

NEW AUSTRALIAN RENEWABLE ENERGY TARGET (RET) AGREED

After months of negotiation, the Australian Federal Government and Opposition have announced that they have reached an agreement on a revised RET of 33,000 gigawatt hours by 2020, down from the 41,000 gigawatt hours target legislated in 2009.

The revised target represents a middle ground between the original positions adopted by the Government and the Opposition, respectively, and is close to the 33,500 gigawatt hours compromise target recommended by the Clean Energy Council.

The target legislated in 2009 was intended to represent 20 per cent of Australia's electricity generation in 2020. However, due to falling demand for electricity, the figure had become no longer representative of the percentage target. As a result, there was bipartisan support to reduce the 41,000 gigawatt hours figure to reflect the new projected electricity consumption in 2020. The negotiations were undertaken in an effort to define this new target.

Additionally, the Government agreed to drop the two yearly review of progress towards the 2020 target, which the Opposition had argued created uncertainty in the industry. Instead, the Government and Opposition have agreed that the Clean Energy Regulator will provide annual statements to Parliament, which will include details of the progress towards the target and any impact on electricity prices.

Federal Environment Minister, Greg Hunt and Federal Industry Minister, Ian MacFarlane have both stated that they are pleased that the negotiations have concluded, with Mr Hunt quoted as saying that he believed the agreement provided "an enormous opportunity for the renewable sector going forward".

Meanwhile, Federal Opposition environment spokesperson, Mark Butler has signalled that the Opposition will use the newly agreed target as a floor and, if re-elected to Government, will increase the target based on advice from stakeholders in the industry and finance sectors.

While the extended political disagreement has created unfortunate consequences for market participants, it is hoped this agreement will rejuvenate the renewable energy sector. Particularly, the new 33,000 gigawatt hours target represents more than double the level of energy currently produced by large-scale renewable generation. This significant projected increase over the next five years is expected to generate new investment in the sector and restart projects stalled by the political uncertainty.

The legislation to amend the target to 33,000 gigawatt hours is expected to be introduced into Parliament next week.

Key issues

- The Australian Federal Government and Opposition have agreed a new Renewable Energy Target of 33,000 gigawatt hours.
- The agreement is expected to generate new investment in the Australian renewable energy sector and restart projects stalled by the political uncertainty.

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