



Acciona Energy Oceania Pty Ltd  
Level 1, 95 Coventry Street  
South Melbourne Victoria 3205  
Australia  
Tel: +61 3 9863 9922  
Fax: +61 3 9686 6120

[www.acciona.com.au](http://www.acciona.com.au)

## **ACCIONA's Submission on the Renewable Energy Target Review**

The ACCIONA Group operates worldwide and is active in three key sectors including energy, water and infrastructure. In terms of its energy operations, ACCIONA is an Independent Power Producer (IPP) with operations covering the development, construction, ownership and operation of renewable energy assets.

The company is one of the world's largest renewable energy IPP's and has substantial experience across all of the commercialised technologies including wind, solar thermal, solar photovoltaic, hydroelectricity and biomass; having developed more than 8,200 megawatts of energy assets in 15 countries since 1995.

In Australia, ACCIONA has built and owns three wind farms in Australia, (one through a joint venture) and has developed a strong pipeline of projects for construction. The wind farms at Waubra in Victoria, Gunning in New South Wales and Cathedral Rocks in South Australia produce 304.5 megawatts of green energy, equivalent to the energy needs of 205,000 households.

ACCIONA also has a number of other substantial projects in the Australian market. Two landmark projects currently underway include:

- ACCIONA is leading a consortium that is designing and constructing the landmark Legacy Way tunnelling project in Brisbane. ACCIONA will also operate and maintain the tunnel.
- ACCIONA is also leading a consortium that is designing, building and will operate the desalination plant at Port Stanvac, near Adelaide.

To date, ACCIONA has invested more than \$650 million in Australia and has employed over 500 people.

### **ACCIONA and our vision for renewable energy**

ACCIONA is seeing, and indeed playing a part in, the transition of many national energy systems around the world. The key elements of the transition are the move from centralised generation using one or maybe two technologies at most, to decentralised generation comprising a wide range of diversified technologies, the majority of which are based on renewable energy.

The future will see fossil fuels being used flexibly to balance generation and demand, and desalination plants and electric vehicles to solve the energy storage challenge along with thermal, battery and hydrogen storage technologies. These are all technologies that ACCIONA is actively pursuing in its research and development programs.

ACCIONA takes the view that renewables can and will play a substantial part in the world's energy mix in the longer term. Indeed, Australia's CSIRO reported earlier this year that a 40% penetration of renewables into the Australian grid could be achieved now with a minimum of fuss.



### **Renewable Energy investments deliver jobs, skills and long term economic benefits to rural and regional Australia**

ACCIONA owns and operates the 192 megawatt \$450 million wind farm at Waubra, located in Victoria's Central Highlands it is Victoria's largest operational wind farm.

Analysis by PWC<sup>1</sup> indicates that:

- ACCIONA's Waubra wind farm is forecast to increase Victoria's Central Highland's gross regional product by \$346 million (6.0%) over the long run; and
- ACCIONA's Waubra wind farm is forecast to increase employment in Victoria's Central Highlands by an average of 2.7% (1680 FTE jobs) sustained over the long term.

These additional jobs are in an area of relatively high unemployment, when compared against the Victorian state-wide unemployment rate.

ACCIONA also owns and operates the 46.5 megawatt \$100 million wind farm at Gunning, located in NSW south eastern region. Analysis by PWC<sup>2</sup> indicates that

- ACCIONA's Gunning wind farm is forecast to increase NSW's south eastern gross regional product by \$69 million (0.8%) over the long run; and
- ACCIONA's Gunning wind farm is forecast to increase employment in NSW's south eastern region by an average of 0.4% (360 FTE jobs) sustained over the long term.

In addition to our existing operational wind farms, ACCIONA is poised for further growth in Australia.

Our company has an investment pipeline including new wind farm projects in Victoria, New South Wales, Queensland and South Australia. This pipeline represents a substantial potential investment worth several billion dollars that will bring jobs and deliver economic benefits to Australia.

A predictable and stable regulatory environment is critical if these investments are to proceed.

