

**AUSTRALIAN INSTITUTE OF ENERGY**

# **Designing the National Energy Guarantee**

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**Chair**

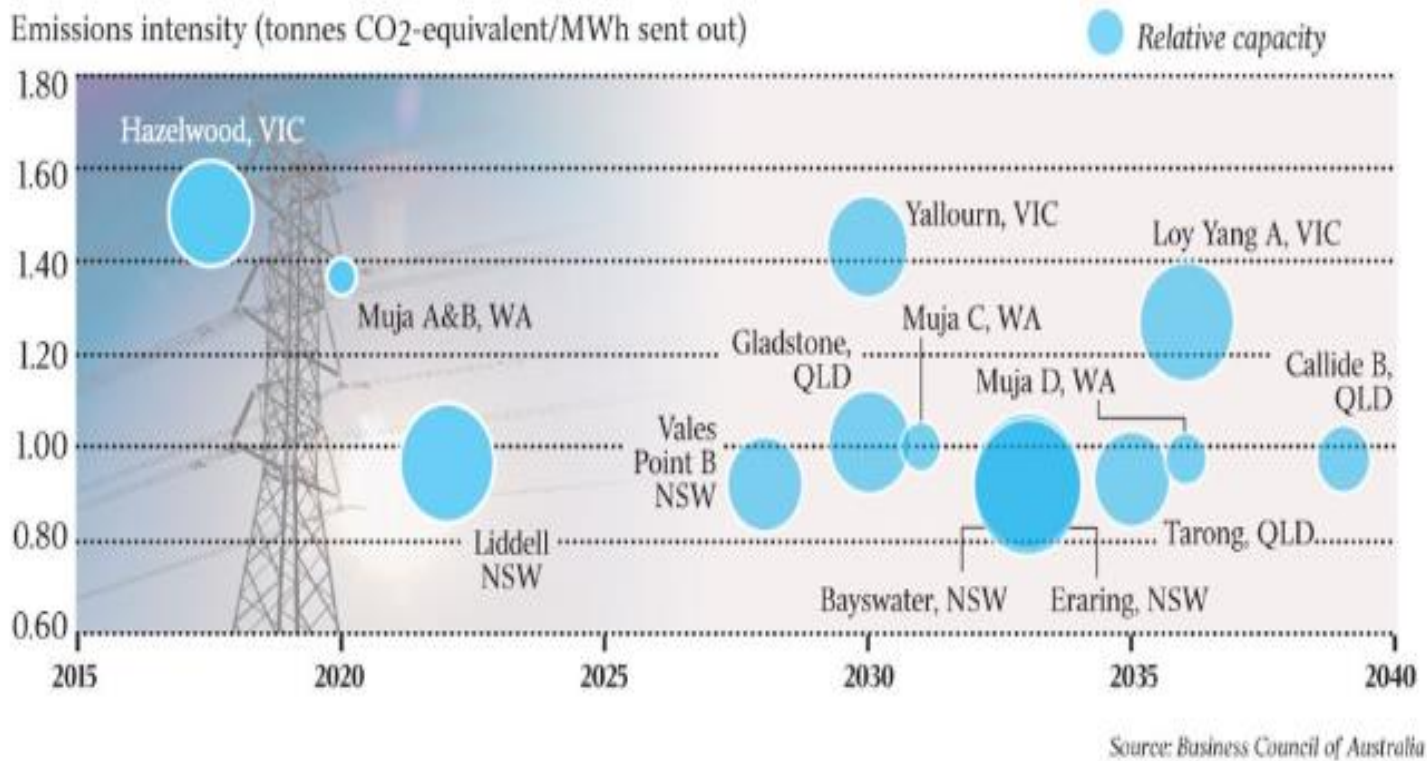
