



What energy users want from the National Energy Guarantee

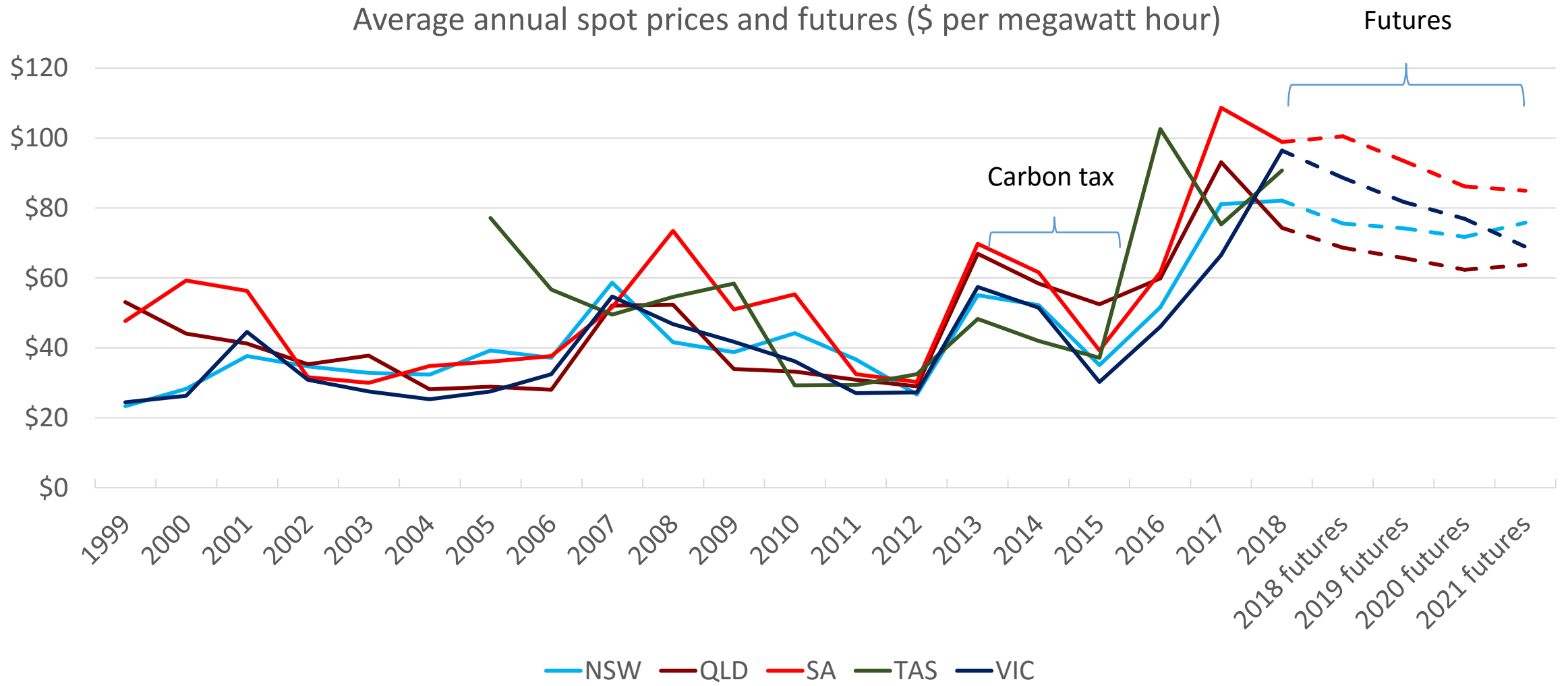
AIE NEG Forum
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Overview

