

Feedback on the Draft Renewable Energy Coordination Framework
Bob Brown Foundation
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Bob Brown Foundation (BBF) rejects the Tasmanian Renewable Energy Action Plan (TREAP) and the Draft Renewable Energy Coordination Framework (RECF) that gives it effect.

We make the following points and seek a response to each.

1. The Foundation questions the underlying assumption that renewable energy generated in Tasmania under TRET, TREAP and RECF will be economically competitive or necessary to facilitate a transition to renewable energy in the NEM by the time the proposed twin Marinus link and Battery of the Nation pumped hydro projects come online.

The risk of being leapfrogged and left stranded is high. The question of whether there will be a market for the energy at a price that is commercially viable when the project comes online is moot. The RECF fails to adequately address this fundamental issue.

It is clear the TRET has little to do with responding to climate imperatives and everything to do with a government directed and spun 'development at any cost' strategy for Tasmania. It is propped up with government underwriting the whole thing and dependent on populist exaggerated marketing of short-term construction job numbers rather than facilitating long term employment opportunities.

Where is the breakdown of the total number of promised jobs over what timeframe? Where is the data on existing windfarms job numbers in relation to the subsidies provided? How much has each job cost Tasmanians already via the offtake agreements?

RECF recognises that if the TREAP is given effect too early or too late it will be economically disastrous. RECF states, 'If we get the playing field right, we expect multiple benefits' but if the Tasmanian Government, HydroTas and TasNetworks gets the playing field wrong, the community can expect multiple disasters. We contend that it is already too late for TRET and TREAP as it has been leapfrogged by cheaper, more flexible battery technology.

Tasmania is comfortably meeting its foreseeable domestic energy needs. It is unwise, to say the least, for the state government to be pursuing an environmentally destructive policy such as this without any compelling or even reasonable need. We refer you to the Report of Mountain and Percy 2020, *An analysis of the economics and greenhouse gas impact of Marinus Link and Battery of the Nation*, A report prepared for the Bob Brown Foundation. Victoria Energy Policy Centre, Victoria University, Melbourne, Bruce Mountain and Steven Percy.

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The whole premise of Project Marinus and Battery of the Nation is to provide deep energy storage to the NEM. But where is the evidence that the NEM will need storage of more than eight hours on a regular basis rather than a short period, and even if it does that, will Tasmania's Battery of the Nation be the most cost-effective solution?

The VEPC analysis concludes that such storage will not be necessary and, even if it is, it will be for short periods and will be more cost-effectively met by battery technology. BBF would argue demand management is likely to complement batteries and together make the TasNetworks/Tas Hydro Project several times more expensive by comparison.

So BBF contends that with the accelerating rollout of distributed, cheaper and more flexible battery technology, TREAP cannot compete commercially with mainland options. Do you have definitive evidence that the reverse is true?

2. Who pays? There is no cost-sharing agreement in place as required by AEMO and no amount of announcements and spin regarding making the TRET, TREAP and RECF 'bankable' answers the question of 'who pays?'

AEMO does not make a judgement about the merits of a policy. It feeds into the model the information it is provided by its stakeholders. AEMO has accepted in ISP 2020 TasNetworks case for early inclusion of Marinus Link as stage one of an integrated project on the assumption that

- i) Tasmania will over-build renewable energy generation and that the otherwise spilt energy (10,500 GWh) will be fed into the grid at low cost; and
- ii) It is an investment Tasmania will have to build in the first place; and
- iii) It provides access to Hydro Tasmania's Battery of the Nation with no associated cost.

The assumption was predicated on and designated as 'actionable' on the Tasmanian Government's legislating the Tasmanian Renewable Energy Target (TRET) and on a cost-sharing agreement being negotiated.

But the TRET does not guarantee, direct or facilitate the build of 10,500GWh of excess renewable energy. AEMO has fed 10,500GWh into the model based on legislation which does not provide any mechanism for generation to be built. AEMO's inclusion of the 10,500GWh was then used by the Tasmanian Government and TasNetworks to underpin the business case for Marinus and justify the passage of the TRET legislation in the Tasmanian Parliament. This is a revolving door subterfuge based on announcements and an artificial feedback loop.

