

Dissenting Report by Labor Senators

1.1 Labor Senators note that the Chair's report contains flawed logic, false comparisons and actively ignores that the large majority of submissions support the retention of ARENA. The conclusions drawn by the government's report are disingenuous, misleading, and were clearly made before any submissions were received to this inquiry.

1.2 The vast majority of the 131 public submissions to the inquiry support maintaining ARENA and its funding; yet most of the report is devoted to a small number of submissions in favour of abolishing ARENA.

1.3 Many refute Minister Macfarlane's claim that transferring responsibility for the administration of ARENA's commitments, assets and liabilities to the Department of Industry would deliver efficiencies and allow for greater oversight of expenditure by the Minister.

1.4 Labor Senators note that Minister Macfarlane had advised that the Government's primary rationale for abolishing ARENA was to return \$1.3 billion in uncommitted funds to consolidated revenues. The government has admitted many times that the budget is not in crisis. There is no budget emergency.

1.5 The previous Labor Government established ARENA in 2012, as an independent agency to improve the competitiveness of renewable energy technologies in Australia and to increase the supply of renewable energy to Australia's electricity market.

1.6 ARENA has been successful in providing financial assistance for the research, development, demonstration and commercialisation of renewable energy and related technologies; developing skills in the renewable energy industry; and promoting renewable energy projects and innovation both nationally and internationally

1.7 ARENA currently supports more than 190 renewable energy projects that have drawn more than \$1.5 billion in private sector investment. There are currently a further 190 renewable energy projects in the pipeline, which have the potential to draw more than \$5 billion in private sector funding.

1.8 70 per cent of ARENA funding has gone to projects in rural and regional Australia, creating jobs for the future in these areas.

1.9 ARENA is part of a suite of policies that the previous government put in place, many of which were building upon Howard government policies to ensure that Australia was able to take the enormous opportunities in this area and become a world leader.

1.10 ARENA consolidated a range of programs including, notably, the Solar Flagships program of the then Department of Resources, Energy and Tourism (now

the Department of Industry). In time, it also became responsible for the work of the Australian Centre for Renewable Energy and the Australian Solar Institute. The proposed termination of ARENA will see advice channelled from the department through the minister's political advisers, as Minister McFarlane desires.

1.11 As noted in the report, many submitters maintained that ARENA's independence was in fact central to its transparency and efficiency. In varying degrees, these submitters also pointed to ARENA's ability to draw on a range of different skills and expertise, including staff and board members with research, technical and managerial skills and experience in the academic, public and private sectors.

1.12 SMA Australia, FRV, RayGen, the Sustainable Energy Association of Australia and the CPSU all argued that ARENA's independent structure and ability to leverage both public and private sector expertise had been critical in driving its success to date.¹ As FRV explained:

ARENA has in large part been successful due to its independent structure and this ability to blend private and public investment and expertise, much of which will be lost if the initiative is repealed and existing projects returned to the Department of Industry.²

1.13 Tenax Energy took this point further still, arguing that ARENA's independence provided a safeguard against the risk of political intervention in the funding process:

The design of ARENA as an independent government agency alleviates the risk of possible intervention in the decision making and the proponent funding process. Additionally, the independence of ARENA decision making through its Board structure encourages confidence in the administration of the programs and has ensured that the only avenue for political intervention in the determination of priorities or the awarding of funds is to demolish the Agency.³

1.14 Mr Alan Pears AM, meanwhile, argued that the Department of Industry was not well placed to manage the complexity of ARENA's existing funding commitments:

The suggestion [in the Explanatory Memorandum] that shifting management of existing ARENA projects into the Department of Industry will reduce costs is not supported by any evidence, either. ARENA has built an expert team that understands its target sector and can respond efficiently and effectively. It also draws upon external expert advice, often at zero or

1 FRV Services Australia Pty Ltd, *Submission 26*, p. 2; SMA Australia Pty Ltd, *Submission 1*, p. 2; RayGen Resources Pty Ltd, *Submission 55*, p. 3; Community and Public Sector Union, *Submission 66*, p. 2; Sustainable Energy Association of Australia, *Submission 77*, p. 2.

2 Tenax Energy, *Submission 34*, p. 2.

3 Tenax Energy, *Submission 34*, p. 2.

low cost. Much of the benefit of such capacity for efficient ongoing project management risks being lost if no new projects are pursued, and if generalist departmental staff are tasked with management of these complex projects.⁴

1.15 Bioenergy Australia argued that the complex, cross-portfolio nature of bioenergy, made a stand-alone body like ARENA necessary to the development of bioenergy technologies:

Bioenergy in particular requires a special purpose agency such as ARENA to support its development. Bioenergy spans numerous portfolio areas such as energy, infrastructure, waste management, wild fire mitigation, water, agriculture, forestry, trade, employment and regional development, and its assessment and support requires consideration by an agency that is geared up for such a task, rather than being relegated to within a government department with a narrower single portfolio responsibility.⁵

1.16 In making the case that ARENA was playing a 'vital role in Australia's transformation to a cleaner, and less carbon intensive future', Infigen Energy drew a comparison between ARENA's independence from government and the placement of predecessor programs and bodies within government departments:

Infigen Energy considers that ARENA will continue to be more successful in its current form rather than being incorporated into the Department of Industry. One of the predecessors of ARENA was the Renewable Energy Development Program (REDP) which was run by the previous Government's Department of Energy. While this program was successful in making announcements of grant 'winners', it was not successful progressing these projects to financial close and construction. Most of the projects awarded grants by the REDP were never built amongst these the Ocean Power Technologies project abandoned this week. On the other hand, ARENA has been much more successful selecting and progressing development projects to a successful outcome and construction of new plants including Carnegie Wave Energy's innovative Perth wave energy project and AGL's 155MW solar PV project in NSW.⁶

1.17 The BCA wrote that ARENA had a proven track record in undertaking effective due diligence in the projects it invested in, and in its subsequent monitoring and management and the contracts it had entered into:

The BCA supports the government's imperative to get the budget back into surplus, but not at the expense of closing an institution that has commercial expertise, that is not readily available in a government department and which has been operating effectively, with so much potential ahead.⁷

4 Mr Alan Pears AM, *Submission 58*, p. 2.

5 Bioenergy Australia, *Submission 85*, p. 2.

6 Infigen Energy, *Submission 119*, pp. 1–2.

7 Business Council of Australia, *Submission 115*, p. 1.

1.18 Instead, the government's report has chosen to highlight arguments claim that work being done by ARENA could be done by other agencies and mechanisms such as the CEFC and RET, while the government is actively seeking to also terminate these.

1.19 The rationale presented in this report to justify the abolition of ARENA lacks logic, is disingenuous, and misleading. The government is abolishing an agency that has been very effective in creating clean energy jobs and attracting private investment.

Recommendation

1.20 Labor Senators recommend that the Bill not proceed.

**Senator Sam Dastyari
Deputy Chair**