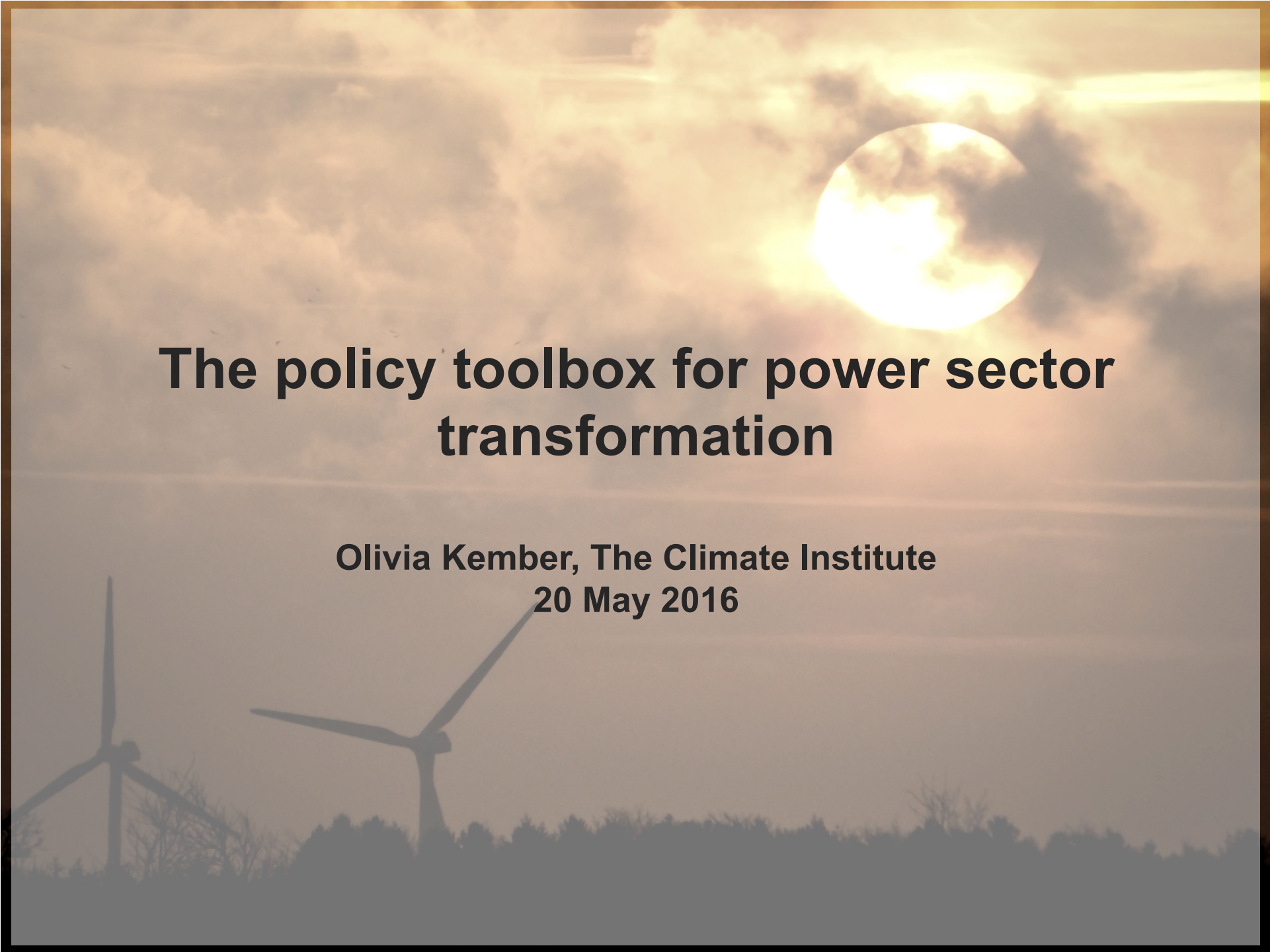
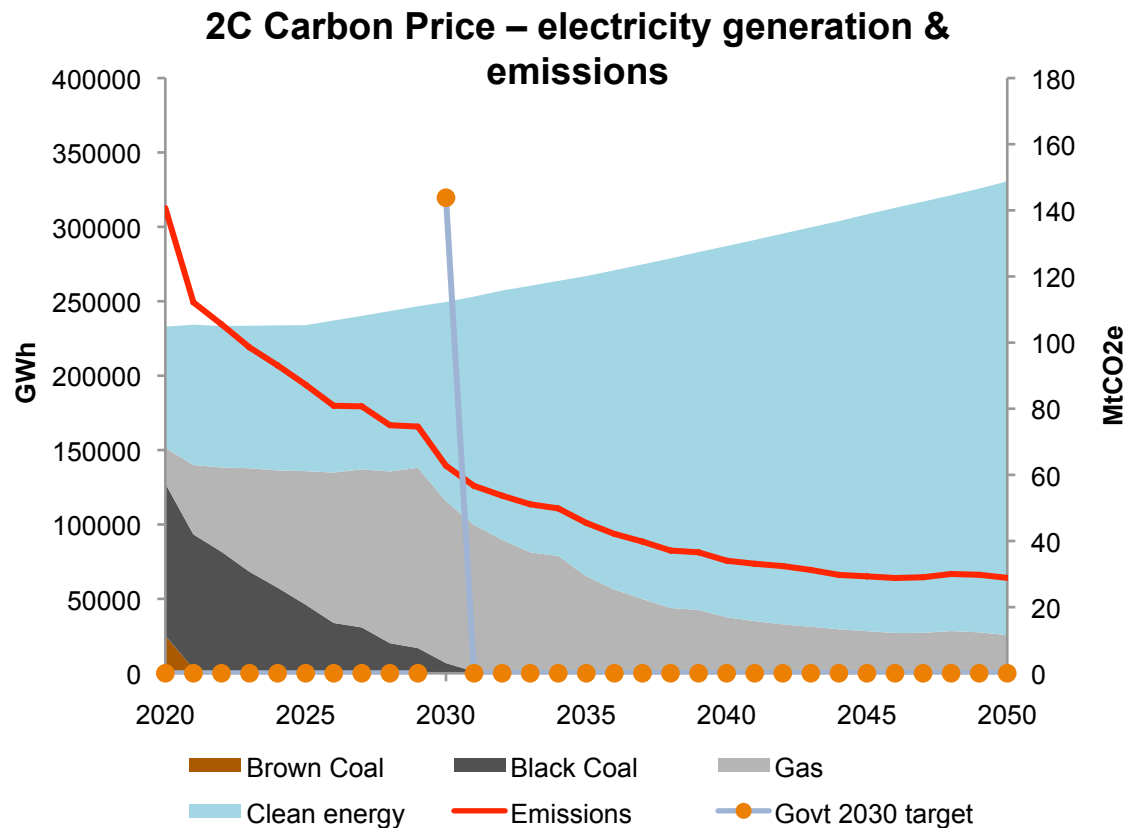




