



THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR TOURISM

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

C10/580

Mrs Julia Irwin MP
Chair
Standing Committee on Petitions
PO Box 6022
Parliament House
CANBERRA ACT 2600

11 MAR 2010

Dear Mrs Irwin *(Julia)*

Thank you for your letter of 10 February 2010 to the Minister for Environment Protection, Heritage and the Arts, the Hon Peter Garrett AM MP, concerning a petition on clean energy and an interconnected electricity grid fed by renewable sources. Your correspondence was referred to me as the Minister with portfolio responsibility for this issue.

The Government recognises that renewable energy generation can play an important role in meeting Australia's energy needs. The Government has committed to a number of initiatives that are expected to significantly increase investment in renewable energy. In the May 2009 Budget, the Government announced a major new initiative, the \$4.5 billion Clean Energy Initiative (CEI). The CEI underpins the Government's strong support of clean energy technology research and development in this country. The CEI includes the \$1.5 billion Solar Flagships Program to support the construction of up to four large-scale grid-connected solar power stations operating within the energy market. This will help position Australia as a world leader in solar technology.

The CEI will complement the proposed Carbon Pollution Reduction Scheme (CPRS) and the Government's 20 per cent by 2020 Renewable Energy Target (RET) which will provide the renewable energy sector with a cross subsidy worth more than \$20 billion. The CPRS and the RET will provide a very strong incentive for investment in renewable energy generation.

With regards to an internationally interconnected electricity grid, I note that the construction of transmission lines in Australia is a commercial decision for industry and the Australian Government does not wish to intervene in market-based decisions.

I also note that there are potentially large electrical losses involved in conducting electricity over long distances and this is a significant consideration in transmission planning. For instance, due to transmission losses and there being no economic rationale for a more extensive grid, there are currently many parts of Australia that are off-grid or on isolated or local grids.

Australia has one undersea transmission line in the National Electricity Market, Basslink. Operational since April 2006, the Basslink interconnector is more than 350 kilometres (km) long, with 290 km being subsea between Tasmania and Victoria. Despite its relatively short distance, Basslink cost \$796 million to develop. The privately owned and operated Basslink was developed as a result of commercially sound decision making and a rigorous planning process.

The transmission investment proposed in the petition is unlikely to provide economic or environmental benefit to either Australia or Australia's international neighbours at this stage. To ensure commercial viability and success, such a proposal should be industry led rather than mandated by Government.

Thank you for bringing these issues to my attention.

Yours sincerely

Martin Ferguson