

A BIPARTISAN RENEWABLE ENERGY TARGET: THE HUGE OPPORTUNITIES FOR AUSTRALIA



CLEAN ENERGY COUNCIL
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EXECUTIVE SUMMARY

A bipartisan deal on Australia's Renewable Energy Target (RET) has recently been reached between the Federal Government and Labor. This deal, once legislated, has the potential to unlock the significant potential of renewable energy, after a challenging year-long review of the RET.

The key points from this deal are as follows:

- The RET has been operating since 2001 and is already about halfway to meeting the revised 33,000 Gigawatt-hour (GWh) target for the Large-Scale Renewable Energy Target. A bit under 17,000 GWh of large-scale renewable energy is already being produced by the RET.
- While the 33,000 GWh compromise represents a cut in the amount of new large-scale renewable energy required by about 30 per cent by the end of the decade, it will bring major benefits to the Australian economy, particularly in rural and regional areas. The Small-scale Renewable Energy Scheme, which covers rooftop solar power and solar hot water, will continue unchanged.
- This revised target is expected to create more than \$10 billion worth of investment and more than 6500 new jobs in large-scale renewable energy alone. Including the economic benefits from the small-scale scheme, the total benefit expected is \$40.4 billion worth of investmentⁱ and 15,200 jobsⁱⁱ.
- To deliver the 33,000 GWh target will require approximately 6000 MW of new renewable energy capacity to be built by 2020. There are already projects with planning approval equating to approximately 6600 MW, covering wind, large-scale solar, hydro power and bioenergy technologies.
- Between 30-50 major projects are likely to be built in the next five years to meet the target, along with hundreds of medium-scale solar projects from commercial and industrial businesses looking to manage their own electricity production and consumption.

BACKGROUND

A bipartisan deal on Australia's RET was reached between the Federal Government and Labor on Monday 18 May 2015. The deal was a compromise brokered by the Clean Energy Council, following 15 months of lost investment confidence caused by the review of the policy.

Under the RET deal, the amount of new large-scale renewable energy in Australia will be reduced from the legislated 41,000 GWh target to 33,000 GWh by 2020. It has been agreed that there will be no changes to the Small-scale Renewable Energy Scheme (SRES). Reviews of the RET, which are currently legislated to occur every two years, will be removed.

This deal, assuming it is legislated in the coming weeks, means a return to work and a huge opportunity for an industry that has endured investment cuts of approximately 90 per cent in large-scale renewable energy projects such as solar and wind farms since the end of 2013 due to the ongoing uncertainty.

While this compromise represents a cut in the amount of new large-scale renewable energy required by about 30 per cent by the end of the decade, it will bring major benefits to the Australian economy, particularly in rural and regional areas.

More than \$10 billion worth of investment and more than 6500 new jobs are expected to be created in large-scale renewable energy alone. Including the economic benefits from the small-scale scheme, the total benefit expected is \$40.4 billion worth of investmentⁱⁱⁱ and 15,200 jobs^{iv}.

A NEW TARGET HAS BEEN SET FOR LARGE-SCALE RENEWABLE ENERGY OF 33,000 GIGAWATT-HOUR (GWH). WHAT DOES THIS MEAN?

The figure is a measure of the amount of power that will be generated by new large-scale renewable energy in 2020 through the Large-Scale Renewable Energy Target.

It is enough electricity to power the equivalent of at least 5 million average homes for a year.

The RET has been operating since 2001 and is already about halfway to meeting the revised 33,000 GWh target for large-scale renewable energy by 2020. A bit under 17,000 GWh of large-scale renewable energy is expected to be produced by the RET this year.

To deliver this much new renewable electricity will require approximately 6000 MW of new generating capacity to be built by 2020. There are already projects with planning approval equating to approximately 6600 MW^v. Not all of these projects will proceed to construction, while

many more projects are under development and expected to seek planning approval in the future.

Between 30-50 major projects are likely to be built in the next five years to meet the revised target, along with hundreds of medium-scale solar projects from commercial and industrial businesses looking to manage their own electricity production and consumption.

The revised RET will create approximately 6500 jobs and \$10 billion in investment will be created by large-scale renewable energy alone. Exactly which projects will get built depends on a number of factors, but there are likely to be projects built using a variety of renewable energy technologies across different states of Australia.

