

24 May 2010

The Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: eca.sen@aph.gov.au

Dear Sir/Madam

Submission to the Inquiry into the Renewable Energy (Electricity) Amendment Bill 2010, the Renewable Energy (Electricity) (Charge) Amendment Bill 2010 and the Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Bill 2010

Vestas - Australian Wind Technology Pty Ltd (**Vestas**) has supplied more than half of all the wind turbines installed in Australia. While our parent company in Denmark is the world's largest manufacturer of wind turbines, employing more than 20,000 people around the globe.

Vestas welcomes the opportunity to make a submission to the Senate Standing Committee on Environment, Communications and the Arts (the **Committee**) to inform its deliberations on the *Renewable Energy (Electricity) Amendment Bill 2010*, the *Renewable Energy (Electricity) (Charge) Amendment Bill 2010* and the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Bill 2010*.

Background

The Australian Government has a policy commitment that 20% of Australia's electricity supplies by the year 2020 will come from renewable energy.

The Government's Renewable Energy Target (**20% RET**) scheme is an essential part of delivering this policy outcome. The key enabling legislation, the *Renewable Energy (Electricity) Amendment Act 2009* was passed in August last year.

As a member of the Clean Energy Council, Vestas is one of almost 400 businesses of all shapes and sizes, from start-ups to ASX 200 companies. But the one thing all these companies have in common despite their many other diverse interests is they are all ready to invest in clean technology projects in Australia.

All of these companies want to unlock the huge renewable energy resources in Australia and help play our part in the global effort to respond to climate change.

Delivering the entire 20% target will deliver at least 10,000 megawatts (MW) of new renewable energy projects, and around \$25 billion of total investment.

Future energy investment

For Australia to move from its existing level of renewable energy (currently around 7-8%) up to the Government's target of 20% by 2020 will require a concerted effort to attract the necessary investment in new renewable energy capacity – starting now.

With the right policies in place, clean technology projects like renewable energy are an attractive proposition for investors, in part because renewable energy investments are not affected by fuel price volatility or the uncertainties associated with the future price of carbon.

Wind energy investments entail no carbon pollution and have no ongoing fuel costs – good investments in a carbon-constrained world. Even better, wind energy uses barely any water to produce this carbon-free energy.

Vestas is a long-term global investor in this industry and we can see a solid pipeline of clean energy projects that will result in significant reductions in carbon pollution as well as more jobs in regional Australia.

The projects Vestas wants to build in Australia will deliver more than 5,000 gigawatt hours of clean energy every year; over 10% of the additional renewable energy needed to deliver the Government's election promise. Building these projects will create long-term direct and indirect employment for more than 2,000 people in regional Australia – jobs that are sorely needed.

We are excited about the potential for renewable energy in Australia, and we are ready to build the projects needed to reach Australia's policy targets in this area.

To make this a reality, we need the Parliament to take decisive action and send a clear message to investors that Australia is serious about growing its renewable energy capacity to a level that will deliver jobs and sustainable growth over the long term - not another boom and bust cycle.

Specific comments on the 20% RET amending legislation

Vestas supports the creation of the new Large-scale Renewable Energy Target (**LRET**) and the separation of deemed technologies into the new Small-scale Renewable Energy Scheme (**SRES**), as this key reform will increase the amount of renewable energy generation in Australia's electricity system.

However, Vestas does not support the proposed approach for recognition of “pre-existing contracts” and is concerned by any design features of the new LRET that would increase the supply of banked Renewable Energy Certificates (RECs) in the market.

Any recognition of pre-existing contracts (set out in Item 7 of Schedule 2 to the *Renewable Energy (Electricity) Amendment Bill 2010*) should be defined in a manner that minimises or stops the continued flow of deemed RECs into the LRET after 1 January 2011.

Every REC that enters the after 1 January 2011 from deemed technologies and/or pre-existing contracts represents one less megawatt hour of new renewable energy generation. Accordingly, recognition of pre-existing contracts that would allow such a flow of deemed RECs to continue is actually in contrast to one of the stated objectives of the legislation.

The objectives set out in the *Renewable Energy (Electricity) Act 2000* (with the key phrase highlighted) are:

- (a) **to encourage the additional generation of electricity from renewable sources; and**
- (b) *to reduce emissions of greenhouse gases in the electricity sector; and*
- (c) *to ensure that renewable energy sources are ecologically sustainable.*

The 20% RET scheme is intended to support the development of least-cost renewable energy technologies with the objective of supplying 20% of Australia’s electricity from renewable energy **generation** by 2020.

Liquidity in the REC market, while important to some stakeholders, has never been set out as an objective of the legislation and so the issue of banked RECs and pre-existing contracts should only be considered in that light. Liquidity should not be treated as an end in itself.

Further questions

Vestas would be pleased to meet with Committee members or staff, or indeed appear before the Committee hearing, to discuss our submission and answer any other questions. Contact details are on the covering email for this submission.

Yours sincerely,

[signed]

Ken McAlpine
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VESTAS - AUSTRALIAN WIND TECHNOLOGY PTY LTD