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Mr Ben Foxe, Committee Secretary

Joint Select Committee on Energy Matters in Tasmania,

Parliament House, Hobart, Tas, 7000

Via email: energymatters@parliament.tas.gov.au

Submission to the Joint Select Committee on Energy Matters Inquiry into Energy Prices and Related Matters

Thank you for the opportunity to make comment on the Inquiry into Energy Prices and Related Matters.

Lake Pedder Restoration Inc ('LPRI') is an organisation established for the purposes of advancing efforts to restore the original Lake Pedder, the heart of Tasmania's Wilderness World Heritage Area. Accordingly, LPRI advocates for the decommissioning of the dams that currently impound Lake Pedder and views this initiative as an opportunity to engage in a broader discussion about the costs associated with maintaining energy infrastructure in comparison to the potential benefits of ecosystem restoration.

This is particularly relevant to current discussions about the potential challenge and opportunities relating to State-owned renewable energy generation, as referred to in terms b (iii) and c (iii) respectively of this inquiry.

Introduction

Tasmania's current energy strategy, driven by the 200% renewable energy target, prioritizes growth over sustainability, compromising both the environment and economic rationality. A shift towards a more balanced, self-sufficient energy policy that emphasizes local needs, ecological preservation, and economic efficiency is essential. By disconnecting from the NEM and focusing on distributed energy solutions, Tasmania can protect its ecosystems,

reduce energy costs, and contribute meaningfully to global climate efforts without resorting to unsustainable megaprojects.

Steady Energy Demand & Security

Tasmania's energy demand has remained stable over the past decade, with no current threat to energy security. In fact, Tasmania's electricity consumption for the 2022-23 water year saw a slight decrease compared to the year prior.[i] The majority of energy consumption is by four bulk industries (54%), with residential and small business sectors consuming 19% and 23% respectively.[ii]

Tasmania has seen an increase in energy supply from increasingly diversifying energy sources, including subsidized wind farms and distributed energy like rooftop solar. Additional supply is accessible via Basslink.

Costs Driven by NEM

Tasmanian energy prices are influenced by the National Electricity Market ('NEM'), where Victoria's prices set the benchmark. As mainland prices rise due to the transition to renewables, Tasmanian prices are likely to increase as well. Subsidizing Tasmanian household power prices to match mainland levels is not sustainable, as it reduces dividends to the Consolidated Fund, affecting public services.

Lack of Demonstrated Need for Major Projects

The Tasmanian Government and Hydro Tasmania have not adequately demonstrated the necessity or economic viability of major projects like the Marinus Link, Battery of the Nation, Bell Bay Hydrogen Hub, and NE Offshore Wind. There is also no integrated, costed energy plan that shows how these projects fit together.

In fact, there is alternative evidence to suggest that these projects are not economically viable. In 2021, the Victorian Energy Policy Centre conducted an analysis into the economic and greenhouse gas impact of Marinus Link and Battery of the Nation, in which they concluded that neither of the projects were economically viable, due to the cost of transporting energy across the Bass Strait.[iii] Additionally, the study found that the projects were not required to necessitate the mainland's transition to renewables, due to the viability of batteries able to balance the system.

Analyses such as this suggest that caution should be exercised before moving forward with an energy plan predicated on the unexamined assumption that new, major projects are required to maintain energy security. It is also important to note the significant untapped potential for reducing energy demand through enhanced energy efficiency and changes in consumption patterns among bulk consumers.

Cost Implications of Infrastructure

Recent analysis by economist Saul Eslake projects that Tasmania will be in the weakest financial position of any state or territory, with debt expected to reach $16 billion by 2035.[iv] In light of Tasmania's deteriorating economic outlook, it is essential to carefully evaluate our expenditures.

The costs associated with new transmission infrastructure, particularly Hydro Tasmania's recently announced plan to spend $1.6 billion on hydro upgrades over the next decade, are substantial, and there has been no transparent modelling of these costs. It is not clear whether this budget and timeframe will be sufficient to refurbish 5 dams and 10 power stations, considering time and cost overruns for Hydro are commonplace.

Amidst increasing debt, it is also important to recognize the significant untapped economic potential of ecosystem restoration projects. Initiatives such as the restoration of Lake Pedder could be achieved with a relatively modest investment, yielding substantial returns through enhanced tourism, benefits to surrounding communities, and ecosystem services that provide value to all Tasmanians.

In contrast, Hydro Tasmania's proposal to upgrade ageing and high-risk dams, which are built on or near fault lines around the impoundment, is likely to exceed $100 million and impose a significant burden on taxpayers. Hydro have failed to investigate any alternatives before deciding to go ahead with strengthening Edgar Dam and spend more in maintaining Scotts Peak Dam. It is arguable that an alternative energy source for the 57MW of power produced by the Huon-Serpentine Impoundment should have been investigated.

Given the dual crises of biodiversity loss and climate change, it is only prudent to conduct a comprehensive cost-benefit analysis to assess the viability of continuing to maintain outdated and potentially unsafe energy infrastructure.

Recommendations:

1. **Conduct a Comprehensive Cost-Benefit Analysis of Energy Infrastructure Projects**
   Before proceeding with any major energy projects, such as the Marinus Link, Battery of the Nation, and hydro upgrades, a thorough cost-benefit analysis should be conducted. This analysis must include a transparent evaluation of costs, economic viability, potential environmental impacts, and alternatives, particularly in light of Tasmania's current economic outlook and rising state debt.
2. **Prioritize Energy Efficiency and Demand Management**
   Focus on strategies to reduce energy demand through enhanced energy efficiency measures and changes in consumption patterns among bulk consumers. This approach can provide immediate economic and environmental benefits without the need for large-scale, high-cost infrastructure projects.
3. **Disconnect from the NEM**

Disconnecting from the NEM and focussing on distributed energy solutions will allow Tasmania to protect its ecosystems and reduce energy costs without having to resort to unsustainable megaprojects. Basslink can still operate outside of the NEM.

4. **Reassess the Necessity of the 200% Renewable Energy Target**
   Reevaluate the 200% renewable energy target set by the Tasmanian Government. Consider adopting a more realistic target that aligns with Tasmania's actual energy needs and economic conditions, prioritizing sustainable development over aggressive expansion that may not be economically justified or environmentally sound.
5. **Explore the Economic Benefits of Ecosystem Restoration Projects**
   Recognize the significant untapped economic potential of ecosystem restoration projects as alternatives in some cases to energy infrastructure, such as the restoration of Lake Pedder. These projects can offer substantial returns through tourism, community benefits, and enhanced ecosystem services, contributing positively to Tasmania's economy and environment with relatively low investment.

Yours Sincerely,

Lake Pedder Restoration Committee.

23rd of August 2024

Contactable for further comment at lakepedder.org@gmail.com.

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[i] Office of the Tasmanian Economic Regulator. (2023). "Energy in Tasmania Annual Security Review 2022-23 Water Year." available at: https://www.economicregulator.tas.gov.au/Documents/23%202630%20Annual%20Energy%20Security%20Review%202022-23.PDF

[ii] Ibid.

[iii] Mountain, B.R. (2021). "An analysis of the economics and greenhouse gas impact of Marinus Link and Battery of the Nation: 2021 update." Prepared for the Bob Brown Foundation. Victoria Energy Policy Centre, Victoria University, Melbourne, available at: https://bobbrown.org.au/wp-content/uploads/2022/08/Marinus-Report.pdf

[iv] Eslake, S. (2024), "Independent Review of Tasmania's State Finances." Corrina Economic Advisory. Available at: https://www.sauleslake.info/independent-review-of-tasmanias-state-finances/