



7 August 2018

Investors call for ambition shortfall to be addressed in the National Energy Guarantee

Investors with over \$2 trillion in assets under management are calling for outstanding flaws in the design of the National Energy Guarantee to be addressed in order to establish much needed investment certainty.

Ahead of the meeting of the COAG Energy Council on 10 August, the Investor Group on Climate Change has outlined three key outstanding issues that should be addressed before focus shifts towards the implementation of the National Energy Guarantee.

“Investors have been looking for policy certainty on climate change and energy policy for over a decade. While the National Energy Guarantee has the potential to deliver this certainty, unless the framework actually supports credible emission reductions, then it fails the test of the energy trilemma”, said Emma Herd, Chief Executive Officer of the Investor Group on Climate Change (IGCC).

“As it currently stands, the National Energy Guarantee will support almost no new investment after the end of the Renewable Energy Target in 2020. This would represent a lost opportunity to build on the momentum in the shift towards low carbon electricity generation currently underway in the electricity sector. It will also increase costs for other sections of the economy who will have to pick up the shortfall”.

“Unless we get the emission targets right, the best design in the world won’t add up to a credible pathway forward”.

“The National Energy Guarantee is not our first choice of mechanism, but it does provide an opportunity for Australia to move forward. The framework must set out credible emission reduction targets aligned with our international commitments under the Paris Agreement to work. The current targets set out in the framework and the mechanism for adjusting these targets need to be addressed”.

IGCC calls on all parties to:

- Increase the emission reduction targets in line with the goals of the Paris Agreement to limit global warming to well below 2°C
- Provide further detail on an emissions target review mechanism and its ability to adjust emission reduction targets in response to changed market conditions
- Greater clarity on how the legislative implementation of the targets will accommodate the ability to scale up the emission reduction target.

“It is in no one’s interest to see the National Energy Guarantee fail. We are close to establishing a policy mechanism that has the potential to address the energy trilemma with broad political support. But the design of the Guarantee and the emissions reduction it delivers have to add up to a credible trajectory towards meeting the goals of the Paris Agreement, or we risk losing another decade to policy paralysis and the increasing costs of climate change”, said Herd.

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