

## SENATE ECONOMICS COMMITTEE

### Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill

#### INTRODUCTION

Suzlon Energy Australia Pty Ltd (SEA) is the largest turnkey constructor and operations and maintenance service provider of grid connected wind farms in Australia.

Our current commitments will see SEA delivering over 700 megawatts of clean renewable energy generating capacity to Australian consumers. To date, we have built two major wind farms in South Australia, with another four projects under construction in South Australia and New South Wales.

We now employ over 230 people directly, with our projects delivering a range of additional benefits to complementary industries, and regional communities. Our commitments will see us invest over \$1 billion locally in components and services including towers, and civil and electrical works.

The growth of our business in Australia has been underpinned by the Mandatory Renewable Energy Target.

We welcome the opportunity to provide input into the Senate Economics Committee Inquiry into the Renewable Energy Target (RET) legislation. The renewable energy sector is at a critical turning point, and the further development of this industry in Australia depends on the timely passage of the legislation.

#### SUMMARY

- Renewable energy has a critical role to play in the transition to a low carbon economy.
- A clear, long-term and stable policy framework is important to build investor confidence, and to ensure the sustainable growth of the renewable energy sector. It is therefore important that there are no major amendments to the design and operation of the RET.
- RET is a well-designed and effective policy mechanism to accelerate the deployment of the most competitive renewable energy technologies.
- RET is not designed to be the sole support mechanism for all renewable energy technologies at every stage of development, hence the importance of a broad suite of policy initiatives.
- The growth of the renewable energy sector depends on the timely introduction of the RET legislation.

## KEY POINTS

### Role of renewable energy

With increasing global concerns about climate change, the imperative to move to a low carbon economy is strengthening. The way we use and supply energy is responsible for the majority of the world's greenhouse gas emissions – and as a result, reducing carbon pollution has become a key consideration in the development of new energy policies.

In Australia, the Government has set a target to reduce greenhouse pollution by 60% by 2050 from 2000 levels. This will require a fundamental transformation of our energy sector to reduce our reliance on carbon intensive supplies.

A move to a low carbon energy system will require:

- Reducing energy demand, and decoupling economic growth from energy consumption;
- Facilitating the transition from carbon intensive energy supplies;
- Accelerating the deployment of renewable and low carbon energy supplies;
- Ensuring investment in the infrastructure to unlock Australia's clean energy potential, and enable a more sophisticated relationship between supply and demand.

Renewable energy is an important part of a coordinated approach to tackle climate change. Investment in renewable energy supplies will reduce our reliance on fossil fuels and help mitigate exposure to fuel price risk and carbon pricing.

### Why the RET is good policy

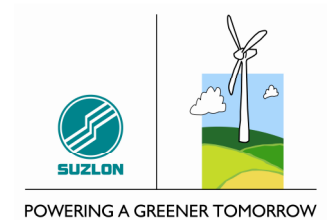
RET is designed to support the development of the renewable energy industry and provides a clear and stable policy framework for investing in renewable energy.

The structure of the scheme means that the most competitive project opportunities will be realised. This is an efficient and cost-effective approach to investment in new renewable energy projects.

The RET is designed to complement a broader suite of policy initiatives such as the Carbon Pollution Reduction Scheme, and targeted measures to tackle energy efficiency.

The RET is not designed to be the sole support mechanism for all renewable energy technologies, and will not be an effective mechanism to support the development of emerging technologies. There are more appropriate policy instruments to effectively target early stage technologies.

# SUZLON ENERGY AUSTRALIA SUBMISSION



## Importance of long-term stability

In Australia, moving to a low carbon economy will require fundamental changes to the way we use and supply energy. We need a clear, stable and long-term policy framework to manage the risks and uncertainties associated with the scale of transformation required, and to maintain investor confidence.

To that end, it is critical that there are no major amendments to the design and operation of the RET.

Introducing complexities, will distort the market for renewable energy, and increase the financial risk associated with renewable energy projects.

For example, introducing banding into the RET will:

- reduce the efficient operation of the market by bringing forward more expensive technologies, adding to the overall cost of the measure; and
- risk constraining the development of industries that are close to commercially viable.

## Risk of delay

The renewable energy sector is starting to feel the impacts of the delays in the RET legislation. There are a number of projects that can't proceed until the legislation is in place.

As the last projects to be supported under the Mandatory Renewable Energy Target are built, our business is entering an uncertain period. We are concerned that ongoing delays to the legislation will undermine investor confidence in Australia and will jeopardise the growth of the clean energy sector.

It is critical that the RET legislation is passed promptly to allow the renewable energy sector to make a significant contribution to Australia's low carbon future.

## **CONCLUSION**

We welcome the opportunity to provide input into the Senate Economics Committee Inquiry into the RET legislation.

We would be pleased to appear before the Committee to answer any questions about our submission.