

DRAFT SECOND READING SPEECH

Hon Guy Barnett MP

ENERGY CO-ORDINATION AND PLANNING AMENDMENT (TASMANIAN RENEWABLE ENERGY TARGET) BILL 2020

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Madam Speaker,

I move that the Bill now be read a second time.

The Tasmanian Government recognises that the energy sector is rapidly changing. Australia's energy market is undergoing a major transformation from dependence on fossil fuels to predominantly using renewable energy. Comprehensive and diverse variable renewable energy generation, with dispatchable energy generation for firming, is required to enable a sustainable transition.

Tasmania is already punching above its weight in generating low cost, reliable, clean energy for the nation, producing nearly a quarter of Australia's renewable energy, while consuming just 2 per cent of the nation's energy.

We have world class wind and water resources at our disposal in Tasmania. This combined with our firm dispatchable hydro-electric generation places Tasmania in a unique position to drive the nation's energy transformation.

We can harness the immense potential in renewable energy to grow our economy, attract investment, create jobs and transform Tasmania from being Australia's leading renewable energy state into a world leader of low cost, reliable and clean energy.

To help achieve this plan, the Government is developing the Tasmanian Renewable Energy Action Plan which outlines our vision and suite of actions to develop renewable energy generation in Tasmania over the coming 20 years.

The final Tasmanian Renewable Energy Action Plan, which will be released in coming months, sets out clear objectives and actions to turn Tasmania into a renewable energy powerhouse. A key pillar of the Action Plan will be the setting of a world leading Tasmanian Renewable Energy Target – which will see Tasmania doubling its renewable electricity generation by 2040.

Madam Speaker,

This Bill sets the ambitious and achievable renewable energy targets that will underpin the decisive action that the Tasmanian Government is taking to encourage investment in our renewable energy sector.

With our Tasmania First energy policy, we have committed to Tasmania being 100 per cent self-sufficient in renewable energy generation by 2022. Tasmania is on track to reach this target before 2022, with the recently completed Cattle Hill Wind Farm and under construction Granville Harbour Wind Farm projects helping us achieve this. These projects, when fully operational, will provide an additional 256MW of electricity generation capacity. Such projects represent hundreds of millions of dollars of investment and hundreds of jobs – particularly during construction - in regional areas of Tasmania.

The Energy Co-ordination and Planning Amendment Bill (Tasmanian Renewable Energy Target) 2020, before you today, will help build upon such successes by legislating the Tasmanian Renewable Energy Target (TRET) and supporting interim target.

Achieving the TRET will increase the State's renewable energy output equivalent to 200 per cent of 2022 renewable electricity generation levels. This means by 31 December 2040, 21 000 GWh of electricity generated in Tasmania will be from renewable energy sources.

An interim target has been set to achieve half of the TRET by 2030, with 15 750 GWh of electricity generated in Tasmania to be from renewable energy sources.

The TRET and interim targets legislated by the Bill apply to electricity generated by equipment connected to the National Electricity Market in Tasmania. Renewable energy sources including wind, solar and water (including hydro), and other energy sources declared by the Minister will contribute to these targets.

Whilst it is anticipated that the majority of increased generation will come from large-scale renewable energy sources, it is envisaged that distributed energy sources, such as rooftop solar, may also contribute to the targets.

Madam Speaker,

Another renewable energy source that could contribute to the TRET could be a form of bioenergy. This could involve sources such as agricultural waste, biomass based components of municipal solid waste; biomass from sewage or wood waste. Given the unknown nature of how technologies may evolve to utilise these sources it is prudent that no particular source is ruled out as having the potential to contribute to the TRET.

But let me be clear on this - whilst the Government supports bio-energy and the job-creating opportunities it represents, we have been consistent in that we have always intended renewable energy sources that are set to contribute towards the TRET to be based on solar, water and wind -

the harvesting of native forests specifically for renewable energy production is not currently required or anticipated to be a part of the TRET.

In terms of how we declare additional sources, it is vital that we give this important legislation the strength it deserves. This legislation sets out a long term vision – right out to 2040. With this in mind - we are tabling today an administrative amendment so that new sources of renewable energy to be declared by the Minister will be through a disallowable instrument.

Madam Speaker,

The economics of Tasmania's wind offering suggest that significant build out of new renewable electricity generation will occur in the State. Renewable energy is one of Tasmania's greatest economic opportunities. By legislating the TRET the Government is providing the energy sector with investment confidence. It also provides a clear signal to the Australian Energy Market Operator (AEMO) about Tasmania's strong commitment to developing its renewable energy potential to support changes to the National Electricity Market.

AEMO has noted this by including the TRET in modelling of the latest Integrated System Plan (ISP). The ISP identifies Marinus Link as an actionable project – one that is critical to address cost, reliability and security issues. This means that Marinus Link is absolutely required and forms an essential part of the NEM's optimal development pathway.

While the TRET strengthens the position of Project Marinus, the interim and final targets will only be achievable with the full commissioning of Marinus Link (i.e. both 750 MW cables).

The growth in renewable electricity generation driven by introduction of the TRET has the potential to support a Tasmanian renewable hydrogen industry, where low cost, reliable and clean electricity will be critical to its viability. Renewable Hydrogen also has the potential to support the delivery of the TRET by increasing on-island demand which will support increased renewable electricity generation.

