50 Camberwell Road Hawthorn East VIC 3123

Clean Energy Investor Group

19 April 2024

Hon. Chris Bowen MP
Minister for Climate Change and Energy
Commonwealth Government
Lodged online at: DCCEEW Consultation hub

Dear Minister,

Response to Commonwealth Government's discussion paper on Electricity and Energy Sector Plan

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Commonwealth Government's consultation paper on the Electricity and Energy Sector Plan (the Plan) published in March 2024.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around $38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to clean energy with a focus on the stakeholders who can provide the cost-effective capital required for this transition.

Key Points

- **CEIG strongly welcomes the Commonwealth Government's commitment to delivering a Net Zero 2050 Plan.**
- **CEIG supports the development of the Electricity and Energy Sector Plan** and acknowledges the importance the Commonwealth Government has placed on releasing the energy sector plan discussion paper ahead of the other sectoral decarbonisation plans being development.
- **CEIG stresses the importance of setting ambitious targets that are in line with achieving a 1.5 degree outcome.**
- CEIG is calling on governments to **develop a suite of policies aimed at achieving a 1.5 degree aligned trajectory** that will help **unlock the $421 billion of private investment** required.

- **CEIG recognises the importance in addressing planning assessment bottlenecks** as a key opportunity for governments to accelerate the energy transition and reasserts its support for CIS funding (for the States) being conditional upon state governments making improvements to their planning assessment processes.

- **CEIG is calling on the Commonwealth Government to improve the process** for how it **assesses renewable energy projects under the current EPBC Act** to ensure it is more efficient and timely.

- Collaboration between governments and investors is critical to enable the transition. CEIG reaffirms that **governments should support the development of emerging technologies in Australia** like offshore wind, long-duration storage, and renewable hydrogen **to reduce transition risks** whilst **the private sector is best positioned** to do most of the heavy lifting **investing in established technologies such as onshore wind and solar.**

- **CEIG welcomes the proposed reforms to the *Your Future, Your Super* framework** which are needed to **unlock capital from superannuation funds for the transition.**

- **CEIG emphasises the importance of the timely implementation of the Renewable Electricity Guarantee of Origin legislation,** where it is in place in 2024 for the REGO scheme to commence on 1 January 2025.

- **CEIG stresses the importance of a holistic and forward-looking approach to market design,** focused on what the NEM will look like with a high percentage of variable renewable energy, beyond the single focus on today's immediate market design problems.

- **CEIG does not support the use of CCUS technologies** as they send mixed signals to the market in terms of the ambition of Australia's energy and climate objectives. Rather, **the government should focus its support on clean technologies.**

- To support the transition away from emissions intensive fuels, **CEIG recommends decisions be made considering a value of emission reductions.**

CEIG SUPPORTS THE DEVELOPMENT OF THE ELECTRICITY AND ENERGY SECTOR PLAN

CEIG strongly welcomes the Commonwealth Government's commitment to delivering a Net Zero 2050 Plan which will guide how Australia can transform the economy to net zero by 2050, including the development of sectoral plans for each major sector of the economy.

Furthermore, CEIG supports the development of the Electricity and Energy Sector Plan and acknowledges the importance the Commonwealth Government has placed on releasing the energy sector plan discussion paper ahead of the other sectoral decarbonisation plans being development. This recognises the crucial role that the energy sector plays in decarbonising the broader economy and achieving our climate goals.

CEIG supports the focus areas outlined in the discussion paper, particularly the emphasis on mobilising investment to support Australia's energy transformation to 2050. Combined, the focus areas are essential for driving the energy transition.

Due to the long-term nature of the Plan, CEIG would like to underscore the critical need for the Plan to secure bipartisan support wherever possible to improve investor certainty.

Our submission focuses on recommendations to help the Commonwealth Government mobilise investment to transform the energy sector. By addressing critical areas such as the role private and public investment, improving statutory planning and environmental assessments, and regulatory frameworks, the Plan can be calibrated to achieve a 1.5 degree aligned transition.

CEIG SUPPORTS THE COMMONWEALTH GOVERNMENT SETTING A 2035 NATIONAL DETERMINED CONTRIBUTION IN LINE WITH ACHIEVING A 1.5 DEGREE OUTCOME

CEIG commends the Commonwealth Government's existing suite of policies designed to support Australia achieve 82% renewables by 2030 and recognises that the Plan will build on this target and existing policies. Considering this, CEIG stresses the importance of setting ambitious targets that are in line with achieving a 1.5 degree outcome. It is crucial that the sectoral plans and the overall Net Zero 2050 Plan align with the urgency of the climate crisis and the need to rapidly reduce greenhouse gas emissions.

