

18 April 2024

Ms. Stephanie Jolly
Executive General Manager
Australian Energy Regulator
Lodged by email: NEOReforms@aer.gov.au

Dear Ms. Jolly,

Response to the Australian Energy Regulator’s draft guidance on Valuing Emissions Reductions

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Regulator’s (AER) draft guidance on Valuing Emissions Reduction (the Draft Guidance) published in March 2024.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members’ project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to clean energy with a focus on the stakeholders who can provide the cost-effective capital required for this transition.

Key Points

- **CEIG strongly welcomes the inclusion of a value to emissions reduction in regulatory processes.**
- **CEIG strongly welcomes both the interim value of emissions reductions being provided beyond 2050 and the certainty** provided that the interim value will be replaced by a permanent value prior to 30 June 2025.
- **CEIG supports the use of the interim values of emissions reductions** presented in the draft guidance.

CEIG STRONGLY WELCOMES THE INCLUSION OF A VALUE TO EMISSIONS REDUCTION IN REGULATORY PROCESSES

CEIG commends the AER for its timely release of the draft guidance on applying a value to emissions reduction. The inclusion of an emissions reduction element into all three energy objectives under the National Electricity Law, as amended in late 2023, marks a pivotal change in how energy objectives are balanced and achieved.

CEIG strongly welcomes the inclusion of a value to emissions reduction in regulatory processes and acknowledges the importance of this inclusion, which aligns with the [CEIG Investor Principles](#) (Investor Principle 2: Redesign governance for transformation).

Applying a value for emissions reduction is essential for providing clarity and guidance in regulatory processes and decision making, including through regulatory investment tests and the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP). It ensures that emissions reduction objectives are quantifiably integrated into decision-making processes, thereby facilitating investments that are not only economically viable but also environmentally sustainable.

SUPPORT FOR THE USE OF INTERIM VALUES

CEIG emphasises the need for predictability and stability in regulatory guidance to support long-term investment decisions. The renewable energy sector requires clarity on the future trajectory of emissions valuation to effectively plan and finance new projects.

Considering this, CEIG strongly welcomes both the interim value of emissions reductions being provided beyond 2050 and the certainty provided within the Ministerial Council on Energy (MCE)'s Statement that the interim value will be replaced by a permanent value prior to the expiry of the statement on 30 June 2025.

CEIG supports the use of the interim values of emissions reductions as derived from the methodology outlined in the MCE Statement. The provision of these values offers a necessary interim solution for quantifying emissions reduction benefits until a more permanent value is established. This approach allows for immediate integration of these values into the regulatory framework, promoting investments that align with Australia's emissions reduction targets. In the development of the permanent methodology, CEIG recommends abatement costs are considered for warming scenarios aligned with 1.5 degrees.

CEIG thanks the AER for the opportunity to provide feedback on the Draft Guidance and looks forward to continued engagement on those issues. Our Policy Director can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,



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