



## Climate Council of Australia

Submission to: AEMO Consultation on updates to the ISP  
Methodology

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## About the Climate Council

Climate Council is Australia's own independent, evidence-based organisation on climate science, impacts and solutions.

We connect decision-makers, the public and the media to catalyse action at scale, elevate climate stories in the news and shape the conversation on climate consequences and action, at home and abroad.

We advocate for climate policies and solutions that can rapidly drive down emissions, based on the most up-to-date climate science and information.

We do this in partnership with our incredible community: thousands of generous, passionate supporters and donors, who have backed us every step of the way since they crowd-funded our beginning as a non-profit organisation in 2013.

To find out more about the Climate Council's work, visit [www.climatecouncil.org.au](http://www.climatecouncil.org.au).

## Introduction and context

Australia's journey to net zero is only beginning. Over the next eight years to 2030, we will need to get on a steep trajectory of emissions reductions, with existing efforts ramped up significantly and quickly.

Climate Council welcomes the opportunity to make a submission on the *Consultation on updates to the ISP Methodology*. We acknowledge the work being done across AEMO and the Commonwealth to secure 82 percent renewable electricity by 2030, and accelerate and unlock investment in renewable energy transmission infrastructure and generation projects to advance this. But more action will be needed to drive the full decarbonisation of Australia's energy system. We can, and should, drive towards an electricity grid powered 100 percent by renewables by 2030.

There is much at stake and no time to lose. Global average temperatures have warmed by around 1.2°C and Australia is suffering significant losses from climate change with worse on the way. Extreme weather events – such as bushfires, floods, heatwaves and droughts – are happening more often, and are more severe. To avoid the worst climate impacts, global emissions must halve this decade with net zero reached in the early 2040s (Climate Council 2021). Australia is a wealthy country and among the worst polluting countries on a per person basis. We also have immense renewable energy resources, which means we can cut emissions faster. That is why Australia should aim to reduce our emissions by 75 percent (below 2005 levels) by 2030, and reach net zero emissions by 2035 (Climate Council 2021). Fully decarbonising the electricity system will play a significant role in achieving this level of emissions reduction.

Alongside the need to quickly reduce emissions, Australians are facing significant cost-of-living pressures that have been years in the making but have come to a head in the last 12 months. Wholesale electricity prices skyrocketed to all-time highs in the second quarter of 2022, with retail electricity prices following suit. Russia's war in Ukraine has driven the price of gas and oil sky-high with drivers paying more than \$2 a litre for petrol at its peak. These price rises are directly affecting the hip pocket of Australians and adding inflationary pressures to the economy, worsening the cost-of-living crisis.

Switching to renewable energy will permanently drive down power bills and keep them lower. The Australian Capital Territory is already sourcing 100 percent renewable electricity, and power prices in that jurisdiction *decreased* in 2022 while they were rising in all other states and territories. When the International Energy Agency analysed power prices during 2022 following Russia's illegal invasion of Ukraine, it found: "higher shares of renewables

were correlated with lower electricity prices” (International Energy Agency 2022).

We can and must tackle the climate, energy and cost-of-living crises simultaneously. By reducing Australia’s reliance on fossil fuels like coal and gas in our energy system, we can cut emissions while also delivering permanently lower and more stable energy prices.

## **Value of carbon emissions inclusion in methodology**

Climate Council supports the ISP Methodology being updated to proactively anticipate upcoming changes to the National Energy Objectives. In particular, we support the value of carbon emissions being included in AEMO’s cost-benefit analysis methodology.

The costs of adding to further harmful climate change, or inaction to address this, are essential considerations when comparing different scenarios and sensitivities. Furthermore, the inclusion of these impacts makes the actual costs and benefits involved in different types of energy system investment and transformation much more transparent for consideration by market bodies, investors, governments and the Australian community.

Climate Council recognises that adequate consideration of emissions in the ISP Methodology necessitates the inclusion of a scenario that is aligned with the temperature goal of the Paris Agreement (1.5°C) but which does not assume large amounts of hydrogen. While there is strong potential for renewable hydrogen to play a role in some aspects of Australia’s energy system, this technology is currently untested at the scale required and should be considered as just one possible transformation pathway for Australia. Climate Council therefore recommends that AEMO’s work also includes a Strong Electrification pathway scenario or sensitivity. This should consider the necessary investment required to deliver a Paris-aligned outcome based on primarily domestic action such as the deep electrification of homes, businesses and transport. As Australia moves forward with the transformation of our energy system, ongoing visibility of these ‘alternative futures’ is essential so that we can have a genuine dialogue about the opportunities and costs of each. AEMO’s role is to provide a clear evidence base as the foundation for this dialogue; it should not direct or constrain this by only presenting a subset of options which may be preferred or advocated for by some stakeholders.

## Recommendations

The Climate Council's recommendations are summarised below.

### Recommendation 1

Climate Council supports the ISP Methodology being updated to anticipate forthcoming changes to the National Energy Objectives.

### Recommendation 2

Climate Council recommends AEMO include further analysis on outcomes aligned with a 1.5°C temperature goal and which do not assume a large amount of hydrogen. Specifically, a Strong Electrification sensitivity or scenario.

## Conclusion

The decision to insert an emissions reduction objective into the National Energy Objectives sends a strong signal that Australia's decade of obstruction, delay and denial on energy transformation is over. This is a very welcome shift and Australians will benefit - now and in the decades to come - from the better decisions made when governments, market bodies and energy system participants face up to the realities of the climate crisis.

The transformation of our energy system will be complex and challenging, but it is also essential if we are to have any hope of avoiding the worst impacts of harmful climate change. We call on all involved in delivering this transformation to proactively embrace the new emissions reduction objective and lean in to this once-in-a-century shift in how we power the nation.

With the above in mind, Climate Council supports the ISP Methodology being updated to respond to these forthcoming changes and encourages ongoing presentation of a variety of future energy scenarios using this methodology. AEMO has an essential role to play in informing policy making and investment through this work.

## References

Climate Council (2021) Aim High, Go Fast: Why emissions need to plummet this decade.

<https://www.climatecouncil.org.au/resources/net-zero-emissions-plummet-decade/>

International Energy Agency (2022) World Energy Outlook 2022.

<https://www.iea.org/reports/world-energy-outlook-2022/executive-summary>