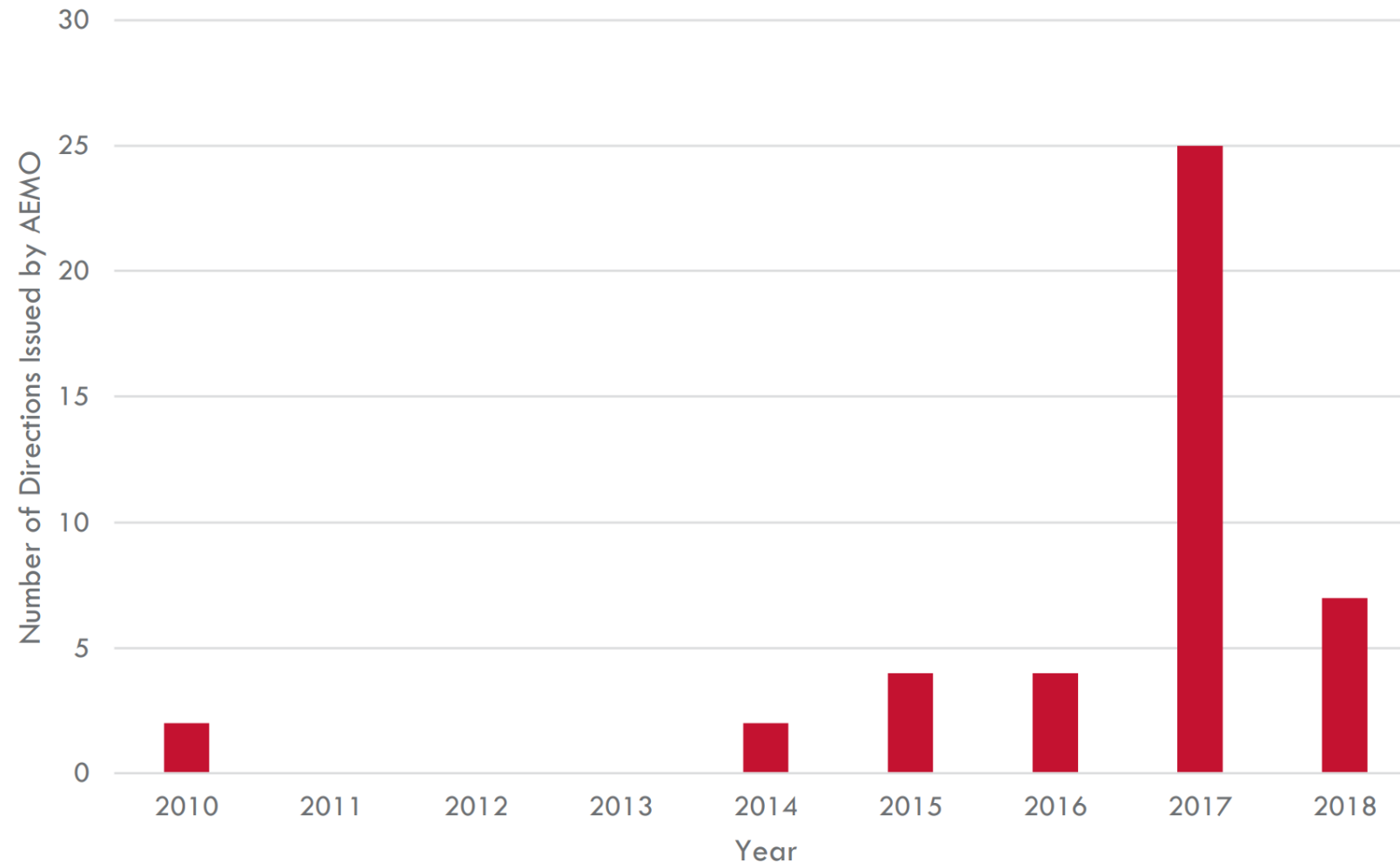
1. The energy status quo is bad
2. We need an outcome (but not just any outcome)
3. Guarantee design options
 - a) Maintaining competition
 - b) C&I issues
 - c) Offsets
4. Getting to a deal