Key factors influencing the attractiveness of a particular project include the strength of the renewable energy resource, access to the electricity grid, the demand for energy and wholesale cost of energy in a particular region, and the planning process and local community sentiment. The behaviour of liable parties under the RET is also important in determining which projects and when these projects would be built to achieve the annual targets.

The RET encourages the cheapest renewable energy technology to be built. The renewable energy industry will continue to advocate for a renewable energy target that continues to increase beyond 2020 to ensure there is a commercial market for those exciting technologies of the future, as they mature and become more cost-competitive.

The majority of the current target is likely to be met by wind and solar, along with projects in hydro power, bioenergy and potentially a limited number of marine and geothermal projects.

More than 50 new solar power systems were installed in 2014 that were over 100 kW but less than 1 MW and therefore eligible under the large scale part of the RET. This is the size range typically favoured by major commercial operations. Six of these commercial solar power systems were over 500 kW. These projects tend to have shorter lead times than large-scale power plants, and we can expect that the bipartisan deal on the RET will deliver many more of these projects into the future.

WHAT DOES THIS MEAN FOR ROOFTOP SOLAR AND SOLAR HOT WATER?

The deal means no changes to existing support for rooftop solar power and solar hot water through the RET. More than 2.3 million of these small household renewable energy systems have been installed by households across the country, as well as tens of thousands of businesses.

Small renewable energy systems are treated differently to big projects under the RET. The scheme provides an up-front rebate for households and businesses installing systems up to 100 kilowatts in size, with the level of support stepping down gradually until the end of the scheme in 2030.

This helps homes and businesses take control of their power bills using renewable energy.

The RET provides employment for thousands of solar installers, as well as solar hot water manufacturers, sales and office staff and much more.

HOW DIFFICULT WILL IT BE TO MEET THE TARGET?

Most experts agree that the revised 33,000 GWh target is entirely achievable, particularly given that there are already enough projects with planning approval to meet it. The government's own Warburton Review concluded that even the legislated 41,000 GWh target could be achieved.

Efforts by state governments to provide additional support for technologies such as large-scale solar may also lead to more projects being built, such as has occurred in the ACT recently.

Examples of the companies that have already declared that a return to bipartisanship will help to get their projects moving are as follows:

Solar Choice says the deal is good news for its \$1 billion solar farm on Queensland's Darling Downs. The company has said it will deliver hundreds of megawatts of new generating capacity in the first stage of the project.

Westgen has said that meeting the target will be easy, and the company has a solar farm on the outskirts of Perth and a bioenergy plant in the works.

FRV says it is pleased a deal has been reached and is progressing a 150 MW solar power plant at Clare in Far North Queensland.

Wind turbine specialist **Senvion** says its CERES wind farm on South Australia's Yorke Peninsula is looking 'more buoyant'. The project is expected to deliver approximately 500 construction jobs and just under 200 wind turbines.

Conergy has approximately 35 megawatts of large-scale solar that will proceed following legislation of the bipartisan RET deal.

CWP Renewables plans to proceed with its Sapphire Wind Farm in the New South Wales Northern Tablelands region. The shovel-ready project has state and federal approval and good community support, and it will feature up to 159 turbines.

BENEFITS FOR REGIONAL COMMUNITIES

Like any infrastructure project, renewable energy creates economic benefits for local communities surrounding the projects.

During the construction phase, renewable energy projects provide employment for local workers, as well as a boost for local shops, contractors, equipment suppliers, accommodation providers, restaurants, cafes and much more. Renewable energy projects also provide ongoing jobs in operations and maintenance.

Renewable energy companies are committed to sourcing labour and equipment locally wherever possible, maximising the benefit to local communities. Renewable energy projects typically offer some kind of scheme to deliver additional benefits for locals, from community benefit funds to a chance to invest in the project.

Wind farms pay income to farmers for hosting wind turbines, providing an additional source of income that can help them make it through droughts or lean periods.

ⁱ The \$30.4 billion figure for investment under the Small-scale Renewable Energy Scheme is based on modelling by ACIL Allen for the Warburton Review of the Renewable Energy Target. \$10 billion of investment is expected under the Large-scale Renewable Energy Target, according to expert analysis by the Clean Energy Council.

ⁱⁱ Based on modelling by ROAM Consulting and additional analysis by the Clean Energy Council.

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^{iv} Based on modelling by ROAM Consulting and additional analysis by the Clean Energy Council.

^v Clean Energy Council database