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Open letter to the Prime Minister of Australia and the Leader of the Opposition

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RENEWABLE INVESTMENT FREEZE MUST BE RESOLVED

An eighteen month freeze in large scale renewable energy investment has occurred around the country, with the result that around $1 billion per annum of investment in Australian goods and services that was underway in the period 2011-2013 has now completely stopped. The effect of this investment freeze is being felt most in rural and regional Australia. Infigen Energy's South Australian wind projects provide a case in point.

Infigen's Lake Bonney wind farm has been the largest single investment in the South East region of South Australia for over a decade. Infigen Energy has spent about $700 million on the three stages of the project, with roughly half of that investment going into Australian goods and services. The project includes Australian manufactured towers fabricated by Keppel Prince at Portland, transformers from Wilson Transformers and cabling from Nexans Olex, as well as design work and civil, mechanical and electrical works at the site, and at the associated substation.

Infigen Energy employed about 200 people over the six years of construction to build the three stages of the project. In addition we currently employ 20 people directly at the site, as well as 25 local contractors and part-time workers. We also contribute approximately $750,000 per annum to the local economy through rental payments to the 24 local families who host our wind turbines on their properties.

These substantial benefits for the local economy have been driven by Australia's Renewable Energy Target (RET) legislation. That legislation was introduced by the Howard government in 2000 and was the driver for Infigen to substantially develop the first stage of the project in the following two years and thereafter commence construction in 2003.

The RET has been a successful scheme and for good reason has enjoyed bipartisan support at the Federal level since its inception. Polling consistently finds that cutting the RET is deeply unpopular in the electorate, regardless of who you vote for. The most recent Essential poll found that 61% of Coalition voters and 72% of Labor voters think the RET target is about right, or too low. Only 11% of Coalition voters want the RET cut. The RET scheme and its 41,000GWh large scale target for 2020 was supported by both major parties in the lead up to the 2013 federal election.

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But the RET and the large scale renewable energy industry have been under a dark cloud since the Federal Government instigated the Warburton review in February last year. While the review was completed in August last year, there has still been no definitive outcome, and a freeze in investment under the scheme continues to this day. Prospective projects such as Infigen Energy's Woakwine wind farm to the north of our Lake Bonney project in South Australia have been put on the backburner. Woakwine offers similar benefits to the local economy as our Lake Bonney project, as do the more than 6,000 MW of renewable energy projects with planning approval spread across Australia.

Bloomberg recently reported that Australia-wide investment in the large scale element of the RET scheme has dropped from over $2 billion per annum in the years 2011 to 2013 to only $240 million in 2014. Roughly half of that pent-up investment – about $1 billion per annum, could be going into Australian goods and services, and of course jobs in regional areas, right now.

So why are we in this situation? The main finding of the Warburton review was that the RET scheme actually helps to reduce pressure on power bills in the medium to long term. This is because renewable energy helps keep wholesale power prices down, as the "fuel" is free. That benefit more than offsets the cost to electricity retailers of buying renewable energy certificates under the scheme. The net result in a properly functioning competitive market is that prices will be lower for electricity consumers. Not surprisingly then the Warburton report also noted that cutting the RET would actually increase power bills for consumers in the medium to long term.

Australia's electricity retailing and generation industries are dominated by three big power companies whose power generation and retailing profits are under threat from renewable energy. They have argued that the RET must be cut, or they will refuse to abide by the scheme until it "breaks", to use their terminology.
We should not accept that investment in large scale renewable energy and the national interest objectives of the RET scheme be held to ransom by the interests of the power retailing oligopoly.

The RET impasse has gone on way too long now. A negotiated deal between the Government and Labor is well overdue.

Miles George
Managing Director