Renewable hydrogen production is an emerging industry but Tasmania is well placed to leverage our competitive advantage. Tasmania is in the box seat to deliver cost competitive Renewable hydrogen on a grand scale with the cost of production estimated to be 10 to 15 per cent lower than from any other Australian power grid.

Tasmania's Renewable Hydrogen Action Plan aligns with, and is complimentary to the National Hydrogen Strategy. This includes the announcement that the Commonwealth Government has committed more than \$370 million to establishing an Australian hydrogen industry.

In addition, Tasmania's pumped hydro energy storage opportunities – as part of the Battery of the Nation, will support the nation's transition away from a reliance on thermal generation. In particular, Tasmania has a strong competitive advantage in deep pumped hydro energy storage.

The first phase of Battery of the Nation will involve investment of up to \$1 billion and will create around 300 construction jobs. More broadly a 1500 megawatt Marinus Link, with Battery of the Nation will stimulate:

- \$7.1 billion into the local economy
- Up to 1400 direct and indirect jobs associated with the interconnector and supporting transmission
- Up to 2,350 direct and indirect jobs associated with the renewable energy developments over a decade

The Tasmanian Renewable Energy Coordination Framework is currently being developed. This will provide a framework to support and manage the growth of the Tasmania renewable energy industry. The scope relates specifically to the new generation and associated transmission required to achieve the TRET and support Marinus Link and Battery of the Nation. With the confidence setting the TRET will give to the market, this Framework will provide the practical measures to support growth in the sector.

As we continue to manage and rebuild from COVID-19, we are focused on growing jobs in those areas that we have a competitive advantage. Introduction of the TRET will support this by helping strengthen investment in our renewable energy sector. It will help drive important projects such as Project Marinus and Battery of the Nation, which will generate billions of dollars of investment and thousands of jobs in Tasmania.

Madam Speaker,

It is important to note that these two projects are interdependent. Renewable electricity generation, and the transmission infrastructure to support it, go together. One of the challenges associated with these ambitious projects is to ensure that the generation and transmission projects are managed in an orderly way, to ensure the best outcomes for the State and the people of Tasmania.

There are benefits in enabling parties to share some non-public information about proposed renewable energy generation developments. This could include situations where two or more prospective generators are developing projects where proceeding completely independently could result in over-expenditure or duplication of infrastructure.

Provisions of the Commonwealth Competition and Consumer Act 2010 are designed to prohibit certain anti-competitive behaviours. These provisions are, quite rightly, comprehensive and robust. They are so robust, that the mere sharing of non-public information can give rise to an inference or presumption that there has been cartel conduct or anti-competitive behaviour.

This means that licensed electricity businesses and prospective generators are naturally cautious about sharing information about their projects, even where cooperative approaches to developments, including shared development of connection and transmission infrastructure, could

result in avoiding expensive and unnecessary duplication, thereby achieving more efficient outcomes, and lower prices, overall.

This is not a problem unique to Tasmania. The issue has been recognised nationally, and there is a comprehensive reform package being developed to address the problem. The reform package is called the “Coordination of Generation and Transmission Investment”, or COGATI. This is a significant but complex reform package, however it is nowhere near complete.

We do not propose to wait for the other States and the Commonwealth to reach agreement on the detail. We are taking a proactive approach to developing local solutions, to meet our own needs, on a timetable that works for us.

The ability for jurisdictions to apply carefully considered exemptions from prohibitions on certain conduct is recognised within the Competition and Consumer Act. The development of legislative exemptions is not a novel innovation. Exemptions have been used in many aspects of the economies of Australian States where the importance of competitive outcomes has been balanced with the need for more orderly and efficient arrangements.

The many examples from across the country include energy, water and sewerage, and the transport sector. Within Tasmania, specific exemptions previously enacted by Parliament include:

- Competition Policy Reform (Tasmania) Act 1996
- Electricity Reform Act 2012
- Electricity Supply Industry Act 1995
- Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995
- Gaming Control Act 1993
- Rail Company Act 2009
- TOTE Tasmania (Sale) Act 2009
- Water and Sewerage Corporation Act 2012

We have worked with the electricity businesses to understand the rationale for an exemption. We have also engaged in discussions with officers of the Australian Competition and Consumer Commission, the ACCC, to develop a narrow exclusion to ensure that licensed electricity businesses and prospective generators are able to share limited non-public information, for the benefit of the orderly development of the Tasmanian electricity grid and, ultimately, Tasmanian customers.

Madam Speaker,

The exemption proposed in this Bill has been crafted so that TasNetworks may not share, with generators or potential generators, information about connection costs that it has been provided by other competing generators. This obviously includes Hydro Tasmania, but also includes the numerous potential wind generators who are seeking to develop Tasmania's world class wind resource.

What this narrow exemption does do is allow TasNetworks and generators (including Hydro Tasmania) to share information about modelling assumptions and technical information about potential network capacity.

Not being able to share some limited information in certain circumstances means that businesses could be making sub-optimal decisions based on a less than complete understanding of some the technical aspects of future grid connection and operation. This is a multi-million dollar market, and both the Government and businesses need to be armed with sufficient information to make responsible decisions.

Madam Speaker,

This Bill will help to grow jobs, Tasmania's economy and cement Tasmania's position as a world leader in renewable energy.

We will continue to work with entities and proponents to ensure an efficient outcome for the Tasmanian community.

The TRET is a world leading target that will place Tasmania as the renewable energy epicentre of Australia. Its enshrinement is the start of a very important journey for all Tasmanians.

I commend the Bill to the House.