

NATIONAL ENERGY GUARANTEE: FACTSHEET & MEDIA BRIEFING PAPER

THE NATIONAL ENERGY GUARANTEE (NEG) FACTSHEET & MEDIA BRIEFING PAPER

THE CLIMATE COUNCIL & EXPERT TALENT

The Climate Council is Australia's leading energy and climate change organisation, providing facts and information backed by the latest science and expert analysis. The Climate Council can provide media access to the following energy sector experts for commentary and analysis on the National Energy Guarantee:

- **Climate Councillor and energy sector veteran Andrew Stock**
- **Climate Councillor and former President of BP Australasia, Greg Bourne**
- **Energy economist, Dr Bruce Mountain**

BRIEFING OUTLINE:

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WHAT IS THE NEG?

The Federal Government's National Energy Guarantee (NEG) consists of a Reliability Guarantee and an Emissions Guarantee.

The **Reliability Guarantee** proposes to require retailers to source a certain amount of "dispatchable power" (which the Federal Government has defined as coal, gas, hydro, biomass or storage). This creates a *minimum* target for essentially anything but wind and solar power. Including coal in the definition of "dispatchable power" is deceptive, as coal power stations are inflexible and slow to respond.

The **Emissions Guarantee** proposes to set yearly emissions intensity targets for electricity retailers - expressed as tonnes of carbon dioxide per megawatt hour of electricity generated - for electricity retailers to meet. Retailers would have total flexibility in how they achieved the targets including the option of purchasing international offsets. Retailers would be able to trade amongst themselves (for example, between a retailer that over-achieves and one that under-achieves) and would be given extra time if they fail to achieve the target in any given

year. There are no financial penalties for retailers failing to meet the target, but if the retailers consistently don't comply they would be deregistered from the market.

The Federal Government has indicated the proposed NEG would lead to 28-36% renewable energy in 2030 (well below the 42% modelled for the Clean Energy Target, and below the minimum 50% needed to tackle climate change). That means Australia will end up with more coal and gas and less renewables in 2030 than if the Federal Government did nothing. From a pollution perspective this would be a worse outcome than business as usual. Business as usual (as modelled by the Finkel Review) was not sufficient to achieve Federal Government's 2030 emissions reduction targets in the electricity sector (business as usual modelled by the Finkel Review reduced emissions in the electricity sector by 21%).

OUR EXPERT ANALYSIS

While limited information is currently available, the details available indicate the National Energy Guarantee (NEG) supports the continued reliance of Australia's ageing coal and gas power stations, while also restricting the uptake of new renewable energy such as solar and wind.

Based on the Federal Government's figures for renewable energy in 2030, the NEG is unlikely to reduce pollution. With higher reliance on coal and gas than business as usual, the NEG could not achieve even Australia's weak 2030 emissions reduction targets or meet its international commitments under the Paris Agreement.

There is no evidence to suggest the NEG will deliver on reliability. It does not tackle the increasing unreliability of Australia's ageing fleet of coal and gas generators, which have fallen short in recent heatwaves. It does not ensure that sufficient new renewable energy capacity is brought online in well in advance of inevitable coal closures.

The NEG is unlikely to reduce prices. By its design it entrenches the market power of the dominant three electricity companies, and locks in ongoing reliance on expensive gas without creating incentives for new low cost renewable energy.

The NEG has the potential to hold Australia back, increasing the potential for our country to fall further behind the rest of the world, as other nations transition to clean, affordable and renewable energy and storage technology.

The NEG could see one of the sunniest and windiest countries in the world lose momentum on new industries and attracting investment in solar and wind.

TOP 5 QUESTIONS AUSTRALIANS NEED ANSWERED:

1. How will the NEG reduce **pollution** from the electricity sector, and achieve Australia's 2030 emission reduction targets, given it delivers more coal and gas than 'business as usual'?
2. How will the NEG reduce **power prices** given it fails to tackle solutions to rising prices identified by the [Australian Competition and Consumer Commission](#) (ACCC)? Solutions highlighted by the ACCC included addressing the market power of the big 3 energy companies, affordability of gas, bringing online large-scale renewable energy, and support for consumers.
3. How will the NEG address **reliability** given it fails to deal with key reliability issues raised by the [Australian Energy Market Operator](#) - outages or failures of ageing coal generators across the National Energy Market, and the increased vulnerability of the electricity system to extreme weather, particularly heatwaves?
4. How will the NEG address **reliability** given it fails to ensure sufficient new renewable energy capacity is brought online well in advance of inevitable coal closures?
5. How will the NEG achieve **certainty** for investors given the complete lack of detail and / or modelling underpinning the proposal, the complete lack of community engagement or consultation with key stakeholders (the states and territories), and the provision to review the Emissions Guarantee every year (essentially locking in investment uncertainty for the foreseeable future)?