### **ACCIONA's views on the Renewable Energy Target**

ACCIONA is a sponsoring member of the Clean Energy Council (the CEC). We support the views expressed by the CEC in their submission to the Renewable Energy Target (RET) review. However, in addition we would like to add the following comments.

ACCIONA supports the 41,000GWh LRET 2020 target along with the interim annual targets and believes that these targets can be delivered by the industry. The next few years are the critical window for new investments to be financed and approved if the RET is to be achieved.

The RET has played an important role in powering over 2.1 million Australian households and delivering carbon abatement of over 22.5 Mt CO<sub>2</sub>e, making it the single largest carbon abatement scheme in Australia.

The 20 per cent RET was committed to during the 2007 election campaign, legislated in 2009 and then enhanced – by splitting the scheme into the Small-scale Renewable Energy Scheme (SRES) and Large-scale Renewable Energy Target (LRET) – in 2010.

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<sup>1</sup> PWC, "Economic Benefits of the Waubra and Gunning Wind Farms," February 2012, report prepared for ACCIONA.

<sup>2</sup> *ibid*

While ACCIONA supports these changes, it has contributed to a level of 'change fatigue' within the renewable energy industry.

Any further changes to the RET targets in the short term are likely to further aggravate this and ultimately will result in higher risk premiums being applied by project financiers. Overall, it would mean higher costs in delivering the RET than would otherwise be experienced. Such an outcome would be ironic given the reduction in technology and delivery costs that are occurring. In addition to this, modifications to the scheme are likely to result in delays in the necessary investment that could undermine achievement of the target.

*The costs of renewable energy are steadily declining*

The argument that renewables are overly expensive and pose major threats to industry competitiveness and household costs is rapidly becoming outdated.

ACCIONA has witnessed firsthand the rapid decline in the cost of technologies such as wind and solar over the last 10 years. As a result of these cost reductions, the cost of the RET in its current form is decreasing over time. Currently, the scheme contributes just 7 per cent to the average Australian electricity bill, and this is forecast to reduce to just 4 per cent by 2020.<sup>3</sup>

We also note the recent report by the Bureau of Resources and Energy Economics (Australian Energy Technology Assessment 2012) that highlights the very competitive position that renewable energy technologies will have on a price basis going forward against traditional forms of generation.<sup>4</sup>

*High levels of community support for renewable energy*

There are high levels of support for renewable energy in Australia – and for wind farms in particular.

A 2012 survey by independent researcher QDOS showed nearly 80 per cent of those surveyed across Victoria, New South Wales and South Australia (including regional areas containing wind farms) supported the development of wind farms.<sup>5</sup>

Independent surveys of communities in which ACCIONA has operational wind farms support these findings.

*Regulatory certainty is critical for attracting capital investment in Australia*

Since the RET came into force in July 2001, it has underpinned over A\$18 billion of investment in both small scale and large scale renewable energy capacity, with another \$3.7 billion of projects currently under construction<sup>6</sup> on the basis of our current policy settings.

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<sup>3</sup> ROAM Consultants, "Impact of renewable energy and carbon pricing policies on retail electricity prices (update)," Table 1, page 1, 10 May 2012.

<sup>4</sup> Bureau of Resources and Energy Economics, Australian Government, "Australian Energy Technology Assessment 2012," page 5.

<sup>5</sup> "Wind Energy Community Research in Victoria, New South Wales and South Australia", report prepared for the Clean Energy Council by QDOS.

<sup>6</sup> Benefit of the Renewable Energy Target to Australia's Energy Markets and Economy, Sinclair Knight Mertz, page 24



In our current environment in Australia however, where there is uncertainty about the carbon price, uncertainty about the future of the RET and increasingly complicated and moveable State Government planning rules, it is very difficult to make long term investment decisions. And of course investments in the energy sector are long term in nature.

Indeed, in an international context Australia is regarded increasingly as a relatively high risk jurisdiction due to uncertainty about important macroeconomic policies.