In our *Decarbonising Australia - Accelerating our energy transition with a credible 1.5 degree scenario* report[1], commissioned from Baringa, we highlight a credible path and the coordinated efforts needed across the National Electricity Market (NEM) to limit global temperature increases to 1.5 degrees. The modelling shows that at present, Australia's current scenario planning for the NEM is not consistent with global commitments for 1.5 degrees.

The report outlines the additional steps that Commonwealth Government, the electricity sector, market bodies and the investment community need to take if they are to deliver emissions reductions in line with a 1.5 degree objective. Decarbonisation of the electricity sector creates the biggest opportunity to drive economy-wide decarbonisation, most importantly across the transport and industrial sectors.

[1] CEIG, 2023. Decarbonising Australia - Accelerating our energy transition with a credible 1.5-degree scenario

The 1.5 degree scenario outlined in our Report incorporates a commercially credible view on the necessary coal closure schedule, build out rate for new generation and storage, future electricity demand, broader electrification uptake, and uptake of hydrogen. The establishment of a commercially credible pathway is critical for investors and financiers to be able to rely on Integrated System Plan (ISP) scenarios when they make financial decisions, and CEIG welcomes the inclusion of a 1.5 degree aligned sensitivity to the Step Change scenario in its Draft 2024 ISP. This is a positive step towards our call for AEMO to include a commercially credible scenario in its next ISP.

Furthermore, to ensure there is a coordinated effort between the Commonwealth, State and Territory governments, CEIG is calling for the 1.5 degree goal to be incorporated into the National Energy Transformation Partnership (NETP).

CEIG is calling on governments to develop a suite of policies aimed at achieving a 1.5 degree aligned trajectory that will help unlock the $421 billion of private investment required. Our Report includes a suite of priority actions including:

- The Electricity sector needs a carbon budget
    - This will help governments and market bodies accelerate transition in line with targets.
- Transition requires national coordination
    - Governments, industry and communities must work together to accelerate coal closures and renewables roll out.
- Investment in long duration storage
    - This strengthens reliability and security during infrequent renewable energy droughts.
- Support for offshore wind development
    - Offshore wind offers significant volumes but is unlikely to be cost-competitive in Australia until the 2040s without policy support.
- Accelerating network infrastructure build
    - Transmission buildout must be accelerated.
- Skills, supply chains and communities
    - Delivery of infrastructure projects will be challenging with international competition for resources. Communities must be supported and empowered through the transition.

IMPROVING THE FINANCEABILITY OF ENERGY STORAGE IN THE NEM

Since the release of CEIG's *Decarbonising Australia* report in 2023, CEIG has provided further policy analysis and recommendations to improve the financeability of energy storage in the NEM across two reports from Baringa Partners[2] and Nexa Advisory[3].

The reports identify the growing need for electricity storage, of all duration, in the Australian power system, and the challenges in ramping up Australia's energy storage

[2] Baringa (Mar-24) Investing in storage - Assessment of the bankability of storage in the NEM
[3] Nexa Advisory (Mar-24) Energy Storage Financeability in Australia

capacity. Furthermore, the reports highlight operational hurdles, including complex planning processes and difficulties in securing agreements with Transmission Network Service Providers (TNSPs) and AEMO, as further barriers to deployment.

To address the challenges highlighted throughout the reports and seize the opportunities, a comprehensive set of strategic recommendations are outlined, including:

- Ensuring transition certainty through a transparent and coherent thermal generator closure framework;
- Developing new markets for energy storage, with support from the Australian Energy Market Commission (AEMC) and AEMO;
- Investment in R&D of Long-Duration Energy Storage (LDES) technologies and policy direction;
- Ensuring transparency in the design of the Capacity Investment Scheme (CIS) through stakeholder involvement;
- Energy ministers to ensure fit-for-purpose assessment processes for storage across connections, environmental assessments and statutory planning processes;
- Supporting education and outreach efforts, to enhance finance sector awareness in collaboration with government, industry, and investors; and
- Reforming superannuation benchmarks and frameworks to facilitate investment from the Australian superannuation industry.