The policy toolbox for power sector transformation

**Olivia Kember, The Climate Institute
20 May 2016**

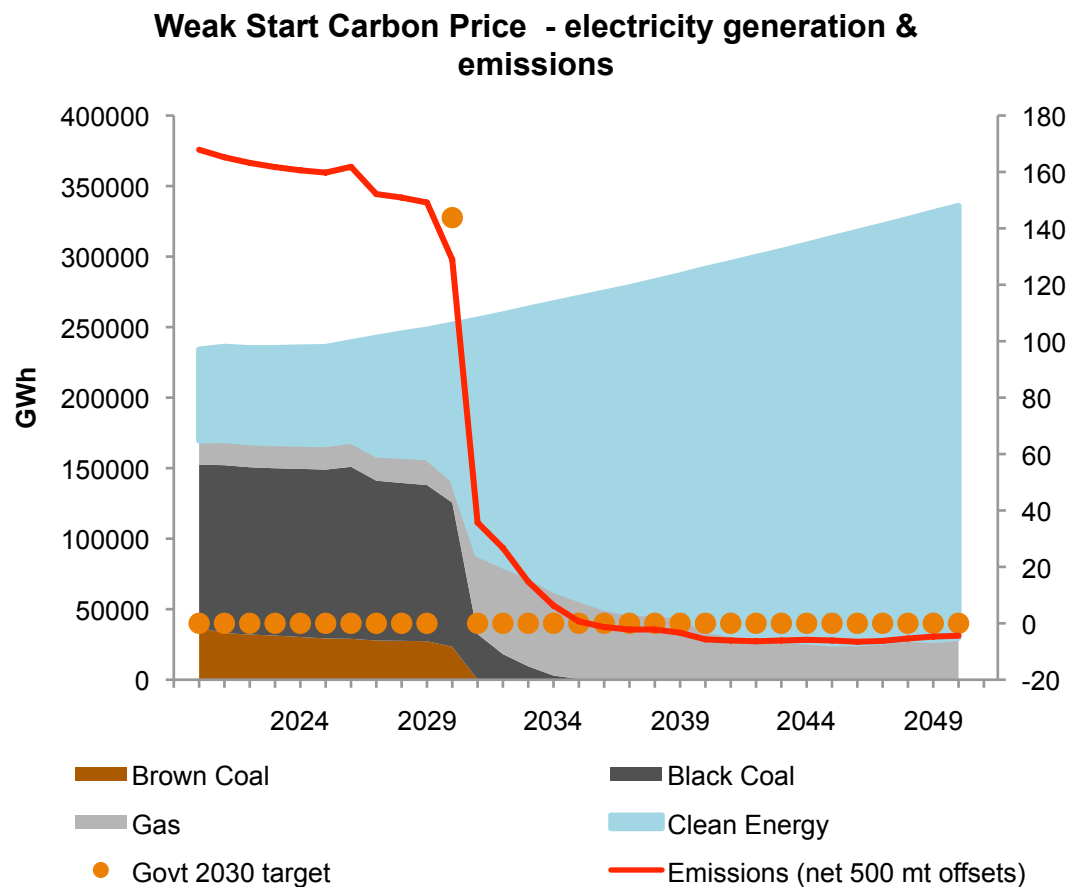
Traditional view of decarbonisation of diminishing use