**Energy Security Board**

# Outline

1. Why?
2. Initial Design
3. Consultation
4. Next Steps

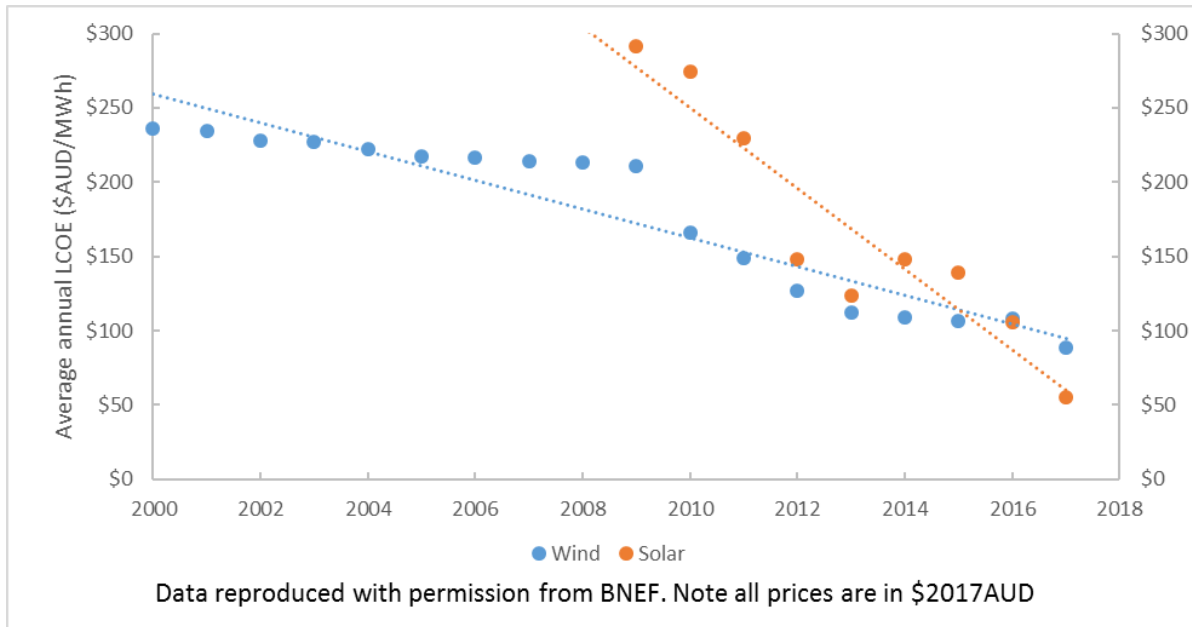
# 1. Why?

- Ageing Coal Fleet



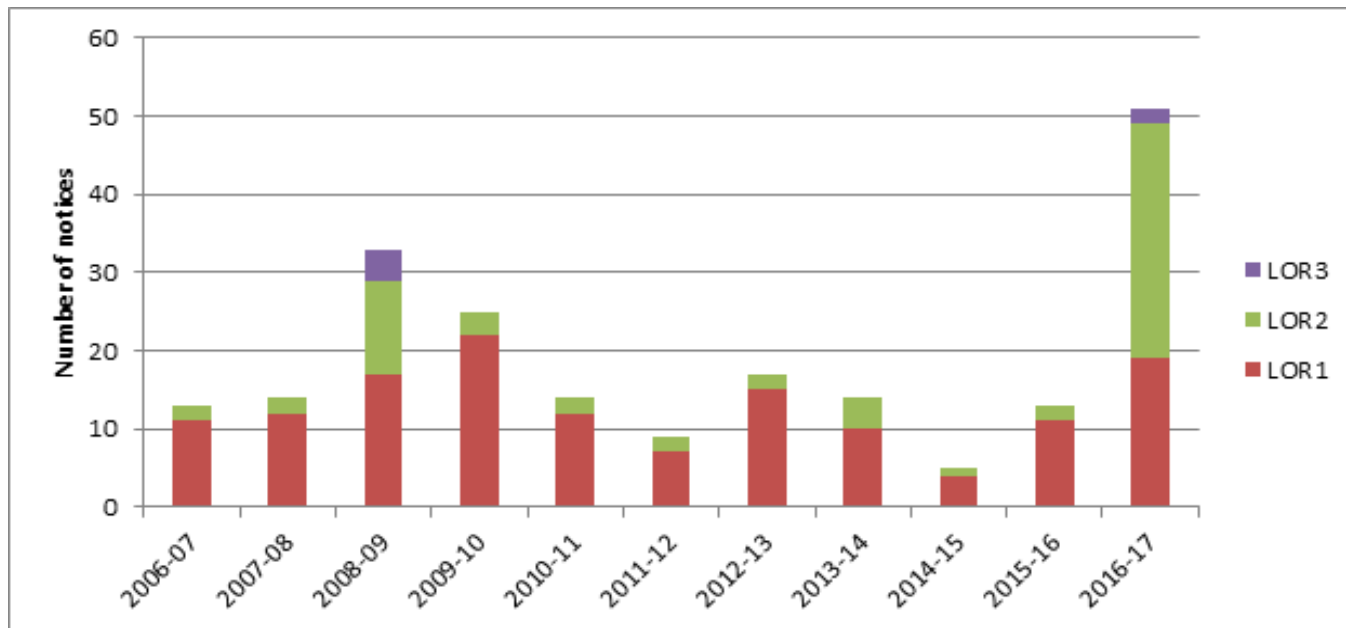
# 1. Why?

