



7 August 2015

Climate Change Act Review Secretariat
Department of Environment, Land, Water and Planning

E: climatechange.act@delwp.vic.gov.au

Dear Sir/Madam,

2015 Review of the *Climate Change Act 2010*

Origin Energy Limited (Origin) welcomes the opportunity to make a submission to the 2015 review of the Victorian *Climate Change Act 2010*.

Origin recognises that climate change is a global challenge and unequivocally supports measures to progressively reduce carbon emissions. We support Australia making an equitable contribution to this global effort, that the level of this effort be comparable to our most relevant trading partners and that it take account of the nature of the Australian economy.

When post-2020 emission reduction targets are announced for Australia, the debate will turn to the suite of policies required to achieve such targets. With this in mind, we support the Victorian Government encouraging the progressive de-carbonisation of the electricity mix. In recent submissions¹ we have stated that:

"In the long-term, Origin continues its support for a well-designed market mechanism of some form for the electricity generation sector - whether this is a baseline and credit scheme or some other form. This could be complemented by:

- *regulation which promotes the orderly retirement of old, highly emissions intensive plant;*
- *emissions performance standards for new plant; and*
- *sustainable policy which encourages the commercial deployment of renewable generation sources without excessive subsidy."*

Our preference is that the policies listed above should be national. In the case of Victoria, there are unique circumstances in that the state is reliant on highly emissions intensive brown coal generation, and in combination with an oversupplied market, this can create a barrier for investment in new renewable energy sources. We suggest that policies should be examined to progressively phase out brown coal generation, as this will deliver the biggest impact on reducing emissions in Victoria and Australia. It is also in Victoria's interest to influence the design of such policy, to minimise the impacts of structural adjustment on jobs and the economy.

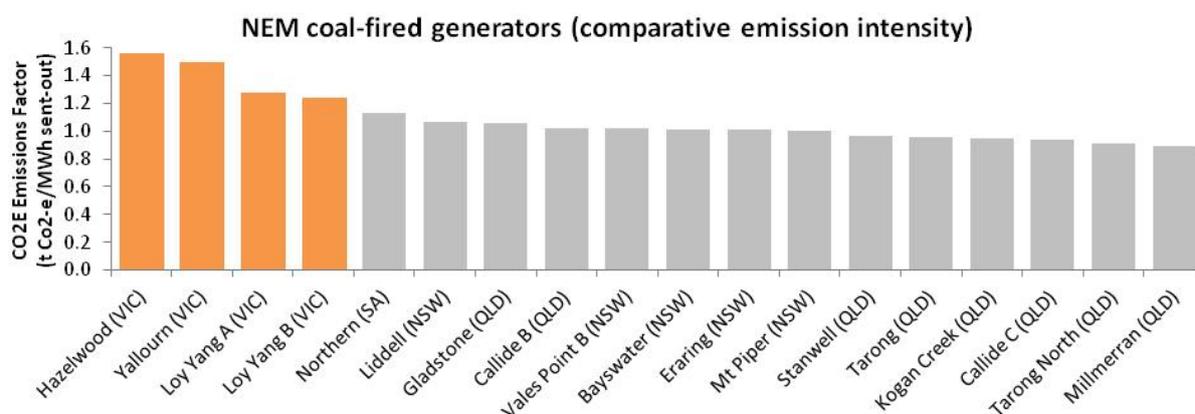
¹ For example, see our submission to the to the Australian Government's consultation paper "*Setting Australia's post-2020 target for greenhouse gas emissions*", 27 April 2015.

Key points

Origin has the following key points to highlight:

- **Targets** - Origin supports the progressive decarbonisation of the electricity sector in Australia and views the increased deployment of renewable technologies as a key part of this transition. Our philosophy is that this deployment should be underpinned by sustainable policy which encourages the commercial deployment of renewable generation sources, without excessive cost subsidisation. Generally, we support high level targets, such as for emission reductions or renewable energy being made at the national level.
- **Standards for power stations** - whilst Victoria is part of the National Electricity Market (NEM) it stands out because of its reliance on old, highly emissions intensive brown coal-fired generation for the majority of its electricity. With electricity demand remaining relatively flat, a number of marginal coal-fired plants have been mothballed or retired in the NEM, but this has generally been in other states². For a combination of reasons, including the very low marginal costs of existing local brown coal reserves and ownership structure, large brown coal fired generators in Victoria are still running at high capacity factors. Without policy intervention of some sort, this situation is not expected to change for a number of years. From a greenhouse gas perspective this is a perverse situation. We note also that the four large Victorian brown-coal generators received the vast majority of compensation under the Carbon Pricing Mechanism (over \$1.5 billion), even though it was only in place for two years and has now been repealed.

The chart below lists the coal-fired generators in the NEM by carbon intensity (sent-out basis):



Source: AEMO

Whilst the Large-scale Renewable Energy Target (LRET) will underpin some new investment in renewable energy, the transition to lower emission generation would be accelerated if there was room in the market for this. We suggest that standards be considered to progressively phase out brown coal-fired generation in Victoria. Standards are currently being implemented in North America with the US basing theirs on intensity and Canada on age. Either policy could be applied in Victoria. In comparison to a carbon tax or emission trading scheme, standards are simple to communicate to the public and their results more tangible.

This phased closure would need to be accompanied by appropriate structural adjustment packages as well as environmental site remediation.

Standards for new generation could also be considered at the national level to ensure that whatever replaces the existing brown coal power stations is of much lower carbon intensity.

² We note that some smaller power stations in Victoria such as Anglesea and Energy Brix have been retired/mothballed.

If you have any questions regarding this submission please contact Matthew Kaspura (Manager Carbon Policy) on +61 2 8345 5287. We look forward to further consultation as Victoria's climate change policy evolves.

Yours sincerely,



Tim O'Grady
General Manager Public Policy and Government Relations
Origin Energy Limited
GPO Box 5376
Sydney NSW 2001
+61 2 8345 5250-Tim.OGrady@originenergy.com.au

About Origin

Origin is Australia's leading integrated energy company focused on gas exploration, production and export, power generation and energy retailing. A member of the S&P/ASX 20 index, the company has more than 6,000 employees and is a leading producer of gas in eastern Australia. Origin is Australia's largest energy retailer servicing 4.3 million electricity, natural gas and LPG customer accounts and has the country's largest and one of the most flexible generation portfolios with approximately 6,010 MW of capacity, through either owned generation or contracted rights. Origin is a significant investor in low emissions and renewable energy technologies and has diverse global renewable energy interests in geothermal, hydro, wind and solar technologies. Through Australia Pacific LNG, its incorporated joint venture with ConocoPhillips and Sinopec, Origin is developing one of Australia's largest CSG to LNG projects based on Australia's largest 2P CSG reserves base.

Origin is one of the largest installers of solar systems in Australia, having directly installed about 80,000 systems to date. In total, about 360,000 of our retail customers have solar products. This year, Origin launched a new solar leasing product which involves no up-front cost. We are also exploring new battery technologies which may be offered soon.