- Primary tool is a carbon price
- Carbon price sends investment signal
- Smooth transition from coal to gas to renewables, CCS, possibly nuclear

None of these assumptions are holding up in the real world

Will a bipartisan market mechanism be too weak?



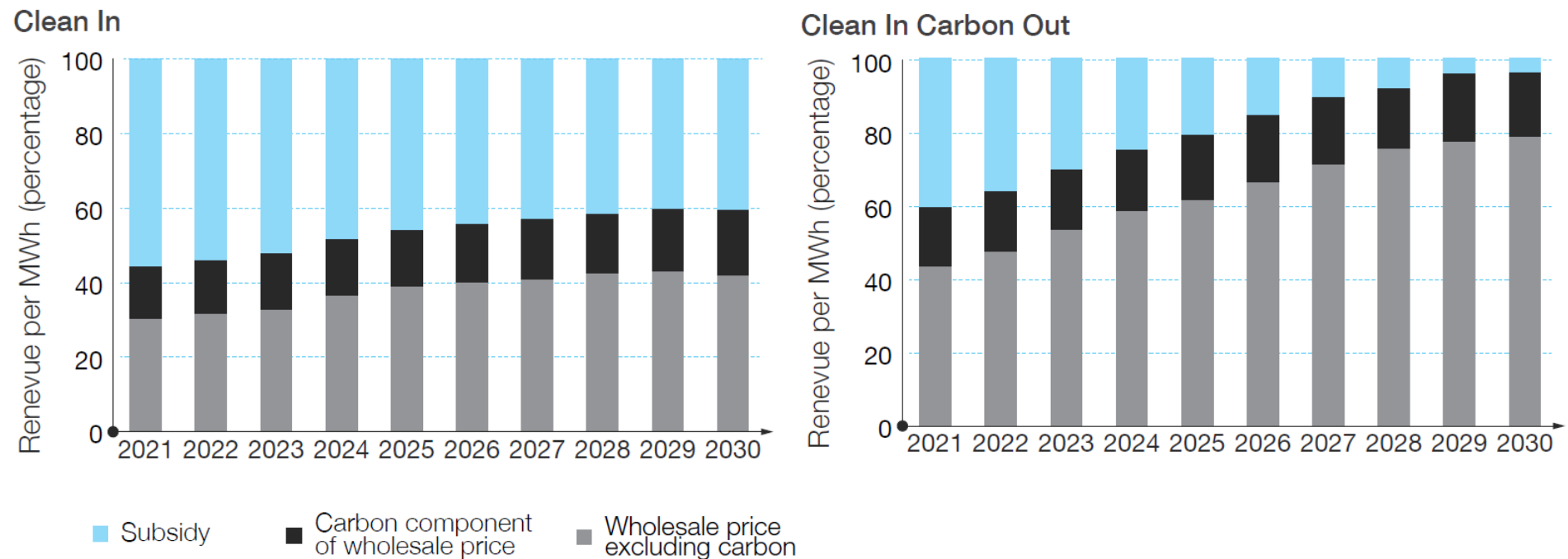
- Price ranges from \$15-40/tonne to 2030
- Minimal impact on market
- Hasty, disruptive shift to meet carbon constraints post-2030

