING MRET

The Government recognises that the increased costs associated with the expansion of the RET has two components:

- First, if the REC price increases above the level of around \$40, then the increased REC price increases the cost impact of meeting the current MRET liability of 9,500 Gwh.
- Second, the higher annual targets under the expanded RET increase the costs associated with the RET.

Accordingly, following the passage of the CPRS, the Government's intention is to provide additional assistance under the RET for eligible EITE activities by adjusting the partial exemption rate to ensure that the same assistance rate (either 90 per cent or 60 per cent) applies to the increase in costs associated with the expansion of the RET. In calculating the increased costs above the existing MRET liability the Government will use a REC price of \$40.

3. FOOD PROCESSING – PRODUCTIVITY COMMISSION REVIEW

The Government will extend the current potential review provisions under the CPRS as set out in the White Paper at section 12.7.4 to industries potentially affected by the RET once the RET has commenced.

These arrangements allow firms – including those that do not qualify for industry assistance – to make representation to the Government to request that the Government commission the Productivity Commission to undertake an assessment of the RET's impact on their industry. The Government will not necessarily refer all requests to the Commission; it will take into account the nature and details of the request.

The Productivity Commission will make an assessment of this industry's circumstances, taking into account the range of factors unrelated to the Scheme that will also affect the profitability of firms and industries, such as exchange rate movements, capital and labour costs, and commodity price movements. It will assess whether the introduction of the RET, including the assistance provided under the RET and CCAF assistance programs, will substantially adversely affect the industry in which the firm is located within the next five years, result in carbon leakage, and be likely to result in the premature closure of an industry that would be likely to be competitive in a carbon constrained world.

Taking into account all of the above, the Commission will make recommendations to the Government about whether it should provide additional support to this industry from the CCAF, and the appropriate mechanism for that support.

4. HEAT PUMPS

The Government agrees that certificates must only be created for the bona fide installation of a solar water heater intended to remain in its original configuration and location for the life of the unit. To ensure this, the Government proposes that regulations be passed to require a statutory declaration to this effect from the purchaser and also a statutory declaration from the installer stating that the installed unit is appropriate for the intended use.

In terms of the eligibility of heat pumps overall, COAG has agreed to examine further by end-2009 some of the eligibility provisions of the RET for new small-scale technologies, as well as heat pumps, to ensure that the eligibility rules remain relevant over time to reflect new technologies and recent developments in renewable technology.