The TREAP and RECF is an attempt to deliver a mechanism to drive the TRET, namely the overbuild of 10,500GWh to meet one of AEMO's conditions.

As there is no business case/market for additional wind farms in Tasmania without the integrated Marinus and Battery of the Nation project, the Tasmanian Government is subsidising wind farms. There is no reason for this other than to facilitate the overbuild of renewable energy so that 10,500GWh is available to the NEM as per AEMO's assumptions. It is a bet on Marius proceeding.

The offtake agreements signed by Hydro Tasmania and Aurora Energy to create 'bankable' projects like Granville Harbour Wind and Cattle Hill Wind are not commercial and are reflected in the annual reports of the Government Business Enterprises as 'onerous' contracts. These are multi-million dollar costs and a huge debt burden borne by the Tasmanian people via Hydro Tasmania and Aurora. If they were internalised in Project Marinus and Battery of the Nation costs, they would demonstrate that Marinus and Battery of the Nation are not 'least cost'.

The Tasmanian overbuild of renewable energy will, of necessity, increase energy prices in Tasmania. In fact, if Marinus Link is made a regulated asset then Tasmanian energy consumers will pay twice, first to subsidise the uneconomic offtake agreements and secondly for the cable to transmit the energy to the NEM. The generators on the other hand will not pay at all. This is a classic case of 'privatising the profit and socialising the costs'. See <https://tasmanianinquirer.com.au/news/gutwein-directed-hydro-tasmania-to-enter-into-a-loss-making-deal-utility-says/>

TREAP depends upon multi-billion-dollar Marinus cabling beneath Bass Strait. As it is largely to service private enterprise profit from sales of Tasmanian energy outside Tasmania, will private enterprise be funding Marinus? If not, why not?

3. TREAP and RECF will inevitably place an unnecessary cost burden on Tasmanian households and small businesses. We know Marinus Link will cost \$3.5billion and unless the Commonwealth or state defrays some part of the cost of it (through a grant), there will be no other way to get back the cost of the interconnection other than from consumers or by increasing the Tasmanian debt burden.

The Achilles heel of the project remains the cost-sharing agreement required by AEMO for inclusion in Integrated System Plan.

A series of announcements and a TREAP and RECF is no substitute for an agreement. Premier Gutwein has said that the SPV created by the Commonwealth and Tasmania will help to make this a 'bankable' project but this whole RECF is putting lipstick on the pig.

TasNetworks does not raise capital on its own – it is all directly financed by Tas Treasury. Creating a 'special purpose vehicle' does not make this 'bankable'. Any lender to the SPV will demand

recourse to the government, there is absolutely no way that this will attract any non-recourse lending.

As the RECF notes:

“Under Consultation 2.1, there will be consultation on ‘The potential role for mechanisms to support the TRET such as reverse auctions, the underwriting of projects and power purchase agreements.’”

It is clear that to achieve 200% renewable energy as proposed in TRET, the RECF will force taxpayers to subsidise private profit by governments directing utilities to sign taxpayer underwritten offtake agreements to create ‘bankable’ investment products.

Bob Brown Foundation rejects these mechanisms to underwrite the non-viable private sector projects as part of TRET or RECF. How does the Tasmanian and federal Government expect to recoup these costs?

The Tasmanian Government assumes that there will be a change to the rules of cost-sharing that will see the costs spread across all of the NEM rather than just Victoria and Tasmania as the current rules require.

The rule change is speculative. The Energy Subcommittee of Federal Cabinet was supposed to resolve this issue in 2020 but has made no progress in doing so. There is no timeframe for the matter to be resolved so the community should assume the existing rules apply.

Given that TasNetworks argues the benefits will be to the mainland rather than Tasmania, under the current rules, this assumes Victoria will pay the majority of the cost and as a regulated asset, those costs but the Victorian Government has shown no appetite for imposing the cost on its electricity consumers. Why would Victoria impose this cost on its citizens when it can provide its own renewable energy, storage and demand management cheaper. As Bruce Mountain of VEPC says,

‘mainland Australia does not need Marinus Link and Battery of the Nation to transition to 100% renewable energy: much cheaper options are available to achieve the transition. Victorian electricity consumers can’t reasonably be expected to contribute to the cost of Marinus Link. Though the main purpose of Marinus Link is to provide dispatchable capacity to Victoria, batteries would be much cheaper and would be provided in the contestable wholesale market and so would not impose mandated charges on consumers, as Marinus Link will. It is therefore inevitable that the development of Marinus Link will significantly raise electricity prices in Tasmania, mainly through the regulated recovery of the costs of Marinus Link, which will almost triple the value of TasNetworks’ regulatory asset base.’

