



**GE**

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Committee Secretary  
Senate Standing Committees on Environment and Communications  
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**RE: Australian Renewable Energy Agency Bills (Inquiry into)**

The establishment and operation of the Australian Renewable Energy Agency (ARENA) is an important component of the Multi-Party Climate Change Committee's (MPCCC) agreement and the corresponding Clean Energy Future package released by the Australian Government in July.

General Electric's (GE) submission to the MPCCC highlighted the importance of the Government's Clean Energy Initiative and that "a carbon price will support the development of demonstration projects, but additional funding mechanisms should also be explored particularly where the demonstration projects are first-of-a-kind".

In addition, GE urged the MPCCC to retain the \$1 billion 10-year Connecting Renewables initiative but increase allocations in the early years to support "increased projected investment and deployment of renewable energy projects as a result of the [Renewable Energy Target trajectory] and Solar Flagships".

Therefore, GE welcomed the Government's decision – as part of the Clean Energy Future initiative – to form ARENA and for "around \$1.7 billion in uncommitted funding from the range of consolidated programs... [to] be available for the ARENA Board to invest in new renewable energy projects – such as large scale solar, geothermal, ocean and including projects that potentially involve

At this time, the Government announced that ARENA would: 1. complement the new Clean Energy Finance Corporation; and

2. oversee existing Government support from the following initiatives, and will have responsibility for managing the unallocated funding from these initiatives:

- Solar Flagships Program
- Australian Solar Institute
- Low Emissions Technology Demonstration Fund (Solar)
- Renewable Energy Demonstration Program
- ACRE Solar Projects
- Renewable Energy Venture Capital Fund
- Australian Biofuels Research Institute
- Emerging Renewables Program
- Second Generation Biofuels Research and Development
- Connecting Renewables Initiative

### **Transfer of Connecting Renewables funding to ARENA**

The \$1 billion 10-year Connecting Renewables program, as committed to by the Government in 2010 election, is not included among the Commonwealth programs transferred to ARENA under the Australian Renewable Energy Agency (Consequential Amendments and Transitional Provisions) Bill 2011.

While GE acknowledges the Connecting Renewables guidelines had not been released prior to the ARENA announcement, it was reaffirmed by the Government in its 2010-11 Mid-Year Economic and Fiscal Outlook (MYEFO) and its 2011-12 Budget

According to MYEFO:

*"The Government will provide \$1.0 billion over ten years (including \$1.0 million in 2010 -11, \$2.0 million in 2011 -12, \$48.0 million in 2012 -13, \$49.0 million in 2013 -14 and \$900.0 million beyond the forward estimates) to support the connection of remote renewable energy sources to the electricity network. The program will support major transmission infrastructure projects, and includes funding for a conditional commitment to provide up to \$185.0 million from 2012 to 2017 (including \$25.0 million in 2013 -14, \$50.0 million in 2014-15, \$55.0 million in 2015-16 and \$55.0 million in 2016-17) towards a transmission line between Mt Isa and Townsville. The Government will provide additional funding from the program (not before the end of 2017 and not beyond the end of 2020, and not more than \$50.0 million per year and \$150.0 million across three years) if the project takes longer than anticipated to achieve market load growth. These commitments to fund the project are subject to the following conditions: successful completion of the feasibility studies, consideration of the project by Infrastructure Australia, and determination by the region's energy users that the transmission line is the preferred option for meeting future energy needs. The cost of*

*this measure in the forward estimates period will be met from the existing funding provision for the Renewable Energy Future Fund."*

The Townsville to Mount Isa transmission line referred to is the proposed CopperString project in north Queensland.

The Government stipulated with the release of the Clean Energy Future package that "ARENA will only administer the unallocated Connecting Renewables funding, and responsibility for managing the existing commitment associated with this program will remain with the Department of Resources, Energy and Tourism".

Meanwhile, the Renewable Energy Future Fund, which was a \$652.5 million four-year initiative unveiled in the Government's 2010-11 Budget, is also not included in the legislation nor in the Government's ARENA commitment.

The Government needs to clarify, in legislation, that the unallocated funding from Connecting Renewables and its predecessor - the Renewable Energy Future Fund - is available to ARENA and transmission line infrastructure would continue to be a priority area for the independent ARENA.

#### **Maximum available payments to ARENA and carry-over**

Under Section 64 of the Australian Renewable Energy Agency Bill 2011, a table details the maximum yearly payments available to ARENA for financial years 2012-13 to 2019-20.

GE welcomes the flexibility for carry-over of unspent money from ARENA from one year to the next.

However, it is unclear from the legislation whether the maximum yearly payments tables takes into any additional funding which may be earned, including dividends from the operation of the Clean Energy Finance Corporation (CEFC).

#### **Additional funding sources for ARENA**

In terms of additional sources of finance, the MPCCC Agreement identifies future funding for ARENA to come from two additional sources – dividends from investments by the CEFC and "a share of the future carbon price revenue notionally allocated to the Jobs and Competitiveness Program, should it be freed up following Productivity Commission reviews".

While the CEFC has not been established under legislation and the Jobs and Competitiveness Program has not started, neither ARENA Bill refers to these additional funding sources.

**Recommendations:**

- seek to include the unallocated Connecting Renewables in the relevant ARENA with other Australian Government programs;
- clarify the maximum yearly payments and whether its method of calculation includes reinvesting any returns for the CEFC-invested project; and
- stipulate whether additional sources of funding, such as a share of carbon price revenue notionally allocated to the Jobs and Competitiveness Program as agreed by the MPCCC.

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