



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Australian Renewable Energy
Agency (Repeal) Bill 2014**

Second Reading

SPEECH

Monday, 1 September 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Snowdon, Warren, MP

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Mr SNOWDON (Lingiari) (18:22): I commend the member for Makin for his very erudite elucidation of the issues surrounding this piece of legislation. I have been hearing bits of the debate during the course of the day, and I have heard nothing from the government that is anything like a convincing argument. That raises a number of serious questions which have been alluded to during the course of the debate. The member for Perth spoke about the Luddites on the other side of the chamber. I am not sure they are all Luddites, but they have clearly had their understanding of the need for environmental action in this regard, and the importance of ARENA, suppressed by the ideological motivations that, no doubt, come from the leadership and from the minister responsible for the environment. No clear-minded person, no good-thinking person, could come to the conclusion that ARENA is not worth keeping and does not make a significant contribution to the Australian community.

We all know that ARENA works to reduce the cost of renewable energy technology development and has been very successful in increasing its use in this country; that it provides financial assistance for the research, development, demonstration and commercialisation of renewable energy and related technologies; that it develops skills in the renewable energy industry; and that it promotes renewable energy projects and innovation both nationally and internationally. I am reminded by the shadow minister that ARENA currently supports more than 190 renewable energy projects drawing more than \$1.5 billion of private sector investment and that these 190 projects in the pipeline have the potential to draw more than \$5 billion in private sector funding as well. And 70 per cent of ARENA funding has gone to projects in rural and regional Australia, creating jobs for the future of those areas. It is that aspect of this that I want to talk about. The people who have got most to benefit from research and innovation in alternative methods of energy production are people who live in high-cost areas remote from major cities and towns and in remote parts of this country.

I note that in June the Senate referred the provisions of this bill to the Senate Economics Committee for inquiry. There were 130 submissions received, one of which came from the Centre for Appropriate Technology, an organisation based in my home town of Alice Springs. I am grateful to Lyndon Frearson, the CEO of CAT Projects, for allowing me to quote liberally from that submission because it makes substantial sense and provides a practical example of how the Australian Renewable Energy Agency has been able to assist organisations and businesses in remote and regional Australia.

CAT Projects evolved as a commercial engineering services on of the Centre for Appropriate Technology in 2008, specialising in renewable energy services to remote communities and pursuing opportunities to utilise CAT's intellectual property in commercial and international settings. CAT is a unique organisation in this country. It is wholly owned and governed by Aboriginal and Torres Strait Islanders and has an Aboriginal and Torres Strait Islander board. It has its head office in Alice Springs, with national outreach offices in Western Australia, Queensland and the Northern Territory. CAT has worked for over 30 years bringing people and technology together to deal with basic technological challenges in remote parts of Australia. This approach is grounded in effective engagement and sustainable outcomes facilitated by innovative and effective responses to these challenges. CAT project solutions are people focused, innovative and practical and they acknowledge the important relationship between people, place and technology. It is a proud locally owned company. CAT Projects, in its submission to the Senate Economics Committee, pointed out that CAT projects, by dint of its submission, is well placed to comment on the efficacy and importance of ARENA as an agency. As a company based in remote Australia, CAT Projects deal daily with the impact of high energy prices associated with isolated diesel and gas power supplies.

I understand that most people in this chamber, including in the government, have got absolutely no bloody idea what happens in the bush. They have got no idea what happens in rural and remote Australia. They have got no real idea of what powers communities in remote parts of the Northern Territory or of the costs involved. I say to the government that, if you raise your eyes a bit and have a look at what is going on in the bush, you will appreciate what CAT is doing. Existing projects such as grid extensions and large capital intensive power

supplies have proven to be inappropriate for remote Australia. Hence, thinking differently about energy supplies, the technologies that are used and the financial structures that are used to develop them is vital.