IMPROVING STATUTORY PLANNING AND ENVIRONMENTAL ASSESSMENTS

CEIG recognises the importance in addressing planning assessment bottlenecks as a key opportunity for governments to accelerate the energy transition and reasserts its support for CIS funding (for the States) being conditional upon state governments making improvements to their planning assessment processes.

Immediate actions

Improving the administration of the environmental assessment process

Whilst CEIG supports the Commonwealth Government in progressing major reforms of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), CEIG acknowledges that renewable energy projects will continue to be assessed under the current EPBC framework in the meantime.

CEIG supports a robust environmental assessment process for proposed renewable energy projects. However, clean energy investors are concerned about the lack of predictability, transparency and timeliness around the Department of Climate Change, Energy, the Environment and Water (DCCEEW)'s current approach to administering the EPBC Act where, for example:

- there is no predictability around the request for information (RFI) process (number of requests able to be issued by the department, over what time period, and when they stop); or
- the lack of predictability over requirements, where a proponent can be asked to conduct new multiple-year environmental surveys, even though that request is as a

result of the project switching to smaller wind turbines, with a presumably smaller potential impact.

These issues around new requirements and continuous extension of timelines can create significant delay and uncertainty for renewable energy projects and hinder Australia's clean energy transition.

Considering this, and the expectation that the Nature Positive Plan and the reforms will take several years to be implemented, CEIG is calling on DCCEEW to improve the process for how it assesses renewable energy projects under the current EPBC Act to ensure it is more transparent, efficient and timely.

This could include DCCEEW:

- publishing an 'assessment charter' to set out its expected timelines for processing applications and remove the current perceived arbitrariness around the time required to assess a project;
    - this would be similar in intent to the new EPBC Act where the EPA would commit to assess projects within defined timeframes;
- providing more predictability around the time required to assess a project from receipt of an application; and
- committing to no new RFIs after a defined period of time, unless there is a material change.

This would make the department DCCEEW more accountable for the administration of the existing EPBC legislation, with a more transparent and more predictable process. It would also improve investors' views of when a project may receive a decision (for environmental assessment purposes);

NSW Planning Improvements

CEIG has collaborated with Herbert Smith Freehills (HSF) to examine some of the key regulatory hurdles facing renewable energy projects in NSW, with a subsequent report focusing on the broader NEM to be released shortly. The report[4] identifies areas for improvement to support the growth of renewable energy, including:

- Broader use of critical State significant infrastructure declarations to meet the State's critical energy needs;
- Streamline the development application assessment process with improved inter-agency coordination;
- Allow conditions under which the work may be started (where appropriate);
- Prepare a clear and reasonable dwelling entitlement methodology;
- Explore further improvements to visual impact assessment; and
- Streamline Secretary's environmental assessment requirements and/or appropriately use approval conditions.

[4] CEIG & HSF, 2024: Delivering major clean energy projects in NSW

INVESTOR POSITIONS ON COLLABORATION WITH GOVERNMENTS IN THE ENERGY TRANSITION

In April 2023, CEIG and the Investor Group on Climate Change (IGCC) published a joint report highlighting the role of government and private capital in the energy transition[5]. Primarily, the report stresses the crucial role of government to facilitate the decarbonisation of the NEM by mitigating transition risks through strategies such as setting clear decarbonisation targets, creating supportive policies, investing in transmission and distribution infrastructure, driving market reforms, and aiding communities impacted by the energy transition.

Furthermore, as governments may form new public enterprises to manage investments in the energy sector, there's a need for clear corporate governance structures that crowd in rather than crowd out private investment. Establishing such entities in a manner that encourages private sector participation is essential for leveraging private funds to meet government decarbonisation goals and expedite the energy transition in the NEM.

Collaboration between governments and investors is critical to enable the transition. CEIG reaffirms that governments should support the development of emerging technologies in Australia like offshore wind, long-duration storage, and renewable hydrogen to reduce transition risks whilst the private sector is best positioned to do most of the heavy lifting investing in established technologies such as onshore wind and solar.

REFORM THE *YOUR FUTURE, YOUR SUPER* (YFYS) FRAMEWORK TO UNLOCK CAPITAL FROM SUPERANNUATION FUNDS FOR THE TRANSITION

For the Australian energy transition to be delivered at least-cost for electricity consumers, it is essential to source low-cost capital. Superannuation funds have a significant opportunity and a critical role to play in that regard over the next decade.