Our view is that if the RET is changed, Australia's ability to attract global capital and expertise to deliver renewable energy infrastructure will be seriously compromised.

As a case in point, ACCIONA's Australian energy division is part of a global business, which competes with other ACCIONA energy divisions all over the world for capital and resource allocations. A global business such as ours will constantly assess market conditions, including the stability of a particular country's policy and regulatory environment, in deciding in which markets to allocate its investment funds.

We note that a significant proportion of those companies operating in Australia with the capability to deliver utility scale renewable energy projects are also global players like ACCIONA with the same (or similar) internal investment dynamics.

#### **Biannual RET reviews are unnecessary**

Investments in the energy sector are long term in nature, 20 years to 30 years at least.

The RET has undergone regular review since its inception, each time resulting in slowing or deferment of investment.

Biannual RET reviews are unnecessary and result in an almost constant process of regulatory review and investment uncertainty. This in itself presents a significant risk to Australia's achievement of the 20 per cent renewable energy target by 2020, particularly given that the review is as far reaching as considering changes to the overall target itself and not just the operation of the RET scheme.

#### **Banding should not be applied to the Renewable Energy Target**

We advocate that for the period through to 2020, there should be no banding applied to the RET.

Whilst it is true that the target as it currently stands promotes investment primarily in wind energy, the objective is to drive investment in lowest cost technologies. As an investor in all of the commercialised renewable energy technologies, we support this objective.

Wind for the time being remains the lowest cost technology. However, we note that a range of other technologies including solar PV and concentrating solar thermal are experiencing dramatic reductions in cost.

#### **ACCIONA advocates the continued separation of the LRET and SRES**

The initial bundling of small and large scale renewables into the one scheme created a significant distortion to the renewable energy certificate (REC) market when the enhanced RET was introduced in 2009.

The presence of small scale household solar, complete with multiplier effects of state based feed-in-tariffs resulted in a collapse of the REC price. REC's purchased at low rates during this period have been stockpiled by major energy retailers, such that the demand for large-scale generation certificates (LGC) is yet to effectively recover.



The fundamental issues which led to the separation of the large and small scale systems in 2010 remain. Any proposal to merge the systems into one market again would result in further uncertainty and suppression of demand for utility scale projects would be ongoing.

**ACCIONA advocates the need to maintain a 41,000GWh RET target**

ACCIONA and the energy industry have developed a significant pipeline of development projects with the objective of satisfying Australia's 41000GWh target.

It is this *capacity* target, rather than the notional 20% renewable energy target itself, which dictates the market for LGCs.

Any reduction in Australia's GWh target will reduce the demand for LGCs, depressing their price further. The result will be further deferment of investment, and the potential loss to the national development pipeline of the most economic wind sites - particularly in Victoria and NSW. A lower GWh RET would then be achieved later and at a higher cost to consumers.

**Concluding comments**

Renewable Energy investments such as wind and solar energy have a high level of community support and deliver jobs, skills and long term economic benefits to Australia.

The RET has played an important role in powering over 2.1 million Australian households and delivering carbon abatement of over 22.5 Mt CO<sub>2</sub>e, making it the single largest carbon abatement scheme in Australia.

ACCIONA supports the 41,000 GWh LRET 2020 target and the interim annual targets and believes that these targets can be achieved. ACCIONA is playing a role in delivering on that target and advocates that this target should not be changed.

ACCIONA advocates the continued separation of the LRET and SRES and suggests that biannual RET reviews are unnecessary and result in an almost constant process of regulatory review and investment uncertainty.

We reiterate that regulatory certainty is critical for attracting capital investment in Australia. ACCIONA's view is that if the RET is changed (through reductions in the target itself or through reductions to trajectories for example), Australia's ability to attract global capital and expertise to deliver renewable energy infrastructure will be compromised.

The RET can be delivered cost effectively provided it is not subjected to ongoing changes.

A handwritten signature in blue ink, appearing to read "Andrew Thomson".

**Andrew Thomson**  
Managing Director  
ACCIONA Energy Australia