The National Energy Guarantee – selected considerations

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Based on our submission to the Energy Security Board’s National Energy Guarantee Draft Design Consultation Paper by:

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• NEG – the promise:
  – Stable policy that integrates emissions and energy mkt policy
  – Delivers lower prices, lower emissions and a reliable power supply

• NEG – the detail:
  – Worrying signs it may deliver the opposite:
    • Lock-in low ambition,
    • discourage investment,
    • adversely affect competition
Emissions obligation

• Weak ambition
  – State schemes alone will deliver emissions reductions beyond 26%
  – Lock-in for up to 10 years
  – May give improved outlook to fossil generators but truncates upside for renewables (less investment overall?)

• Interaction with reliability guarantee
  – If geographic neutrality safeguarded (needed for efficiency) how is link to physical generation and link between emissions and electricity mkt policy maintained?

• Compliance burden, lack of transparency and liquidity may compromise competition
Reliability obligation

• What reliability problems is the NEG addressing?
  – Existing 99.998% reliability standard not breached since NEM began
  – AEMC Reliability Standards and Setting Review says: current reliability setting are achieving their purpose.

• Important reforms to accommodate changing technology mix underway – how will NEG fit in?

• Sudden coal exit – largest risk to prices and reliability. How will NEG help?
Which outlook will the NEG be compatible with once parameters are set?

Brown and black coal capacity remaining with coal plants retiring at 40, 50 and 60 years of age, GW