Emissions in this scenario need to fall below zero and stay there

Coal generation blocks new entry and burns through carbon budget

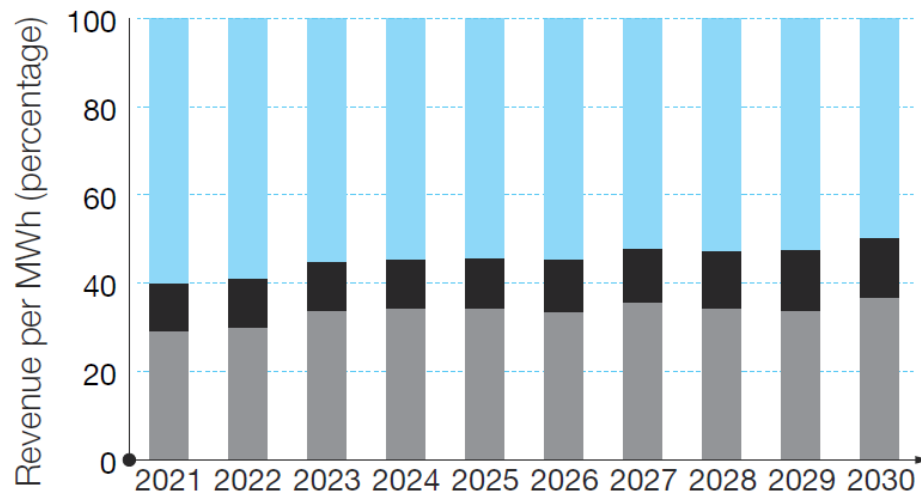
Multiple policies needed for stable investment basis

Figure 10.
Revenue share of clean energy investments across scenarios including a 50 per cent Clean Energy Target.

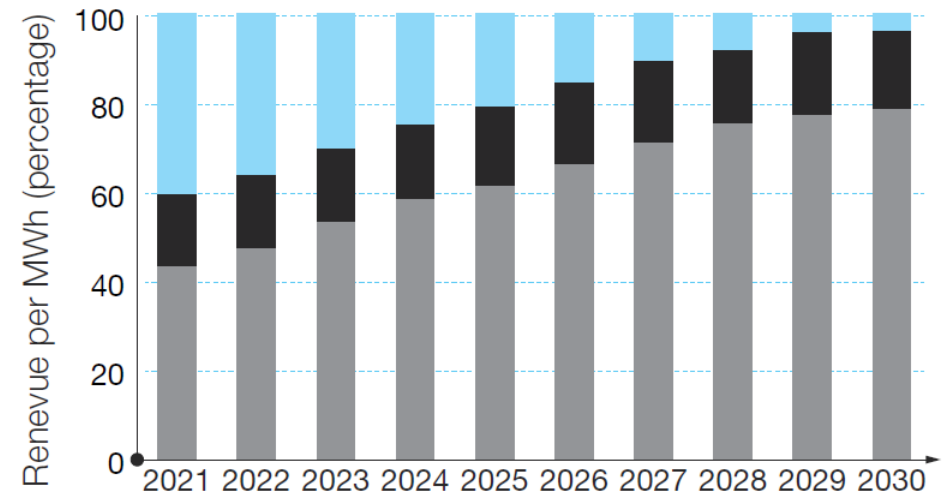


EE, distributed gen poses risk to large-scale investment

Low Demand Clean In Carbon Out



Clean In Carbon Out



■ Subsidy ■ Carbon component of wholesale price ■ Wholesale price excluding carbon

Policy recommendations

Australia's electricity sector needs:

- A **predictable pathway to net zero emissions** and a 1.5-2°C national carbon budget
- **Exit of existing high-carbon generators** over period to 2035
- **Replacement generation to be zero or near-zero emission energy**
- **Strategically deployed energy efficiency policies** to minimise costs to energy users and further reduce emissions
- Well-funded and well-planned structural adjustment package for communities affected by generator closure
- Carbon pricing architecture that can eventually provide a bankable signal for investment