What Could the NEG Mean for Mining’s Energy Strategy?

Energy and Mines Australia Summit

Louis Kent | 28 June 2018
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NEG overview

Architecture:

DIFERENT DEALS WITH DIFFERENT GENERATORS
Retailers choose the energy mix which is right for their state

Retailer A

- Dispatchable
- Emissions

Meet guarantee

Retailer B

- Dispatchable
- Emissions

Meet guarantee

Retailer C

- Dispatchable
- Emissions

Meet guarantee

NEG overview

• Settings
  • Emissions: 26% reduction in non-EITE emissions by 2030
  • Reliability: A strategic reserve, a day-ahead market and increasing demand response, modification of the Reliability and Emergency Reserve Trader (RERT) arrangements

• Impact on market
  • The settings have minimal if any impact, the structure though raises questions.
  • The reliability requirement could favour incumbent 'gentailers' and hinder renewable energy investment and innovative solutions to the challenges the industry is facing in the transition to a low carbon system.
NEG overview

Effectiveness:

• It is certain to achieve a 26% reduction in emissions!
  …but that isn’t beyond business as usual.

• It’s almost certain to achieve reliability!
  …but the ESB now agrees that there wasn’t really a reliability issue anyway.

• Labour support requires more ambition and flexibility, but this is likely to come at the expense of certainty.
Direct impacts

WA? – Nil

Off-grid mines? – Nil

Grid connected mines…

• Concentration of market power.
• Increased compliance costs and complexity.
• Reliability requirement.
• Ambition may be limited.
Indirect impacts

26% reduction?
- Insufficient

The impact on mining is two-fold:
- The electricity sector gets a free kick and industry has to do the heavy lifting.
- Abatement in the mining sector is higher cost.

Australia’s total and projected CO2-e emissions, compared with maximum (28%) and minimum (26%) Paris carbon reduction targets. Includes land use, land-use change and forestry emissions

Source: Department of the Environment and Energy 2018 • Get the data • Embed
Too pessimistic?

If you look at the NEG through the rosiest lens, you could say that it is potentially putting in place the architecture of an Emissions Intensity Scheme. But it would need to have the flexibility to have abatement ambition increase significantly and as soon as possible (not locked in until 2030) and even then - the issues of concentration of market power, administrative burden and hidden traps remain.
Taking stock...

So, should this influence your strategic energy choices?

We are left with uncertainty – how best to respond?

Look beyond the policies being argued in the papers.

Tony Abbott just compared efforts to curb climate change to 'primitive people once killing goats to appease the volcano gods'

SARAH KIMMORLEY

OCT 10, 2017, 9:51 AM
No-regrets options

Understand your business!

Do you know your energy consumption? Emissions profile? Efficiency and abatement options?

Efficiency

Renewables

Flexible energy strategy

Decarbonisation planning …but aiming for what?
Science-based targets

Emission pledges (NDCs)

Scenario categories
- >1000 ppm CO₂eq
- 720–1000 ppm
- 580–720 ppm
- 480–580 ppm
- 430–480 ppm

Historical emissions

Net-negative global emissions

Data: CDIAC/GCP/IPCC/Fuss et al 2014

RCP8.5
3.2–5.4°C relative to 1850–1900

RCP6
2.0–3.7°C

RCP4.5
1.7–3.2°C

RCP2.6
0.9–2.3°C
Science-based targets

How To Set A Science Based Target

1. Commit
2. Develop
3. Submit
4. Announce

www.sciencebasedtargets.org/
The bigger picture
What does all this mean?

Set long-term science based abatement targets.

Implement renewables and plan for their share to increase.

Electrify.

Start thinking beyond energy.

Cross your fingers that we dodge the bullet…