



Renewable Electricity Certification - REGOs for the voluntary market.

VCMA RESPONSE

Introduction

The Voluntary Carbon Markets Association provides this response to the Federal Government's Renewable Electricity Certification policy position consultation – December 2022.

About the VCMA

The VCMA promotes and supports voluntary action on climate change through creation and operation of mechanisms that encourage and formally recognise voluntary abatement by individuals and organisations beyond national targets and international obligations.

The VCMA is an independent not-for-profit organisation established in 2008 and represents all aspects of the voluntary market including businesses, local governments, traders, carbon accountants, communities, and government agencies taking action on climate change and making environmental claims by purchasing carbon abatement.

We are working to ensure the voluntary market is credible and accountable so that investment made in a low carbon future delivers real, additional abatement.

Summary of VCMA's Position.

The VCMA cautiously welcomes the development of a Renewable Generation Guarantee of Origin (REGO) style certificate which provides a greater level of transparency and information than the current LGC/STC. A properly designed REGO (or LGC with similar features) should be legislated for introduction post-2030 so that a forward market can develop before the Renewable Energy Target mechanism concludes. This will give project developers certainty as to the price buyers will be prepared to pay and allow for future contracting of new renewable projects. The VCMA does not believe however that a separate and competing certification scheme should be used in parallel with the current LGC/STC. Importantly it should not be available to generators that are already viable having already achieved their capital payback.

While the VCMA understands the desire to harmonise local with international standards, Australia already has a well-developed, highly regarded voluntary system in place. Since 1998, Australia's GreenPower program has evolved through extensive and regular consultations between regulatory authorities, community, and environmental groups. It ensures that "buying renewable energy" always results in a reduction in carbon pollution. International standards were developed under different regulatory environments and public discourses and tend to focus on the property rights of the buyer rather than any implied environmental consequence. Granting REGOs to old generators, will reduce the incentive to build new renewable projects, resulting in the perverse outcome of increased greenhouse emissions.

The VCMA therefore believes that creating a certificate which implies – through its name – renewable electricity, but has no impact on reducing net carbon emissions, is a retrograde step.

Specific Issues with the REGO as proposed.

1. The meaning of “buying renewable energy” will become contested.

Since 1998, with the introduction of the GreenPower program and the Renewable Energy Target (RET), this phrase has come to mean a payment for a unit of zero carbon energy that will displace a similar unit of energy from a fossil fuel generator. We note that the voluntary program uses the same LGC currency as the compliance RET scheme. As a result, any purchase and surrender of an LGC through the GreenPower program necessitates an extra unit to be generated from additional renewable capacity in order to satisfy demand for LGCs in the compliance market. REGOs on the other hand are not linked to any compliance obligations, and it is unlikely that any RET compliant generator will create REGOs before 2030, as demand and therefore price, will be lower. Therefore until 2030 REGO sales will provide no funds for the development of new renewable capacity.

2. Carbon pollution will increase over time.

As consumers’ environmental budgets are finite, competition between schemes is a zero-sum game. Funds paid to old generators will mean less funds available for new. In the last six months this diversion has already begun as some existing GreenPower buyers have indicated they will switch to *below baseline* International (I-REC) certificates to claim renewable energy use. These claims have recently been put to the ACCC for testing. However, allowing REGOs from old hydro effectively gives the imprimatur of the federal government to below baseline renewable energy claims. If allowed to continue, sales of old generation credits, will reduce funds available for development of new assets, leading to the perverse outcome of an increase in carbon pollution over what would otherwise occur.

3. Greenwashing claims will increase.

Competing definitions of renewable energy will muddy the waters and create opportunities for further misleading claims. As it is, there are currently electricity retailers testing the waters with questionable statements of 100% renewable energy based on vaguely worded connections to hydro generators. Enforcement of environmental statements will become more difficult than is the case already, requiring a significant beefing up of ACCC resources to combat greenwashing.

4. Buyers will delay action.

This situation will be exploited by those in the media with an anti-renewables agenda, as was the case during the environmental *additionality* arguments post Australia’s Kyoto protocol ratification and is currently the case with the offset value of Australian Carbon Credit Units (ACCUs). In an area which is confusing for those in the industry, but much more so for the general public, claims and counterclaims will de-motivate those with a genuine wish to reduce their environmental impact, causing them to delay action until the “experts” can agree.

5. The public will pay twice.

As the consultation paper suggests, any significant take up of credits from existing infrastructure, will need to be reflected in a recalculation of the grid Residual Mix Factor (RMF). However, this will increase the emissions factor for other users of the grid. Public money has already paid for the older generators, either from government funding or by previous contributions through the RET and GreenPower programs. The public will now be required to pay again in order to reduce its own carbon footprint. Depending upon how REGOs are applied to export products, the Australian public may end up subsidising the emissions reductions of overseas companies.

6. The GreenPower program will be at risk.

It is possible that Australia's trusted and world leading GreenPower program will become unviable. As purchasers move to competing products, the fixed costs of the GreenPower program will need to be covered by an increasingly small base of generators and customers. This will occur at the same time as the GreenPower Program Manager takes on the cost of increased communication and public outreach work to avoid the inevitable confusion the REGO will create. We note that this administrative premium is already a factor for some customers when deciding whether to purchase GreenPower.

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