So, in the absence of a definitive cost assessment on the average Tasmanian household, through federal or state taxpayer funding of Marinus and other accoutrements necessary for the implementation of TREAP and RECF, what is the back-of-envelope expectation of the power price and/or tax burden of TREAP and RECF on the average Tasmanian household and the average Tasmanian small business?

What mechanisms other than 'recourse to government' will fund TRET, TREAP and RECF?

4. TREAP and RECF will lead to a massive, ongoing, deleterious impact on Tasmania's wild and scenic environment and is devoid of any costing, monetary or otherwise, of that impact. The narrow interpretation of what constitutes a cost is a failing of the process.

None of the ecological, social or cultural costs are acknowledged beyond an assumption that consultation with stakeholders will avoid these costs.

What is the estimated social, cultural and environmental cost of TREAP and RECF?

Tasmanians were never consulted as to whether they wanted three large renewable energy zones in the state, nor were they consulted as to where those zones would be. There is no social license for alienating large areas of Tasmania into REZ. AEMO mapped renewable energy resources, they did not take into account environment or social and cultural considerations. Yet the Tasmanian Government has adopted the AEMO maps as if they had some validity beyond mapping the resource.

Where, in TREAP and RECF, are the comprehensive environmental and Aboriginal heritage impact statements and costings both in dollar and other value terms?

Where is the TREAP and RECF assessment of its impact on the Tasmanian Wilderness World Heritage Area (TWWHA)?

Where is the TREAP and RECF assessment of the impact on Tasmania's national parks and reserves outside the TWWHA?

What is the size of the three renewable energy zones? How many square kilometres are there in these three renewable energy zones?

Where are the maps that overlay these three renewable energy zones over public lands with conservation status and other reserve status?

When and where will such maps be made publicly available?

Many Tasmanian wildlife and plant species are under threat of extinction in this age of global heating and the extinction crisis. Where is the TREAP and RECF assessment of the impact on migratory birds and threatened wildlife and plant species?

Where is TREAP's assessment of the threats and the costing of any remedial measures, if there are any?

Where is the TREAP and RECF assessment of impacts on the marine environment?

Where is the TREAP and RECF assessment of the changes in flows in river systems consequent upon responding to mainland peaking demand on anglers, recreational river users and farmers?

Where is TREAP assessment of wood supply for the bioenergy vision? Forest furnaces are unacceptable. There is no such thing as renewable energy from burning native forests. Sourcing wood from native forests for bioenergy contributes to forest degradation. Will TREAP and RECF rule out using native forests as a resource in any bioenergy vision?

It would be utterly irresponsible for TREAP and RECF to proceed without first costing its impact on Tasmania's job-rich tourism and hospitality industries. Where is this costing? What will be the number of jobs lost?

Instead of these assessments, what we have in the RECF is a review of EMPCA 1994 to assess whether EPA assessment of large-scale renewable energy projects is required. This is nothing other than an attempt to fast-track approvals inside Renewable Energy Zones.

Similarly, the development of Guidelines for Development in Crown Land is another attempt to privatise Crown Land and streamline development for the private sector. So too is the effort to align TREAP and RECF with land use strategy.

If TREAP and RECF are so compelling and so environmentally benign, why is the government moving to fast track developments for the private sector at the expense of Tasmanians and the Tasmanian environment and cultural heritage?

Will TREAP and RECF abandon plans to remove the requirement for EPA assessment for large scale projects?

5. What is the Tasmanian Government's Plan B in the RECF if Marinus is not Commonwealth funded or underwritten and does not proceed, given that several projects have already been underwritten by onerous offtake agreements making them public debt accumulating, energy consumer subsidised, competitors to Hydro Tasmania?

We look forward to your responses to our feedback.

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