The energy status quo is bad: prices



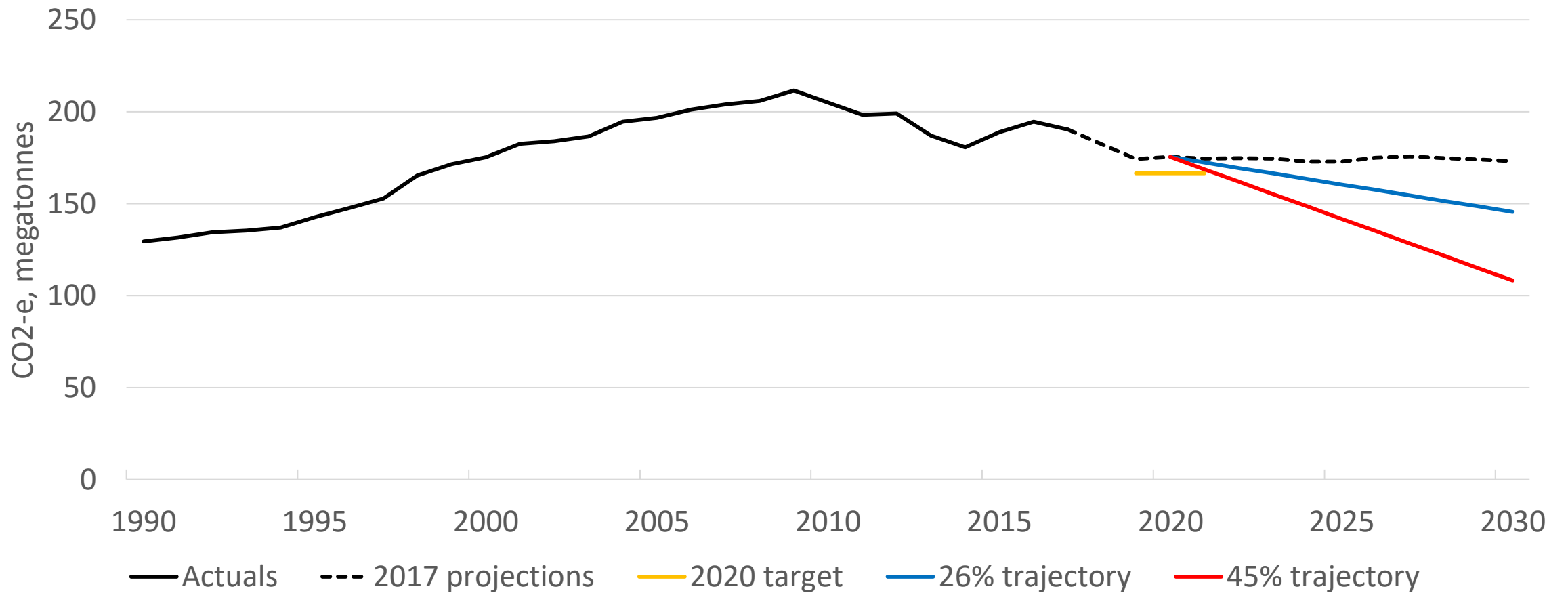
The energy status quo is bad: reliability & security

