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The Secretary
Senate Select Committee on Climate Policy
PO Box 6100
Parliament House
CANBERRA ACT 2600

Submission by ACCIONA to the Senate Select Committee on Climate Policy

Acciona is pleased to provide this submission to the Federal Government Senate Select Committee on Climate Policy. The development and effective implementation of climate policy is critical in addressing the challenge of global climate change. Australia, as a major economy and leading developed nation, has an ability to implement national climate change policy that not only delivers meaningful, long term reductions in greenhouse emissions but also stimulates new economic growth within Australia and reinforces Australia's position as a key participant in achieving a new global model for sustainability.

ACCIONA is a world leader in renewable energy, water services and infrastructure development. With its global headquarters in Madrid, Spain, Acciona employs over 35,000 people in 30 countries. Our experience in all major renewable technologies and international energy markets places ACCIONA in an ideal position to provide input to the Senate Select Committee.

By way of background, I have attached a summary document on ACCIONA. In summary, we are a global company operating in 30 countries and with a gross annual turnover of approximately €12.7 billion (~AUD\$24 billion). In relation to renewable energy, we are:

1. the second the world's leading developer of wind farms, and the 2nd-largest owner of wind assets. We have installed 5,300MW in 200 wind farms in 12 countries, including 1,300 MW for third parties. There are over 36,000MW in our development pipeline.
2. a global manufacturer of wind turbines, with factories in the US, China and Spain.
3. a world leader in the development and installation of solar technologies, including photovoltaic (PV) and concentrating solar power (CSP). We have put into service the world's largest PV power plant (46MW), as well as the largest CSP plant (64 MW) built in the last 2 decades.
4. A producer and marketer of bio fuels from first-use vegetable oils. We also have a bio-ethanol plant which operates using the waste products of wine-making. ACCIONA operates three biomass plants in Spain (33MW) and has 7 plants (100MW) under development.
5. an owner and operator of 19 small hydro-electric power stations.
6. A green energy utility with energy market operations in renewable energy and Kyoto credits (CDM and ERUs) through our renewable power assets in Australia, Europe, The United States of America, Canada, India and Sth Korea.



Within Australia, ACCIONA Energy has operated in the market for over 6 years and has invested over \$650 million in the renewable power industry. We have developed, built and own 250MW of installed wind power including the 192MW Waubra wind farm in Victoria – the largest wind power project in Australia to date. In addition, we currently have approval to build a further 250MW of wind power projects and have a development portfolio exceeding 2300 MW with projects in major energy market states.

In relation to the Terms of Reference for the Senate Select Committee, we are pleased to provide the following high level comments. ACCIONA would welcome the opportunity to provide a more detailed submission to the Senate Select Committee on Climate Policy or to present to the Senate Select Committee should it be considered appropriate. In this regard, we ask that you contact the undersigned.

1. The choice of emissions trading as the central policy to reduce Australia's carbon pollution.

Emissions trading mechanisms have been adopted by many developed countries as an element of climate change policy. As a long term market mechanism for achieving lowest cost abatement, emissions trading encompasses sound economic principles. However other complimentary policies and market mechanisms are necessary during the transition phase to a lower carbon intensity energy mix (whilst acknowledging that there are other non-energy contributors to greenhouse emissions such as agriculture and transport). Energy policies must be adopted that stimulate alternate, low to zero emission technologies and enable their integration into national energy systems, networks and markets. Internationally, renewable energy technologies have delivered zero emission energy and associated reductions in overall capital cost per gigawatt hour (GWh) of energy produced. The growth of renewable energy technologies has led to substantial new industries and economic growth supporting direct and indirect aspects of the technology. Within Spain alone, renewable policy – in parallel with EU Emissions Trading policies – has led to the establishment of major global energy companies such as ACCIONA, Ibedrola, Gamesa, and Union Fenosa.

2. The relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils.

To date in Australia, the development and growth of renewable energy generation has been constrained by short term, fragmented policy and legislation. The initial MRET scheme promoted initial investment but did not provide sufficient market scale or duration of investment to attract major long term investment and subsequently deliver complementary economic benefits. Renewable energy has the ability to deliver substantial greenhouse emission reduction (through energy generation offsets) at competitive marginal costs when the environmental, economic and social cost of carbon is included in the cost analysis.

However, in order to deliver substantial renewable energy in Australia, policy and legislation needs to address a range of factors including:

- Market pricing signals for renewable energy. These need to be at a level that delivers adequate return on investment, as measured in an international market given that market investors in large energy assets typically operate within a global context;



- Differentiated pricing signals for different technologies. Clearly not all technologies deliver renewable energy at the same capital cost / GWh generated. The mix of technology and market pricing is dependant on government objectives including:
 - i. The efficiency of renewable generation per unit of capital invested by asset owners. Clearly wind power is currently the lowest costs, scaleable renewable technology.
 - ii. The desire to leverage off Australia's unique geographical and physical characteristics in solar and geothermal resources to grow these technologies with the possibility of both generating power and developing export industries.
 - iii. The desire to implement demonstration projects in technologies such as solar PV and solar thermal and in parallel meet political objectives and generate public support for such technologies.
 - iv. The need to implement technologies that "fit" with a range of practical implementation and operational factors such as land use planning, environmental protection, energy transmission and distribution networks.
 - v. The requirement for blended power supplies systems and technologies covering base, peak and non-scheduled generation from renewable technologies.

Additional challenges in implementing renewable power in Australia include:

- Lengthy and at times unclear planning approval processes with associated substantial "at risk" costs to developers.
 - Inadequate grid connection infrastructure to maximise the installation of renewable technologies and capture renewable resource availability.
 - Inadequate energy market rules which limit access of renewable generators to grid systems with such limits being geographical, technical and commercial.
3. *The whether the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries, taking into account permit allocation, leakage, compensation mechanisms and additionality issues.*

Experience during the earlier MRET scheme and the recent Victorian government VRET scheme have clearly demonstrated that investors in renewable power (an equally non-renewable power) require clear pricing signals with sufficient level and duration to evaluate expenditure, investment returns, regulatory and investment risk.

ACCIONA is currently constructing and re-financing Australia's largest wind farm - Waubra wind Farm 192MW – and we are seeing first hand the impact of uncertain government regulation and limited term of renewable energy prices.



Debt and equity financiers will not accept market risk for renewable power where there is a vacuum in regulatory certainty and hence financial markets and investors find it difficult to invest in 20-25 year projects when policy limits occur within 10 years – i.e. a 2020 renewable policy is limiting to the development of scaleable renewable power.

ACCIONA has invested over \$150 million in local manufacturing and construction contracts for wind farm construction. We are committed to continue in this manner however we, and the industry in general, require future certainty about the market scale and associated energy pricing. ACCIONA supports local manufacturing and has demonstrated that it will invest in supporting country manufacturing with associated job and regional economic benefits. We have developed integrated wind turbine manufacturing facilities in Europe, China and the USA to serve those markets. There needs to be clarity of forward market scale, energy pricing and investment costs to support such activities in Australia.

We hope that these general comments are helpful to the Senate Standing Committee and we welcome the opportunity to present in more detail.

Sincerely

Brett Thomas
Managing Director, Asia Pacific
Acciona