## The cost of wind and solar



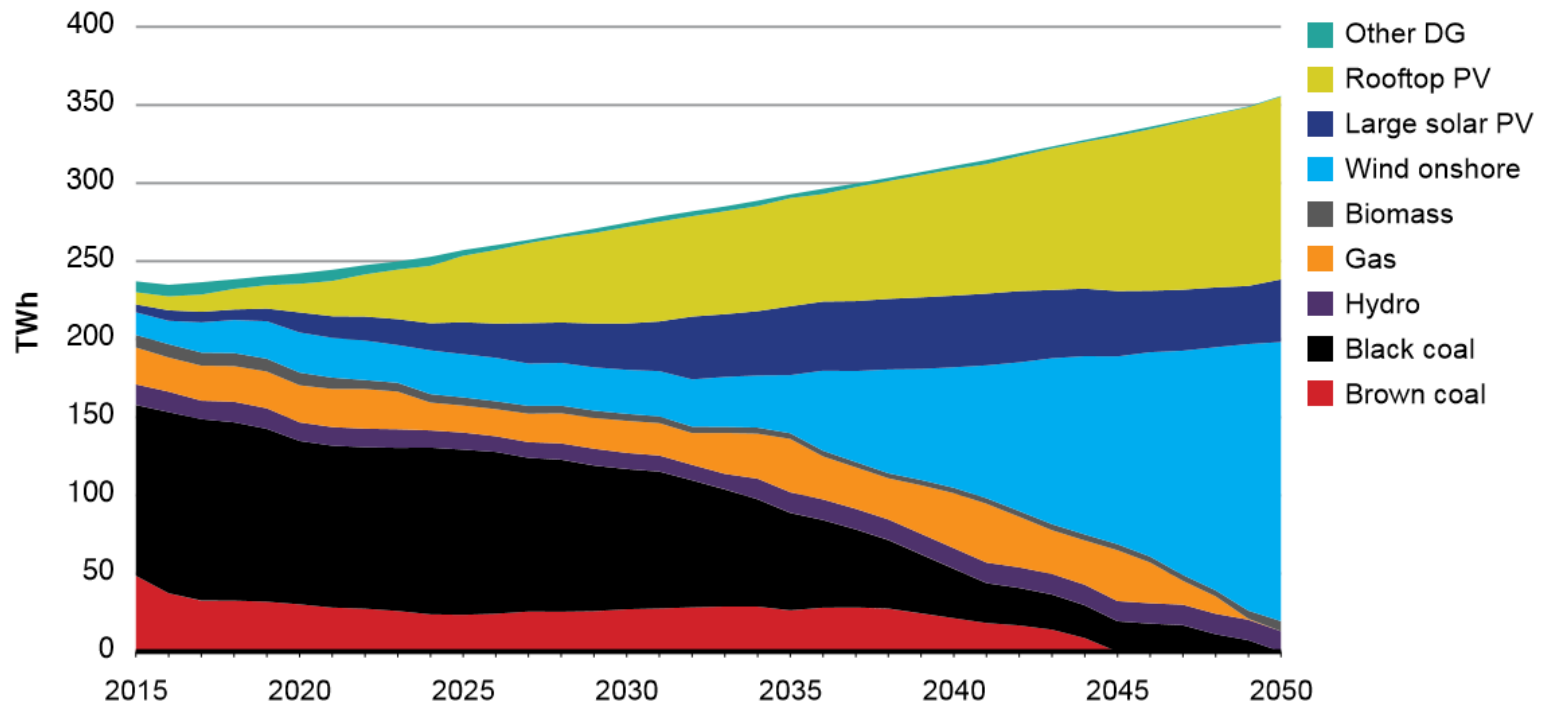
# 1. Why?