WHAT ABOUT THE CLEAN ENERGY TARGET?

The Federal Government announced its response to the [Finkel Review](#)'s final, and most critical, recommendation: a Clean Energy Target. This target was designed to tackle affordability and pollution from the electricity sector by encouraging new, low emissions electricity supply.

The Federal Government has chosen to dump Chief Scientist Alan Finkel's recommended Clean Energy Target - after a lengthy consideration and consultation process - and replaced it with a National Energy Guarantee. The NEG comprises of a Reliability Guarantee and an Emissions Guarantee.

There is a significant lack of detail on the government's new policy. This briefing outlines what we know so far and the questions that still need to be answered. It will be updated as more information comes to light.

STATES AND TERRITORIES ARE LEADING THE WAY

States and territories continue to lead Australia's transition to clean, affordable and efficient renewable energy and storage technology. All states and territories (except Western Australia) now have strong renewable energy targets and/or net zero emissions targets in place. The targets in place are broadly consistent with the level of renewable energy needed across Australia by 2030 so it can do its fair share in keeping global temperature rise below 2°C.

Tasmania, South Australia and the ACT continue to lead on percentage renewable electricity, and have the most renewable energy capacity per capita (excluding large-hydro). New South Wales and Queensland are set for a dramatic increase in renewable energy with the greatest capacity and number (respectively) of projects under construction in 2017.

Households in Queensland, South Australia and Western Australia continue to lead in the proportion of homes with rooftop solar. South Australia is building the world's largest lithium ion battery storage facility.

AUSTRALIA IS AT RISK OF GOING BACKWARDS

The world is taking action on climate change, and the primary emphasis is on the switch from coal to renewables for electricity generation. The speed and magnitude of the transition to renewables is striking. For example, major economies like California are already actively transitioning to a renewable powered electricity grid. California is on track to reach 50% renewable power by 2030 (noting that hydroelectricity is not classified as renewable in California, meaning the state is on track to reach around 60% with hydro by 2030). And California is now looking to legislate for zero emissions from the electricity sector by 2045.

There's also positive action at the local level. Around the world and across Australia, shires, towns and cities of all shapes and sizes are surging ahead with plans to reduce emissions, switch to cleaner energy sources and build greener, more efficient and more resilient communities. From booming urban centres to small rural townships, local governments and groups of determined residents have demonstrated leadership and innovation in response to climate change concerns.

MODELLING FOR THE NEG IS CURRENTLY IN PROGRESS

The Federal Government has confirmed it will release its modelling for the NEG at the next Council of Australian Governments (COAG) meeting in November, 2017. The plan will be discussed and debated by each state and territory's government leaders.

If the states support the Federal Government's plan, the Australian Energy Market Agreement will be amended to introduce a new law, similar to the National Electricity Law. This change must then be implemented by South Australia and applied in New South Wales, Victoria, Tasmania, Queensland and the Australian Capital Territory.

Without any consultation with states and territories, the Federal Government and the Energy Security Board anticipate final approval of the NEG by the end of 2018, with the Reliability Guarantee operating in 2019 and the Emissions Guarantee in 2020.

SOURCES TO HELP YOUR COVERAGE:

- [NATIONAL GREENHOUSE GAS INVENTORY](#)
- [AEMO \(THE AUSTRALIAN ENERGY MARKET OPERATOR\)](#)
- [COAG ENERGY COUNCIL](#)
- [DEPARTMENT OF ENVIRONMENT AND ENERGY](#)

CLIMATE COUNCIL REPORTS & RESOURCES:

- [CLEAN ENERGY TARGET - POLL OF AUSTRALIANS](#)
- [POWERING A 21ST CENTURY ECONOMY: SECURE, CLEAN, AFFORDABLE ELECTRICITY](#)
- [AUSTRALIA'S RENEWABLES RACE: WHO'S LEADING THE CHARGE?](#)
- [UNPACKING THE FINKEL REVIEW](#)
- [FACTSHEET: 10 BASIC ELECTRICITY FACTS TO HELP YOU NAVIGATE THE FINKEL REVIEW](#)
- [POLLUTION AND PRICE: THE COST OF INVESTING IN GAS](#)
- [ANGRY SUMMER: 2016/17 CLIMATE CHANGE SUPER-CHARGING EXTREME WEATHER](#)

NEED MORE INFORMATION?

For further information or to organise an interview/briefing with one of the Climate Council's energy experts, please contact the Media Team or visit the [Climate Council website](#).

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