

## Sun Cable Submission: Offshore Electricity Infrastructure Bill 2021

Date: 15 September 2021

Dear Committee Secretary,

### Inquiry into Offshore Electricity Infrastructure Bills

Sun Cable is pleased to provide a submission in response to the inquiry of the Senate Standing Committee on Environment and Communications (the Committee) into the Australian Government's Offshore Electricity Infrastructure Bill 2021 (the **Main Bill**) and Offshore Electricity Infrastructure (Regulatory Levies) Bill 2021 (the **Levies Bill**) (together, the **Bills**).

Sun Cable is currently developing the Australia-Asia PowerLink (AAPowerLink), which is set to be the world's largest solar energy infrastructure project. The AAPowerLink will integrate solar, storage, and HVDC technology to provide Darwin and Singapore with high quality, dispatchable renewable electricity supply. The AAPowerLink features a 4,200 km long subsea power cable system, extending from Darwin to Singapore, to supply customers with electricity generated in the Northern Territory of Australia.

In light of the significant benefits the project will bring to Australia and the NT, the AAPowerLink was granted Major Project Status by the Northern Territory Government in June 2019, and the Commonwealth Government in 2020. It also features on Infrastructure Australia's latest Priority List.

Sun Cable welcomes the Government's introduction of the Bills to support the regulation of the growing offshore electricity infrastructure industry. We are pleased to note Minister Taylor's explanation that the Bills' purpose is in part to support the development of projects like the Australia-Asia PowerLink, in recognition of the growing role that large-scale transmission projects will play in generating export revenue, creating Australian jobs, and supplying clean, affordable electricity to Australian and overseas end-users.

In this submission, Sun Cable makes comments and recommendations on the following aspects of the Bills:

1. Decommissioning of transmission infrastructure
2. Demonstration of financial security as a licence condition
3. Licence fees
4. Transmission and Infrastructure Licence terms
5. Overlapping licences
6. The articulation of the Main Bill's purpose

#### 1. Decommissioning of transmission infrastructure

Sun Cable appreciates the importance of minimising negative impacts on the marine environment by ensuring that expired infrastructure is appropriately treated, including during decommissioning. However, we would encourage the Committee to appreciate that in some cases, allowing expired infrastructure to remain in situ may be the most environmentally sound treatment. This is especially true of subsea transmission infrastructure, such as HVDC cables which are buried under the seabed for many decades prior to decommissioning. Such buried infrastructure is inert and extraction from the seabed is likely to cause more disturbance to the marine benthic environment than decommissioning the equipment in situ. Further, extraction activities may present risks to other offshore infrastructure, such as operational gas pipelines or telecommunications cables which interface with the infrastructure on the seabed.

Accordingly, Sun Cable recommends that the norm regarding offshore transmission infrastructure is not to require removal of buried subsea cables during decommissioning. The Regulator and/or relevant Minister should have the power to determine whether leaving certain infrastructure in place provides a net environmental benefit, based on a case-by-case assessment of the environmental risks and benefits associated with decommissioning activities.

## **2. Demonstration of financial security as a licence condition**

It follows from the above that developers seeking Transmission and Infrastructure Licences should be required to demonstrate a correspondingly lower level of financial security. The legislation should specify that, in cases where the Regulator and/or Minister determines that removal of buried subsea cables is not environmentally necessary or appropriate, applicants will not be required to provide financial security to cover removal as a condition of being granted a licence.

In cases where subsea cable removal is required in part or in full, Sun Cable recommends a ratcheting bond as a possible model for consideration. The proposed model would see payments begin thirty years into the licence term, and then progressively increase such that the full cost of decommissioning is covered ten years prior to the asset's end of design life. This approach would smooth the total cost over the project's life and allow the bond to be funded by cash-flow from the asset rather than upfront lump-sum equity contributions, which would be a disincentive to project development.

Financial security should also consider the salvage value of the asset to be decommissioned, which in the case of subsea cables is predominantly made up of copper and aluminium which are both valuable scrap resources.

## **3. Licence fees**

Sun Cable notes that under the Levies Bill, licence holders will be required to pay a licence fee to provide for administrative cost recovery. Sun Cable recommends that any levies raised under the Bill be reasonable, equitable and minimal, in order not to deter market entrants with prohibitive costs and constrain the growth of this new industry. Visibility on these licence fees is crucial for investor confidence in the industry.

## **4. Transmission and Infrastructure Licence terms**

Sun Cable is pleased that under the Bill, Transmission and Infrastructure Licences can be granted for the term of the life asset, rather than a set number of years for all licence-holders of that category. In practice, Sun Cable recommends that the terms of allocated licences fully capture the useful lifespan of the infrastructure, which should account for potential repurposing of transmission systems, and which will often exceed fifty years.

## **5. Overlapping licences**

We are also pleased to note that under the proposed regime, Transmission and Infrastructure Licences can traverse Commercial Licence areas, and do not require a Ministerial Declaration. This appropriately recognises the capacity for transmission infrastructure to safely and productively co-exist with generation infrastructure.

However, Sun Cable also notes that overlapping licences may not be granted in cases where the Minister is not satisfied that the activities undertaken by licence applicants would not interfere with each other. The

Main Bill does not specify the criteria of what will be considered unacceptable interference, or the basis on which one licence will be granted over the other in such cases. It is our view that the licence-allocation process should not give inherent preference to commercial licence holders' use of marine space over transmission licence holders, in light of the significant export revenue that transmission projects will generate for Australia. This situation may also preclude future offshore Commercial developments from transmitting power through nearshore Commercial licence areas, given that the transmission components of these projects may be classified as Transmission and Infrastructure Licences. Sun Cable recommends that, in cases where they cannot overlap, licences be granted precedence based on an assessment of the proposed project's overall value-add to Australia, not on the basis of licence category.

#### **6. Clearer articulation of the Main Bill's purpose**

Finally, Sun Cable considers that the stated purpose of the Main Bill does not adequately capture the intent of the legislation as expressed by the relevant Minister upon its introduction to parliament. Minister Taylor clearly stated that the intention of the legislation is in part to support the development of projects such as the Australia-Asia PowerLink, which will export part of its generated electricity to Singapore. We recommend that the Bill be more explicit in stating that part of its intent is to encourage the growth of offshore infrastructure supporting electricity exports, not only offshore generation and transmission for domestic end-users.

Overall, Sun Cable welcomes the proposed legislation and considers it an important step forward. We look forward to continuing to engage with the Commonwealth Government and support the development of the legislation for the betterment of the offshore electricity industry.