

22 September 2011

Committee Secretary Joint Select Committee on Australia's Clean Energy Future Legislation PO Box 6021 Parliament House Canberra, ACT 2600 Via email to: jscacefl@aph.gov.au

## Re: Inquiry into Australia's Clean Energy Future Legislation

Infigen Energy Limited Level 22, 56 Pitt Street Sydney NSW 2000 Australia T +61 2 8031 9900 F +61 2 9247 6086

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Dear Sirs:

Infigen Energy appreciates the opportunity to make a submission to the Joint Select Committee's inquiry into Australia's Clean Energy Future legislation.

Infigen Energy (ASX: IFN) is Australia's leading specialist renewable energy business. Infigen is the largest owner of wind energy facilities in Australia where it owns and operates six major wind farms capable of producing approximately 1600 GW-hr per annum, or enough energy to supply over 200,000 homes. Infigen Energy also has a significant pipeline of development opportunities in Australia, as well as owning and operating a US wind energy business, taking its aggregate wind energy interests to 24 wind farms with a total generation capacity of over 1600 MW.

As stated in our previous submission in May of this year with regards to the proposed architecture of the carbon pricing mechanism, Infigen Energy strongly supports the introduction of a price on carbon in Australia. In conjunction with effective complementary measures such as the Large Scale Renewable Energy Target (LRET), a price on carbon will enable Australia to reduce its carbon pollution in the most efficient and cost effective manner while providing investment certainty for the electricity industry.

Infigen supports the Clean Energy Future legislation, specifically:

- The introduction of an initial carbon price of \$23/tonne (escalated) for a period of three years;
- A start date of July 1, 2012 for the fixed price period of the scheme;
- The introduction of a cap and trade emission trading system on 1 July 2015; and
- A cap of 50% on international permits surrendered by liable parties during the ETS segment.

\* Confidential \*



The only suggestion we would make is in regards to this last point. For Energy Intensive Trade Exposed companies receiving 66% or 94% "free" carbon permits, a requirement that the balance of their obligation be met by domestic permits would not appear to be an onerous one. As the legislation is written, a company receiving 66% of their permits for free, could obtain the entire balance of their required permits from overseas sources as the balance of 34% is less than the overseas permit cap of 50%.

While implementing a price on carbon is a key measure to efficiently and effectively reduce greenhouse gas emissions, it is not the only one. The original Mandatory Renewable Energy Target, and now the Large-scale Renewable Energy Target (LRET), is an additional market based mechanism that has demonstrated significant, and cost effective, reductions in greenhouse gas emissions. Wind energy in South Australia has grown rapidly in the past few years and has now achieved a 20% market share. This rise in clean, renewable energy has delivered a significant reduction in greenhouse gas emissions from electricity generation in SA – a 15% reduction from 2007 levels.<sup>1</sup>

It is worth noting that these significant reductions in greenhouse gas emissions have come at a very reasonable cost under LRET. For example, IPART's recent assessment of the 2011 NSW household electricity price increase attributable to the LRET scheme was only 36 cents per week.<sup>2</sup>

With regards to the economic impact of renewable energy, we would like to point out the very positive economic effect wind energy development has demonstrated in regional areas. Construction and operation of a wind farm delivers important economic benefits to regional economies, by:

- Providing direct employment opportunities, particularly during the construction period.
- Providing service business opportunities for local construction contractors - quarry owners, transport operators, civil and electrical contractors, to name a few.
- Wider business opportunities for maintenance service contractors, hospitality and other industries that provide services during the operations phase

During the construction of Infigen Energy's 141MW Capital Wind Farm, over 100 people were directly employed on site. In addition, local hospitality businesses in the Bungendore area experienced substantial increases in their trade, and continue to do so today. A recent article in the Yass Tribune

<sup>2</sup> <u>http://www.ipart.nsw.gov.au/files/Media%20Presentation%20-</u>

<sup>&</sup>lt;sup>1</sup> <u>http://www.theclimategroup.org/ assets/files/Greenhouse-Indicator-Generation-Report-</u> 2009.pdf page 22

<sup>%20</sup>Regulated%20Retail%20Electricity%20Prices%20from%201%20July%202011%20-%20Draft%20Report%20-%20April%202011%20-%20Website%20version.PDF page 7



(*Wind's* \$10*Millon Local Injection,* July 29, 2011<sup>3</sup>) documented an analysis by the Industry Capability Network and Suzlon highlighting at least \$10 Million of spending just in the local region during construction of our Capital Wind Farm.

Another study of the economic impact wind farm development can have on a local regional community was conducted by Sinclair Knight Merz (SKM) entitled, *The Economic Impact Assessment of the Hallett Wind Farms.* The report for the Hallett wind farms owner found the first three stages of the Hallett wind farm in South Australia had:

- Resulted in \$88 Million of additional expenditure within the Hallett region
- Provided 450 FTE construction job years averaging about 100 direct employees during the different stages of the Hallet wind farm's construction
- Added 3.3% to the Mid-North SA Gross Regional Product in 2010
- Resulted in 2000 indirect job-years being created nationwide

While it is recognised that the ARENA and CEFC legislation are not included in this initial legislative package, and therefore not technically part of this inquiry, Infigen Energy also congratulates the Government on these two initiatives to progress emerging renewable energy technologies.

In conclusion, Infigen Energy fully supports the Government's Clean Energy Future legislation and congratulates the Government for progressing this critical initiative for Australia's future.

If you have any questions with regards to this submission, please feel free to contact me using the details below.

Yours sincerely,

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<sup>&</sup>lt;sup>3</sup> <u>http://www.yasstribune.com.au/news/local/news/general/winds-10-million-local-injection/2241347.aspx</u>