## Lack of Reserve Notices



# 1. Why?

Electricity Output by Generator Type to 2050



## 2. Initial Design

A requirement on market customers

- A percentage of load must provide dispatchable and/or flexible capacity; AND
- Load must be at a certain average emissions level

Requirement to be met through contracts

## 2. Initial Design

### Emissions Target

- Consistent with the Paris Agreement – out to 2030
- 26-28% emissions reduction on 2005 levels by 2030

### Reliability Requirement

- Dispatchable resource requirement
- Responsive to operator request to increase / decrease their output over some time interval
- Necessary for both security and reliability



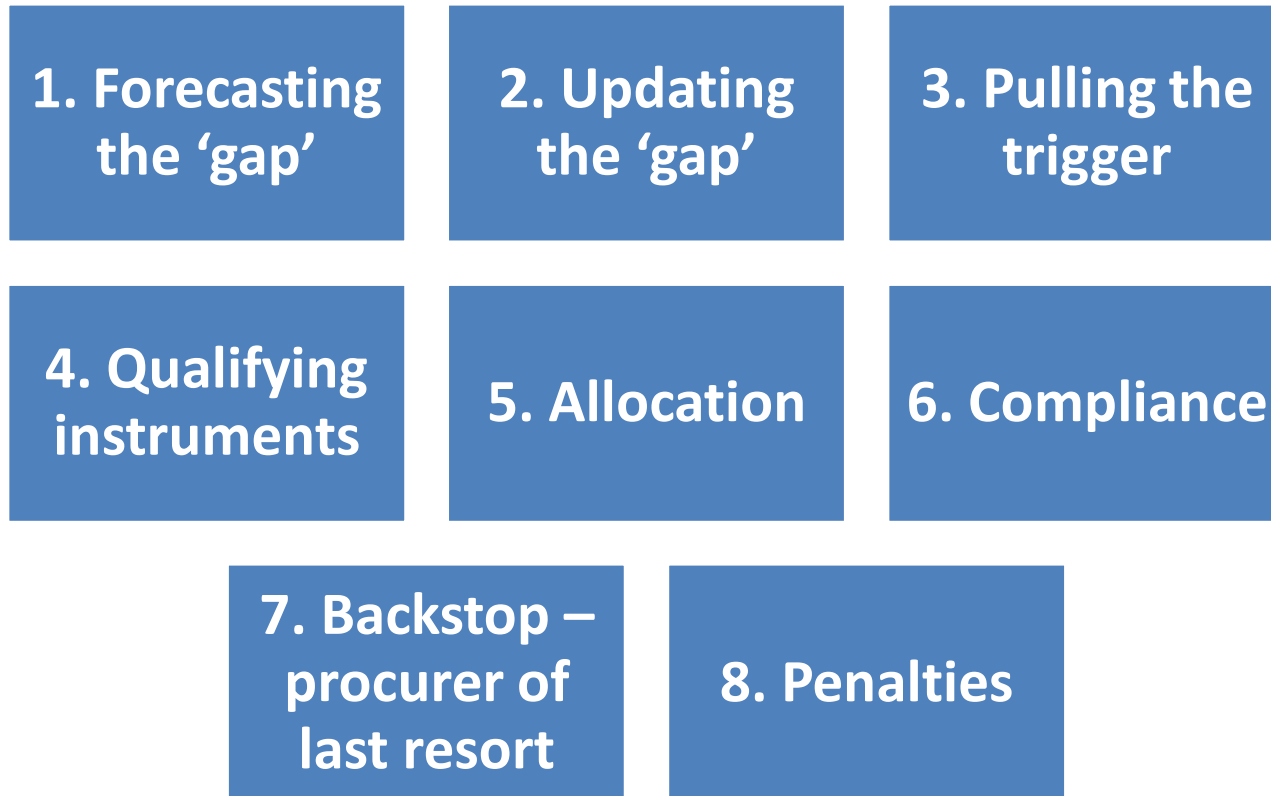
## 2. Initial Design

Modelling suggested that this approach would:

- Reduce emissions
- Retain reliability
- Improve affordability

# 3. Consultation

## National Energy Guarantee 8 Steps to a reliable energy supply



# 3. Consultation

## COMMONWEALTH EMISSION RESPONSIBILITIES

### Targets

- A coordinated approach for Australia's international emissions reduction commitments

### Emissions-intensive trade-exposed activities

- Maintain the international competitiveness of Australian businesses

### Offsets

- Determine the role of offsets under the Guarantee

# 4. Next Steps

## Issues Raised

### Reliability

- Competition, market power and liquidity
- Long term investment incentives – too strong? Insufficient?

### Emissions Reduction

- Strong Support
- Contract approach complex?
- Banking and borrowing flexibility
- Complexity of reporting

More detailed design for COAG Energy Council consideration in late April.