

## **Renewable Energy Update (21 December 2005)**

The Federal Government has continued to develop policies, programs and legislation to support the production of renewable energy.

Through its Energy White Paper *Securing Australia's Energy Future*, the Federal Government has introduced a number of programs for improving the production of renewable energy, including the generation of electricity from wood waste. Major project initiatives include:

- A \$100m Renewable Energy Development Initiative to support the development of renewable energy technologies with strong commercial potential;
- \$20m to support the development of Advanced Electricity Storage Technologies for renewable energy;
- Renewable energy technologies are eligible for consideration under the \$500m Low Emission Technology Demonstration Fund; and
- Continued support and improved transparency and administration of the MRET.

Major steps to improve the operating environment for MRET include:

- An Independent Panel's review of MRET. The Panel provided its report *Renewable Opportunities: a review of the operation of the Renewable Energy (Electricity) Act 2000* to the Federal Government on 30 September 2003. Their report was tabled in Parliament on 16 January 2004.
- The Federal Government responded to the Recommendations from the review of MRET in the context of its Energy White Paper *Securing Australia's Energy Future* (June 2004).

## **Amendments to the MRET legislation and regulations**

The framework provided by the *Renewable Energy (Electricity) Act 2000* (the Act) and accompanying Regulations, contains specific criteria relating to the eligibility of wood waste from native forests, plantations and energy crops for creating Renewable Energy Certificates (RECs). Through the MRET review, a number of recommendations were presented to the Government to support an increased utilisation of Australia's wood waste resources. These changes are outlined below and will require amendments to the Act and Regulations before they are effective.

A number of recommendations from the Independent Panel's review of MRET were directly related to the use of wood waste for producing renewable energy. Those recommendations and the Government's responses (provided in italics) are:

Recommendation 16 – As the treatment of wood waste from native forests raises issues outside the Review Panel's Terms of Reference, such as National Forest Policy, two options were proposed –

- a) wood waste from native forests to be excluded as an eligible renewable energy resource; or
  - b) wood waste from native forests to be separately identified as an independent eligible renewable energy source with the existing regulatory arrangements applying to wood waste from native forests to be retained. *An expert panel was to be established to examine issues associated with native forest wood waste under MRET. (This panel will no longer proceed – see below.)*
- Recommendation 17 – Eligibility for plantation biomass to be redefined under 'energy crops'. Provisions to ensure plantation harvesting operations are conducted according to relevant approvals,

and to deter landclearing of native forests, to be retained. *The Government agrees with this recommendation.*

Recommendation 18 – Eligibility of sawmill residues to be restricted to post-processing residues from sawmilling, veneer or other processing operations (other than woodchipping). *Safeguards are already in place through the OREER which has the capacity to monitor outputs of eligible sawmills and to audit companies that experience unexplained increases in product to wood waste ratios.*

Recommendation 19 – The ‘primary purpose’ test applying to energy crops to be removed. *The Government agrees with this recommendation.*

On 15 June 2004, the former Minister for the Environment and Heritage, the Hon David Kemp provided a media release entitled *MRET: adding muscle, not fat*. A number of important statements of policy intent, which could promote an increased use of wood waste, were contained in this media release :

1. Plantations will be defined as an ‘energy crop’ and the ‘primary purpose’ test associated with energy crops will be removed.
2. Provisional accreditation for proposed projects will be introduced, together with a six-week time limit being placed on the assessment of accreditation applications by the OREER. (Responses to recommendations 27 and 28, respectively, of the MRET review)
3. The Minister for the Environment and Heritage will be able to demonstrate the eligibility of renewable energy resources. (Response to recommendation 25 of the MRET review)

### **Progress with the review findings and Government policy statements**

August 2005 – In response to recommendation 16, the Government has decided **not** to proceed with the foreshadowed expert panel. The current criteria for inclusion under MRET reflect the Government’s commitment that only wastes from sustainable forestry operations can be eligible to create Renewable Energy Certificates under the MRET scheme. These criteria are designed to encourage more efficient use of existing resources, rather than promoting increased harvesting of native forests to supply wood wastes for electricity generation. The Government is confident these arrangements offer adequate safeguards and is not intending to make changes to the Act or Regulations relating to the eligibility of native forest wood waste.

August 2005 – the Federal Government sought public comments on proposed changes to the *Renewable Energy (Electricity) Regulations 2001*, including the removal of the ‘primary purpose’ test from energy crops (currently part of Regulation 9). The Federal Government indicated that plantations would be redefined as energy crops following amendments to the Act.

November 2005 – Provisions in the *Renewable Energy (Electricity) Regulations 2005* took effect, which removed the ‘primary purpose’ test from energy crops.

March 2006 – A bill to amend the MRET legislation was introduced into Parliament. Following the passage of this Bill, a consequential package of regulatory amendments will be progressed, including an amendment to define plantations as energy crops. In the *Renewable Energy (Electricity) Amendment Bill 2006*, a new Section 12A outlines the process for companies applying to the Office of the Renewable Energy Regulator when they are seeking provisional accreditation of power stations.

If this legislation is passed by the Parliament, a project proponent could apply for provisional accreditation of the components of an electricity generation system . Where the necessary information is provided to the Renewable Energy Regulator, a decision must be made on the application for provisional accreditation within a period of six weeks.

Note: The Regulator is not empowered by the legislation to give provisional accreditation of the proposed eligible renewable energy source prior to its use in generating electricity and provisional accreditation is not a guarantee of final accreditation.