CEIG has previously raised its concerns that the current design of the annual performance test in the YFYS framework has the unintended consequence of creating disincentives for superannuation funds to invest in the clean energy transition, which could negatively impact the cost of the transition for consumers.[6]

CEIG welcomes Commonwealth Government's review of the annual superannuation performance test that is currently underway and looks forward to our continued engagement with Treasury on this important topic.

[5] CEIG & IGCC, 2023: Investor positions on public ownership of renewable energy

[6] CEIG Response: Superannuation Performance Test Regulations 2023 Exposure Draft Regulations

THE IMPLEMENTATION OF THE RENEWABLE ENERGY GUARANTEE OF ORIGIN SCHEME WILL PROVIDE CERTAINTY FOR INVESTORS

CEIG emphasises the importance of the timely implementation of the Renewable Electricity Guarantee of Origin (REGO) legislation, where it is in place in 2024 for the REGO scheme to commence on 1 January 2025.

The establishment of the Guarantee of Origin (GO) and REGO schemes will provide certainty for investors in that a framework for creation of renewable energy certificates will exist after 2030 and will be administered by the Clean Energy Regulator (CER) on an ongoing basis. This level of certainty is crucial to support the investment decisions being made today.

CEIG supports the Government pursuing further policy levers to support and incentivise the rollout of renewable energy generation. This could include demand side policies which incentivise the contracting of REGOs to increase the use of renewable energy as an input into manufacturing processes such as for alternative low carbon fuel production.

CLEAR INVESTMENT PRICE SIGNALS THROUGH TRANSMISSION ACCESS REFORM

As highlighted in the Plan, clear price signals will be required to incentivise investments to meet changing energy system needs, and to provide long term revenue certainty to incentivise investment beyond 2030, emphasising the importance of market design for a NEM with a high percentage of renewables.

CEIG recognises that the current open access regime is ill-equipped to handle the influx of renewable energy needed for the energy transition, leading to issues including congestion and curtailment, lack of investment certainty and inefficient transmission network utilisation.

CEIG has played a critical role in the design of Transmission Access Reform (TAR) with our Priority Access Model being included in the final design process. Over the coming months, CEIG looks forward to our continued engagement with the Australian Energy Market Commission (AEMC) on the next round of consultations to improve congestion conditions in the NEM and reduce risks for investors.

In the consideration of both TAR and the Commonwealth Governments Future Market Design of the NEM, CEIG stresses the importance of a holistic and forward-looking approach to market design, focused on what the NEM will look like with a high percentage of variable renewable energy, beyond the single focus on today's immediate market design problems.

LEVERAGING AUSTRALIA'S RENEWABLE POTENTIAL FOR GLOBAL LOW CARBON TRANSITION

CEIG recognises that multiple technologies will be required in the decarbonisation of the gas sector including through increased electrification and the uptake of renewable fuels such as renewable hydrogen as highlighted within the Plan.

The Plan also highlights the use of carbon capture use and storage (CCUS) technologies to reduce emissions from gas and other fossil fuels. CEIG does not support the use of CCUS technologies as they send mixed signals to the market in terms of the ambition of Australia's energy and climate objectives. This presents a risk to private investors in terms of regulatory risk, perception and public sentiment and the achievement of emission reduction targets.

The government should avoid CCUS becoming a mechanism to retain emission intensive assets for the long-term across Australia. Instead, the government should focus its support on clean technologies that can meet the needs of an energy system aligned with achieving a 1.5 degree outcome. These could include the development of batteries that are already cost-competitive with gas peakers today,[7] or fuel switching to renewable hydrogen or biomethane to replace the use of natural gas, rather than supporting CCUS. However, the ancillary and reserve services that would provide the revenue streams to support investment in new storage are missing and can be high risk for investors in the NEM.

To support the transition away from emissions intensive fuels, CEIG recommends decisions be made considering a value of emission reductions. Applying a value for emissions reduction is essential for providing clarity and guidance in regulatory processes and decision making, including through regulatory investment tests and the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP). It ensures that emissions reduction objectives are quantifiably integrated into decision-making processes, thereby facilitating investments that are not only economically viable but also environmentally sustainable.

CEIG thanks the Commonwealth Government for the opportunity to provide feedback on the Plan and looks forward to continued engagement on those issues. Our Policy Director can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

Marilyne Crestias
Policy Director
Clean Energy Investor Group Ltd
w: www.ceig.org.au

[7] CSIRO (2023), CSIRO: GenCost