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**Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia**

By email: community.affairs.sen@aph.gov.au

9 February 2010

Dear Committee,

Re: The Social and Economic Impact of Rural Wind Farms

AGL Energy Ltd (AGL) welcomes the opportunity to make a submission to the Senate's Community Affairs References Committee Inquiry into the Social and Economic Impact of Rural Wind Farms.

1. Introduction

As Australia's leading investor in renewable energy in Australia, AGL is well placed to comment on this Committee's Inquiry. AGL operates across the supply chain and has investments in coal-fired, gas-fired, renewable and embedded electricity generation and electricity retailing. AGL is Australia's largest private owner, operator and developer of renewable generation in Australia. To date, AGL has invested well over \$2 billion in renewable energy. The diversity of this portfolio has allowed AGL to develop a detailed understanding of the risks and opportunities presented by climate change-related policy.

AGL is a unique participant in the Australian renewable energy industry, with interaction spanning three aspects:

1. Liabe entity under the Renewable Energy Target (RET) Scheme – each year AGL must acquit sufficient numbers of Renewable Energy Certificates (RECs) to meet its obligation under the RET, as determined by the quantity of liable load in MWh sold, and the Renewable Power Percentage (RPP) for that year.
2. Small scale renewable energy technology installer – through AGL Assist and the AGL branded dealer network, AGL installs a range of small scale renewable energy generation, including solar PV, and onsite renewable technologies such as solar hot water systems.
3. Large scale renewable energy developer and operator – AGL has the largest privately owned/or operated renewable energy portfolio in Australia, comprising approximately 1,080MW of installed capacity. A further 540MW is under construction, and some 2,000MW is under consideration. These interests span a range of technologies including wind, hydro, solar and geothermal.

2. AGL Windfarm developments

AGL currently operates the Hallett Wind Farms in South Australia. The Hallett 1 (94.5 MW), Hallett 2 (71.4 MW) and Hallett 4 (132 MW) wind farms are in operation; Hallett 5 (52.5 MW) is under construction; and Hallett 3 (69 MW) is in development.

AGL and Joint Venture partner Meridian Energy have begun construction of a 420 MW wind farm at Macarthur in Victoria's south west at a total capital cost of \$1 billion. On completion in early 2013, the Macarthur Wind Farm will be the largest wind farm in the southern hemisphere, and one of the largest wind farms in the world.

Direct construction expenditure in the Macarthur region is estimated to be approximately \$245 million between 2010 and 2013, with regional construction expected to add about 1.5% to the Gross Regional Product in 2013. There will be ongoing employment for about 30 full time staff for 25 years following construction.

In addition, AGL and Meridian will jointly establish the Macarthur Wind Farm Community Fund which will operate for the construction phase of the wind farm. Through this \$100,000 Community Fund, AGL and Meridian aim to bring positive benefits to the local community through grants that enable the broader community near the wind farm to participate in the benefits the project will bring.

In terms of other wind farm developments, AGL is also currently constructing the 67 MW Oaklands Hill Wind Farm which is located 5km south of Glenthompson, also in western Victoria.

AGL also operates (but does not own) the Wattle Point Wind Farm in South Australia, which is located near Edithburgh. That wind farm consists of 55 wind turbines with a total capacity of 90.8 MW.

3. Economic and Social Benefits

AGL believes that the wind energy industry is very significant to the economy of Australia, and particularly regional Australia. Wind energy jobs are created through the development, construction and ongoing operation of wind farms, which in turn continue to develop Australia's clean technology skills base in a competitive global market.

The benefits of wind farms to a local region are not confined to the initial investment in the project. They also provide a reliable income for landowners, direct employment opportunities for locals and flow-on employment for local businesses through provision of products and services to the project and its employees.

An independent study commissioned by AGL in 2010 confirmed that the regional economy in South Australia benefited greatly from the construction and operation of AGL's Hallett group of wind farms. A copy of that report is found at **Attachment A** to this submission.

The comprehensive study, prepared by consultants Sinclair Knight Merz (SKM), investigated the economic impacts that AGL's Hallett wind farm projects have had on the mid-north region of South Australia, encompassing the Regional Council of Goyder, Northern Areas Council and Clare and Gilbert Valley Council areas.

This study provided a real insight into the economic benefits these projects have provided, particularly in terms of boosting local businesses and creating employment. For instance, it found that for every job created directly by the wind farms, at least three further jobs are created indirectly.



Findings of the report include:

- \$800 million has been spent on the Hallett projects to date;
- This includes \$88 million which has been spent directly in the region developing and constructing the wind farms;
- Regional expenditure due to construction and operations activities will total \$41.1 million this calendar year, adding some 3.8% to the Gross Regional Product;
- Regional expenditure due to operational activities is expected to total \$15 million per year for the operational life of the wind farms, adding some 1.4% to the Gross Regional product;
- An average of 98 construction workers have been directly employed on the project sites at any one time from late 2005 to June 2010;
- 15 locals have been directly employed to date to operate and maintain the wind farms, but this is expected to increase to 42 on completion of all stages; and
- Over \$110,000 has been allocated to date into regional Community Funds to support local clubs, associations and events.

4. Health and noise

AGL refers the Committee to the Federal Government's National Health, Medical & Research Council's (NHMRC) Public Statement dated July 2010 which presented the current evidence relating potential health impacts of wind turbines on people living in close proximity.

The NHMRC's Public Statement concludes that there is currently no published scientific evidence to positively link wind turbines with adverse health effects. The statement is found at **Attachment B**.

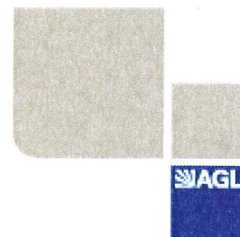
5. State and Federal policy intersection

AGL operates in accordance with all relevant State and local Council planning regimes. AGL is committed to ongoing consultation with local communities and the relevant State Government about its wind farm projects.

AGL notes that the Baillieu Government in Victoria has announced a Rural Wind Farms policy which proposes mandatory setbacks from residences for each wind turbine. AGL looks forward to further discussions with the Baillieu Government about the detail of this policy and how it is to be implemented.

In June 2010 AGL welcomed the Senate's passage of legislative changes to the operation of the RET scheme. The Committee would be aware that these changes split the RET scheme in two, effectively creating two separate markets: one for large-scale renewable energy projects, such as wind farms, and one for small-scale technologies including solar PV.

These changes have provided greater investment certainty for the renewable energy industry. This separation of the large-scale renewables market has since facilitated long-term investment decisions in renewable energy infrastructure – in AGL's case it enabled a final commitment to be made to the construction of the Macarthur Wind Farm in August 2010.



Conclusion

AGL is proud of its wind farm investments in Australia, an integral part of which is the thorough community and environmental consultations which it commissions for all of its windfarm projects. AGL submits to the Committee that these investments represent positive impacts on the communities in which they are located.

Should you have any questions or comments, please contact me on 02 9921 2050 or at smcnamara@agl.com.au.

Yours sincerely

Sarah McNamara
Head of Government Affairs