



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

**RENEWABLE ENERGY (ELECTRICITY)
AMENDMENT BILL 2010**

**RENEWABLE ENERGY (ELECTRICITY)
(CHARGE) AMENDMENT BILL 2010**

**RENEWABLE ENERGY (ELECTRICITY)
(SMALL-SCALE TECHNOLOGY
SHORTFALL CHARGE) BILL 2010**

Second Reading

SPEECH

Wednesday, 26 May 2010

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Sidebottom, Sid, MP

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Mr SIDEBOTTOM (Braddon) (11.34 am)—Before I go into substance on the Renewable Energy (Electricity) Amendment Bill 2010 and cognate bills, I remind the member for Flinders of two things. Firstly, apart from the former government's introduction of the mandatory renewable energy target legislation in 2001 the coalition's actual record on renewable energy is pathetic. No amount of rhetoric from the member for Flinders will change that, and I will allude to examples of it in the body of my speech. Secondly, to suggest that the coalition have a comprehensive climate change policy under a leader that regards climate change as 'crap'—excuse the expression; it is not mine but it is his—is absolutely laughable. I know that you would feel that deeply, Mr Deputy Speaker Washer.

What I would like to do in terms of this legislation is to offer a narrative about the importance of renewable energy in Australia, particularly in my home state of Tasmania, and I would like to narrow that even further to the north-west coast and the west coast of Tasmania, in my electorate of Braddon. I would like to offer a narrative about the ups and downs of what I hope will be an exciting, expanded industry once all parties have agreed on policies that will allow the industry certitude. If one thing is true—you would know about it if you had listened to the member for Flinders and me in this place over a decade—it is that there has been no certainty for this important industry, and until now there is none for the future. That has been a sad legacy of policy development on both sides.

I am pleased that this legislation is now before us, and I was very pleased to hear that the member for Flinders will be offering bipartisan support for this policy, because this industry needs the certitude to go forward. This legislation is the means to allow the industry to make its investment decisions for the future. Along with the industry, I hope that the industry is allowed to get on with that.

Mr Deputy Speaker Washer, since the passage of the original mandatory renewable energy target in 2001, as you would remember, the large-scale renewable energy industry in Australia has been characterised by boom-bust cycles driven, as I have mentioned, more by the vagaries of government policy and policies than any other factor. In 2001 the 9,500 megawatt hour target inspired both home-grown companies such as Hydro Tasmania and international companies such as

Vestas to invest significant dollars in developing clean, green power stations in regional Australia. The policy showed the pent-up demand for renewable energy was effectively filled by 2004—that is how much demand there was. The mandatory renewable energy target review in 2003 rightly recommended an expansion of the target between 2010 and 2020, but when this was not adopted by the Howard government—and I was staggered by the announcement—it had a major impact on the growth of the industry in Australia, which the member for Flinders so conveniently forgets to narrate. For example, Hydro Tasmania formed a partnership with China Light and Power to develop projects in China—not in Australia, in China—through Roaring 40s. In my own region, Vestas closed its factory in Wynyard and the potential for a wind blade manufacturing plant went cold, stone dead. It pulled the industry up in its tracks. The former government was not truly interested in renewable energy.

Interest in the industry picked up again in 2006-07 when the Labor opposition, now the government, proposed an expanded renewable energy target policy and, with the new government coming into power, the industry ramped up its efforts again. Unfortunately, due to the vagaries of policy shifts and changes, the toing and froing across this chamber and between the parties on the grander issue of climate change, and renewable energy as part and parcel of the solution to that, the investment certainty which we hoped would be there was not.

The concern within the industry about the uncertainty generated by the boom-bust cycles is clearly illustrated by the recent announcements from companies such as AGL, and Pacific Hydro in particular in relation to the Macarthur Wind Farm in south-west Victoria, emphasising that the billions of dollars of investment in renewable energy projects across Australia will not proceed without an effective and well-structured supportive policy, and that is exactly what this amendment is designed to provide. That is why it is absolutely crucial, irrespective of the rhetoric on both sides and perhaps different narratives, that this legislation is passed. Certainty is critical for any business to flourish and grow. It is a self-evident fact and it is very difficult for any sector to develop successfully over time when the rules of the operation change in the short term. Investment decisions by manufacturers, developers and financiers all require

long-term certainty that will enable them to invest scarce capital with the expectation of receiving an adequate return.

One of the characteristics of renewable energy is that suitable sites for large-scale development, whether wind, solar or geothermal, tend to be in more remote areas away from existing urban, commercial and industrial areas. Examples include the Woolnorth wind farm in the far north-west of my electorate, the geothermal reserves in the Cooper Basin in South Australia, or the Solar Oasis project solar site at Whyalla also in South Australia. As a result, investment in renewable energy projects means investment in regional Australia, with significant flow-on benefits to the local communities in those regions.

