

19 April, 2006

The Secretary
Senate ECITA Legislation Committee
Parliament House
CANBERRA ACT 2600
Email ecita.sen@aph.com.au

Dear Sir/Madam

Inquiry into the provisions of the *Renewable Energy (Electricity) Amendment Bill 2006*

Thank you for the opportunity to provide input into the Senate Environment, Communications, Information Technology and the Arts Legislation Committee's Inquiry into the provisions of the *Renewable Energy (Electricity) Amendment Bill 2006*.

The Australian Wind Energy Association (Auswind) is the principal organisation of the Australian wind energy industry, and includes a broad membership of wind energy developers, manufacturers, suppliers and individuals with an interest in furthering the development of the wind energy sector in Australia.

Auswind supports the key provisions within this Bill, in particular the proposal for enhanced market transparency, the so called anti-gaming elements of the Bill and the provision of provisional accreditation.

In respect of the latter, enabling the Regulator to provide provisional accreditation (without this replacing the need for the required accreditation process) for generation projects before they become operational, will strengthen stakeholder confidence in proposed renewable energy projects, and make project development somewhat more certain.

The MRET scheme has, to date, been very successful. This is demonstrated by the growth, since 2000, of the wind industry in Australia. In this respect, between 1987 and 2000, only 10.1 MW of wind energy was installed in Australia. Following the introduction of the MRET in 2000, total installed capacity increased by 697.9 MW and is now 708 MW with 79 MW currently under construction. Industry growth has also led to the establishment of manufacturing facilities to support wind farm installations. These facilities have included a nacelle factory in Tasmania, blade manufacturing in Victoria and tower manufacturing in Tasmania, Victoria and South Australia. The local manufacturing industry now employs several hundred people in regional centres.

In addition to the 697.9 MW of wind generation capacity that has been installed since 2002, approximately 5150 MW of capacity is currently at various stages of development, ranging from the feasibility study stage through to having received government approval and or being out to tender.

However, as Auswind and other organisations have emphasised, additional market incentives are needed for this growth to continue and for the current investment cliff, which, in the absence of government intervention will bring a halt to further wind energy developments by the end of 2006, to be averted. This investment cliff is clearly evident in the number of projects and associated investments that have now banked up in Australia. These projects, nineteen wind farms with a total capacity of 1369 MW, have received planning approval and yet have not been taken to the next stage.

The investment cliff is also clearly demonstrated by the amount of investment that is proceeding offshore to countries and regions providing market incentives for the renewable energy sector. For example:

- Novera Energy withdrew from the Australian Stock Exchange on April 4th 2006, and relocated to the UK. The company expressed its disappointment at what it considered to be little incentive for market innovation in Australia's renewable energy industry, and it being a very difficult market for small companies, given competition by larger companies and the state-owned enterprises for limited renewable energy opportunities¹; and
- The Investec Bank (Australia) Ltd, in its submission to the Victorian Government's Paper "Driving investment in renewable energy in Victoria – options for a Victorian market-based measure", states that:

*"The practical reality is that the Commonwealth MRET scheme delivered significant impetus to the nascent renewable energy in Australia and resulted in the development and construction of many landmark projects since its introduction in 2000. However, with the non-renewal of the MRET scheme and its targets, this momentum has stalled, with many renewable energy projects across Australia unable to be brought to construction and many renewable energy stakeholders leaving Australia for more conducive jurisdictions"*².

This migration of business offshore is resulting in billions of dollars of lost investment in Australia, excluding the monetary value of the lost emissions reduction.

International momentum for a reduction in greenhouse gas emissions is escalating due to the now widespread acceptance of the reality of climate change. The Federal Government, for example, has stated that Australia needs to reduce its net emissions by 60% by 2050. According to the Australian Greenhouse Office, the stationary energy sector is the largest and fastest growing emissions sector in Australia, with the stationary energy sector contributing 51.4% of Australia's total CO₂e emissions in 2003 (UNFCCC accounting methodology)³. Further, the AGO predicts that electricity generation will contribute nearly 70% of the sector's emissions by 2010.⁴

¹ <http://news.ninensn.com.au/article.aspx?id=66133>

² Investec Bank (Australia) Ltd;
[http://www.doi.vic.gov.au/doi/doiect.nsf/2a6bd98dee287482ca256915001cff0c/39c330da8a15e3f4ca25710a001542f1/\\$FILE/Submission%20by%20Investec.pdf](http://www.doi.vic.gov.au/doi/doiect.nsf/2a6bd98dee287482ca256915001cff0c/39c330da8a15e3f4ca25710a001542f1/$FILE/Submission%20by%20Investec.pdf)

³ AGO, 2005; Australia's Fourth National Communication on Climate Change 2005

⁴ AGO, 2005; Stationary Energy Sector Greenhouse Gas Projections 2005

Auswind believes that the wind industry has a vital role to play in the reduction of emissions from the energy sector, however, various market strategies will need to be implemented for this to occur. We would be pleased to present these alternative policy options to the Senate Committee should the opportunity arise.

Notwithstanding these alternative proposals, the *Renewable Energy (Electricity) Amendment Bill 2006* would ensure support for the renewable energy industry in Australia and would ensure a serious approach to the reduction of greenhouse gas emissions if it included the Tambling Report's recommendations for a higher and extended MRET. By incorporating these recommended incentives, the legislation would support the growth of the wind and other renewable energy industries in Australia.

The Australian Wind Energy Industry stands ready to assist the Federal Government in building a cleaner, greener future for the nation, and we look forward to our continued participation in shaping climate change and business policy in the years to come.

Thank you again for the opportunity to provide input into the Committee's Inquiry into the provisions of the *Renewable Energy (Electricity) Amendment Bill 2006*. Should you have any queries, or wish for clarification of any of the points raised in this submission, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in dark ink, reading 'D LaFontaine'. The signature is fluid and cursive, with the first name 'D' being a large, stylized initial.

Dominique LaFontaine
Chief Executive Officer
Australian Wind Energy Association