Number of AEMO directions in the NEM since 2010



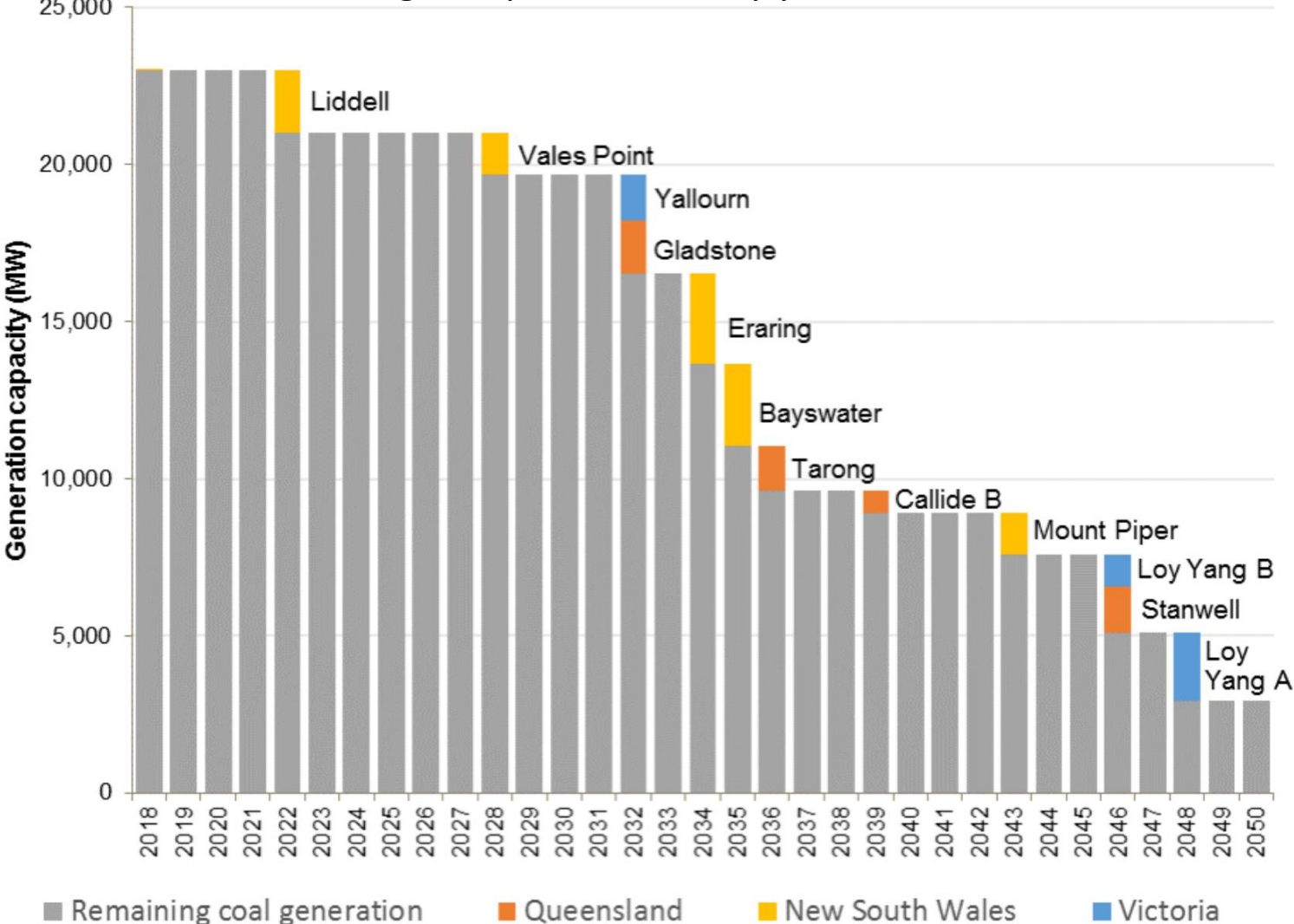
The energy status quo is bad: emissions

Electricity sector emissions - actuals, projections, targets

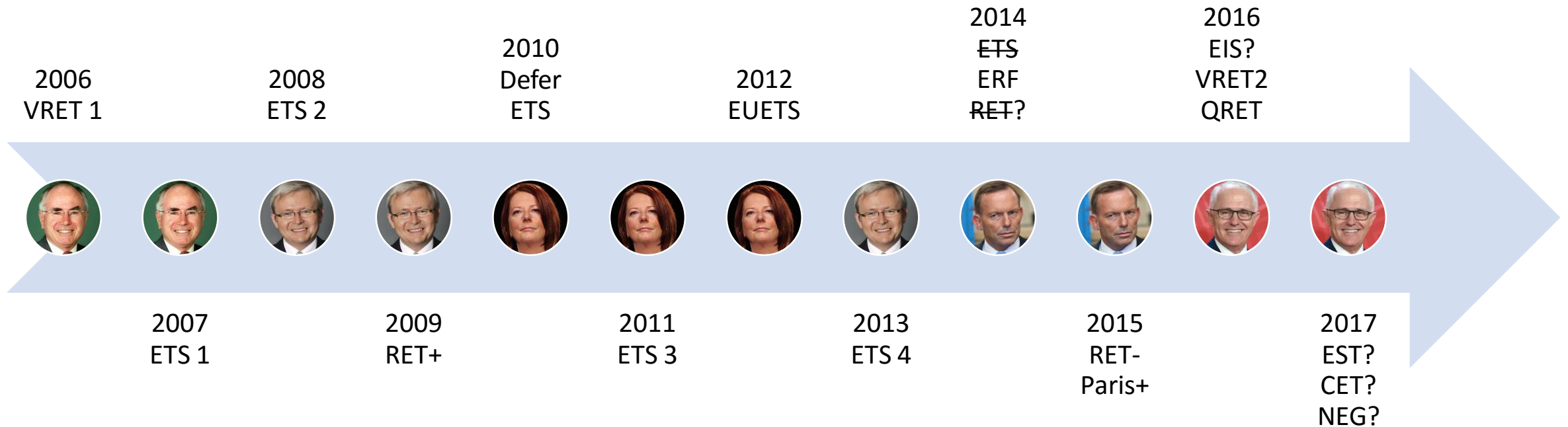


We need an outcome: old plants will close

When do existing coal plants turn fifty years old?

