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CLEAN ENERGY COUNCIL

10 May 2018

Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

RE: Review of impediments to business investment in Australia

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, energy efficiency, hydro, bioenergy, energy storage, geothermal and marine along with more than 5,200 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

Roughly $12 billion worth of renewable energy projects reached financial close in Australia since 2017, and the new energy supply from those projects is expected to reduce the average power bill by hundreds of dollars a year during the next decade. These projects have created more than 6500 jobs, and reinvigorated regional communities across Australia. The capacity for the renewable energy sector to continue building the energy infrastructure of the future is in the interest of all Australians.

Further to these projects is record investment in energy storage systems. Energy storage has the capacity to provide services for grid stability, further integrate new generation into the grid, and ultimately cut costs for consumers. However these projects also require establishment of a market framework to recognise and reward provision of those services, which can be provided through improved policy incentives.

To ensure continued and renewed energy generation and storage investment, an attractive business investment environment is vital. Given this, the CEC supports the inquiry's objective to review the complex mix of institutional and policy factors in Australia in order to address business investment impediments. We believe that to promote future investment two issues need attention:

1. The role that energy policies, at the Commonwealth and State government levels, can have on the encouragement of new business investment; and
2. The interaction between regulatory frameworks across all levels of Government and how the cumulative regulatory burden can be reduced to support greater business investment.

1. The role that energy policies, at the Commonwealth and State government levels have on the encouragement of new business investment

Over the past decade, Australian energy policy discourse has been entrenched in rigorous politicised debate, with continued ad-hoc government interventions at times delaying and deterring private investment in new energy generation. A substantial portion of investment in the energy sector has come from international investors whose willingness and ability to invest are heavily reliant on long term and bipartisan policy support that provides some level of certainty. Investment in energy assets is capital intensive and long lived, and without bipartisan policy supporting this, international investment in the sector will certainly wane.

Massive private sector investment has occurred over the past 12 months (over $10 billion in private investment) based on the certainty provided by the Renewable Energy Target (RET). This target is now fully committed and further investment beyond 2020 is much less certain due to the absence of long term energy policy beyond the commitment of the RET.

The proposed National Energy Guarantee (NEG) is intended to address this energy policy uncertainty beyond 2020. While the CEC remains open-minded about the NEG, we strongly support further design of the policy in a manner that receives broad and enduring political support. Without bipartisan support, there is a high risk of underinvestment in new energy generation assets. This could create challenges for energy reliability, and with less supply, increase wholesale energy prices, which will ultimately be paid by consumers.

Federal Investment Review Board

Of further concern to potential investors are the apparent ad-hoc changes to the Foreign Investment Review Board's (FIRB's) guidance, such as in relation to the sale of agricultural land. The CEC has previously submitted a letter to the Treasurer on the 13th of March on this issue. In that letter, we noted that the changes to the guidance for investments on agricultural land announced on 1 February 2018 failed to fully comprehend the impediments these changes would have on the billions of dollars of investment into regional communities to fund clean and reliable energy. We also proposed that there were a number of reasonable exemptions to the changes as they applied to renewable energy generation and energy storage projects necessary to ensure continued investment in regional communities across Australia.
We urge that any further changes to FIRB requirements that could impact the energy sector should be done with much greater transparency and consultation, giving thorough consideration to the implementation details and consequential impacts. Well considered and consulted on changes are necessary to support continued investor confidence.

Skills Development

It is important to further note that record investment in both large scale renewable energy and rooftop systems has dramatically increased the demand for skills in design, construction, and the operation and maintenance of renewable energy and energy storage systems. This demand has encouraged the transfer of skills and expertise from other industries into the renewable sector. The CEC suggests it would be prudent for Commonwealth and state governments to provide greater support and conditions to incentivise skills development and the identification and filling of skills shortages and employment gaps.

Regulatory

The regulatory framework for the energy sector was not designed for the current suite of technologies and solutions that are being demanded by consumers and supported by private investors. Many are outdated and are no longer applicable to the current state of the energy market. The CEC supports the 49 Federal Government endorsed recommendations from the *Independent Review into the Future Security of the National Electricity Market* (Finkel Review) as key to reforming the energy market and regulatory framework to reduce red tape, while also creating a more contemporary and efficient regulatory environment and ultimately driving down costs to businesses and consumers alike.

2. The interaction between regulatory frameworks across all levels of Government and how the cumulative regulatory burden can be reduced to support greater business investment

While the main concern of the CEC and wider industry relating to this inquiry is around the impact energy policy has had on deterring investment in new generation, it is also important to note here a previous proposal strongly supported by the CEC to consolidate the state and territory electrical safety regulators into a national regulatory body. The CEC has a strong preference for a robust, national approach, and there is significant evidence to suggest the current regulation by state and territory governments has placed undue burden on businesses operating nationally or across multiple states and territories, while also making enforcement and administration more burdensome for the electrical safety regulators and Australian Consumer Law enforcement.

Productivity Commission and Regulator support

This proposal was strongly supported by *The Consumer Law Enforcement and Administration Productivity Commission Research Report* sent to government in March 2017. The report recommends working towards more nationally consistent laws, with the electrical safety regulators themselves supporting the need to move towards more consistency across jurisdictions since 2007. Despite the report supporting a national regulatory approach, the report also notes that progress towards doing so has come to a halt. Our members often face unnecessary duplication, red tape, and additional costs in meeting varied and inconsistent standards across state borders. The specialist regulators themselves are arguing that the inconsistencies and decentralised approach makes administration and enforcement more difficult. This proposal has wide support from both private and public sector stakeholders.

The CEC has experienced firsthand the difficulties in interpreting the requirements of eight different regulators. To address this, we suggest a regulatory process consistent at the Commonwealth level could improve the outcomes for business investment in the energy sector and the wider Australian economy, while also improving electrical safety outcomes and improving the efficacy and efficiency of the regulatory process. The CEC believes that there would be significant savings to businesses, consumers and taxpayers if an Australian Electrical Safety Authority were to subsume the roles of the eight state and territory safety regulators.

An Australian Electrical Safety Authority could also take on the role of maintaining a national register of lithium ion batteries and home energy storage devices, which is of growing importance as such devices become increasingly common in Australian households. The Productivity Commission Report further identified this as a need, and among many potential benefits of a national registry, are the ability to identify important product safety concerns as they arise and decide what actions are needed.

Further Considerations

Beyond the energy sector specific impacts are broader conditions that impact investment across all industries, including political stability, trade conditions and tariff arrangements, taxation regimes, planning regimes, and workforce and workplace conditions. It is vital that Commonwealth and State governments ensure the impact of such policies are considered holistically in creating an environment that incentivises continued investment in new energy generation and storage technologies, and fosters healthy economic conditions for further investment in the Australian economy more widely.

We thank you for the opportunity to provide key industry insight on impediments to new investment in the energy sector. We would welcome further discussions with the Committee on the specific issues identified here or others that may impact energy sector investment. Please contact me on the below details for any queries regarding this submission.

Yours sincerely,

Kane Thornton

Chief Executive Officer