In 2009 the Climate Institute commissioned energy sector consultants McLennan Magasanik Associates to assess the potential contribution of renewable energy to regional employment in Australia. The results, according to the Climate Institute, showed that \$31 billion of renewable energy investments are underway or planned in rural Australia, which could create 26,000 jobs. This includes almost 2,500 new permanent positions, over 15,000 construction jobs, and more than 8,600 indirect jobs in supporting sectors. According to the institute, these are not pie-in-the-sky figures, but refer to real projects and real plans. McLennan Magasanik Associates also suggest that 30 per cent of the total investment would be spent on local goods and services, injecting around \$10 billion into those regional areas.

In addition to these specific regional benefits, investment in renewable energy projects producing clean electricity could bring significant benefits to the wider environment and to public health through the reduction in greenhouse gas emissions and other pollutants with corresponding reductions in the costs of a degraded environment and ill-health. It is a recipe for the future, a recipe for good health, a recipe for an expanded economy. It is a great recipe for regional Australia.

What does it mean now? Until this legislation before us, the uncertainty over the RET, with the inclusion of the small-scale solar technologies unfortunately causing the price to tumble to around \$27 in October 2009, meant that very few renewable energy projects have moved forward from development into construction over the last 12 months or so.

Notwithstanding that the announcement of the RET restructure in February 2010 pushed the REC price up to around \$45, the trend has subsequently been a drift down towards \$42—and projects need a price of around \$50 to be financially viable. Until we get this legislation through, developments will continue to

languish. The critical importance of the restructured RET in the legislation before us, with its separation of support for small-scale and large-scale renewable energy, has been clearly highlighted by comments from the CEO of AGL, Michael Fraser, who said:

Following the deferral of the introduction of the Carbon Pollution Reduction Scheme, stability and certainty are not the first words that come to mind in relation to investors viewing the Australian power generation sector. The RET reforms are an important way of restoring this confidence. The consequences of these reforms not being legislated before a Commonwealth election are a loss of investment, a loss of jobs, and a stalling of investor confidence.

That is why I was very pleased that the member for Flinders said that those opposite would support this legislation.

What does it mean for my home state of Tasmania? Tassie is blessed with world-class renewable energy resources; indeed, we are the renewable energy capital of Australia. These resources range from the water resources that have been effectively harnessed for hydropower generation for many years, through the proven wind resources of the roaring forties, to the potential for geothermal and tidal/wave power generation. However, although there are a number of proposed wind projects in Tassie, these projects will not be able to take advantage of the world-class wind resources without the REC price certainty that this amending legislation will bring.

In the north-east corner of Tasmania, Hydro Tasmania and the Roaring 40s company have poured millions of dollars into the proposed Musselroe wind farm over the years. Unfortunately, the boom-bust cycle of the industry has constrained its construction. Despite preliminary construction starting in 2009, it is once again stalled by the low price of RECs and policy uncertainty preventing the project from securing financing. Successful passage of the legislation before us is likely to secure the project, bringing a \$400 million capital injection into the local area and delivering high-quality Tasmanian jobs in construction, engineering and environmental services. It is estimated there will be over 200 direct jobs during the construction phase, 30 full-time jobs managing the wind farm into the future, and many more indirectly.

In central Tasmania, NP Power, a private company, is seeking to develop the Cattle Hill wind farm at Lake Echo, with a DPEMP anticipated to be submitted to the Environment Protection Authority within the next few weeks. The project, worth over \$500 million, could inject over \$150 million into the local economy, with a similar number of jobs to the figures I mentioned for Musselroe. The current program suggests site preparation for construction could commence this year,

but this is dependent on the successful passage of the legislation before us.

Meanwhile, in north-west Tasmania, in my neck of the woods, the landowner of Robbins Island is working with Eureka Funds Management to establish a wind farm on the island to take advantage of the world-class wind resources in the area. The landowner has been trying to get the project off the ground since the early 2000s, but so far this has been stymied by the boom-bust cycle of the industry, which I have mentioned several times in this debate and, indeed, over the last decade in this place. Eureka Funds Management is seeking to bring superannuation investors into the project, but these are naturally conservative players who need long-term certainty before committing to that investment. The project on the island—and I have been on the island, off the beautiful Circular Head coast, a couple of times—would probably be worth in excess of \$1 billion, injecting \$300 million into the local economy and bringing valuable jobs to an area which has been hit hard with recent job losses in the food and forestry industries. However, this is largely dependent on the successful passage of the Renewable Energy (Electricity) Amendment Bill 2010 that is before us.

In conclusion, I urge all those in this place to match the rhetoric of support for renewable energy with support for this legislation, giving certainty to those in this sector of the energy industry which I believe has often been treated in a very tokenistic manner. They do not have the clout of the major fossil fuel energy producers and do not get the advocacy in this House. It is quite clear from most of the conversations taking place in this House, both on current legislation and policy and on the CPRS and other pieces of legislation, that they do not carry that advocacy or that clout. But their contribution to lowering our greenhouse gas emissions and reaching proper emissions targets into the future is absolutely vital both to this country's contribution globally and, most importantly, to our community and future generations. I strongly support this legislation. I look forward to all those opposite supporting this legislation and giving certainty to an industry that has been crying out for it for some time.