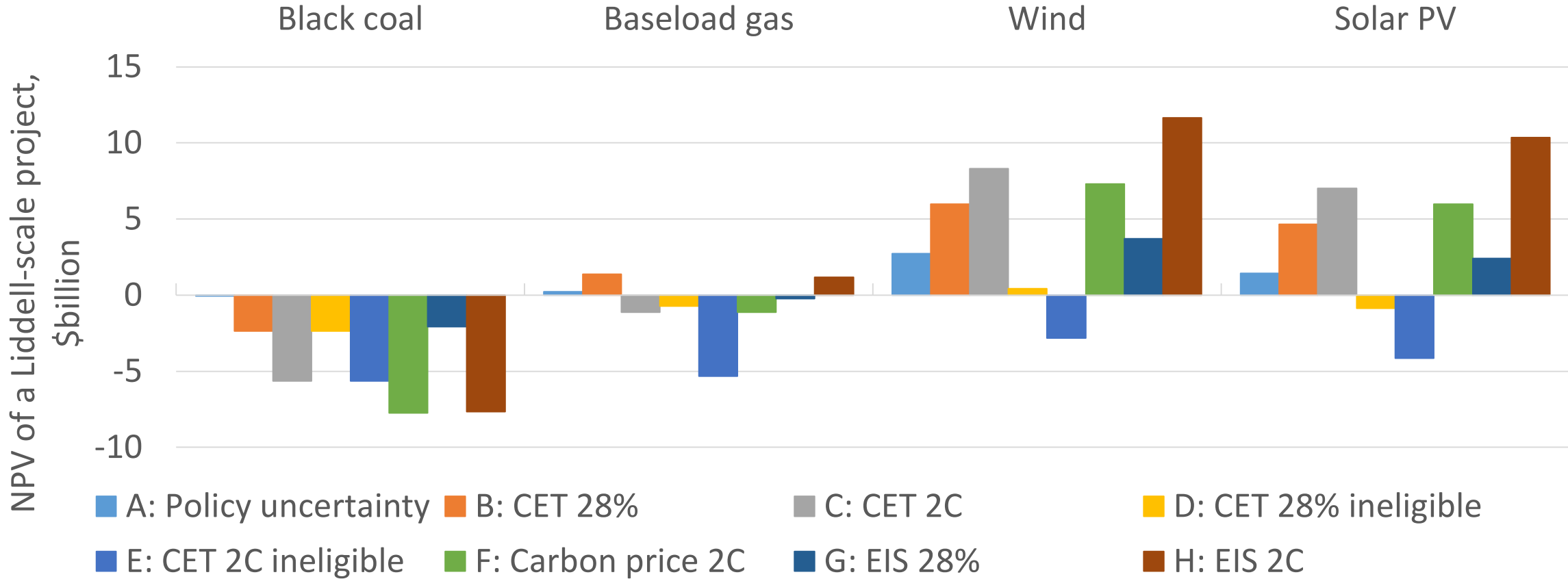


We need an outcome: policy has been a mess



We need an outcome – policy specifics matter for investment

Investment value varies hugely with policy



Guarantee design options: maintaining competition

- Serious fears about damaging competition have answers:
 - Emissions Obligation: 3.3.2 contracts
 - Reliability Obligation: qualifying financial instruments

Guarantee design options: C&I issues

- Proposal that large users manage Reliability Obligation directly
 - Pro: potential for cheaper management, longer contracts
 - Con: compliance costs
- Maybe!
- But maybe large user opt-in would work better

Guarantee design options: offsets

- Should international or domestic offsets be in Emissions Obligation?
- We like offsets (flexibility, cost control, quality)...
- ... but this is complicated (uncertainty, need for electricity investment)

Getting to a deal

- States and Feds must agree for NEG to happen
- Fed Gov and Oppo may need to agree too
- Stumbling blocks include:
 - Confidence in mechanisms (can be built)
 - Emissions ambition gap (can be bridged)
- There is room for constructive compromise
- More failure would be dire for energy users (and everyone)

Thank you

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