ARENA, through its Regional Australia's Renewables initiative and its Community and Regional Renewable Energy Program, has been explicitly dealing with these issues. The continuing existence of ARENA has been of critical importance to remote and regional Australia. There are a range of barriers in the bush, not least of which is that remote and regional areas have some of the highest marginal costs of power generation anywhere in the country. And yet they are located in areas with some of the highest renewable energy resource potential—including, particularly in my communities, solar power.

With high energy costs being a key barrier to further development of northern and remote Australia, alternatives to the existing modes of generation, transmission and consumption of electrical energy must be considered, if only to act as a hedge to fluctuations in energy prices. There are a number of issues that we need to deal with—a common set of structural barriers to deployment of renewable energy sources in remote communities. They include issues to do with governance, supply chains—the intellectual supply chain, the labour supply chain, the logistical supply chain—finance and capital constraints. ARENA as an agency has recognised the importance of incentivising innovation with respect to these barriers, with a specific focus on not simply throwing money at the issues, rather asking industry, utilities and other government agencies to consider how different approaches to business can materially address the barriers previously identified.

A key example of this—and this is a very important example—is a project with which CAT Projects have been involved for some time and which is presently in the final stage of negotiating a funding agreement with ARENA: the Voyages Yulara 1.8-megawatt PV system. Yulara is a tourist township some kilometres from Uluru. It consists of five separate accommodation facilities and associated infrastructure, with attendant services, including a primary school, a medical clinic and emergency services: police, fire and ambulance. The resort is wholly owned by Voyages Indigenous Tourism Australia Pty Ltd, a subsidiary of the Indigenous Land Corporation. Power is supplied to Yulara by a combination of diesel and compressed natural gas, trucked daily 440 kilometres from Alice Springs. The cost of generating a supply of energy to Yulara is in excess of \$300 per megawatt hour, excluding any margin for overheads and profit by the supplier. The integration of a large PV array, with a peak daytime penetration of around 30 per cent, was reviewed by CAT Projects on behalf of Voyages in 2013. Even the most conservative estimates of the costs of the development, future energy costs and the value of the energy generated from the PV plant indicated that the project had a high probability of being viable in its own right.

There were some issues. In the first instance, Voyages did not have the internal capacity to appreciate or manage the technical risk associated with the project, the energy supplier did not have the access to capital to support the project, and the regulatory environment made it prohibitively difficult for a third party to establish the PV system in its own right. Without intervention, the opportunity to drive down the local long-term costs of energy would be lost. Enter ARENA. The ARENA I-RAR program acted as a catalyst for Voyages to reconsider the project and how additional support from ARENA might help resolve the barriers that had been identified. Critically, the mere presence of ARENA as an active agency willing to fund projects in this space gave substantial confidence to the board and management of Voyages that the project would be successful.

As a direct result, Voyages made an initial expression of interest through ARENA for funding for a 1.8-megawatt PV plant, with the funding requested being between 15 and 20 per cent of the projected capital cost. ARENA accepted the EOI and advised that Voyages could proceed to a full application, and they did. Voyages were required to complete detailed design documentation for the project, then go to tender and include the locked-in tender prices as part of the final submission. Voyages did this. They completed the tender process with the assistance of CAT Projects in June 2014. The pricing that was returned, along with the financing proposals, was substantially better than what had been originally estimated and resulted in Voyages being able to be confident that the plant would be built and financed without direct support from ARENA.

The final negotiations with ARENA have resulted in an agreement for ARENA to fund a knowledge-sharing program for the project in order to disseminate the lessons learnt as well as some of the up-front design and development costs. The value of this contribution from ARENA is now around six to seven per cent of the total project cost. This process has proven the important catalysing role of ARENA as an independent agency. Through being present and engaged with industry, ARENA has been able to build confidence and collaboration between end consumers of energy, technology suppliers and the financiers who support these projects. It is very

clear that, were ARENA not in existence, the Yulara plant would not be proceeding at any time in the foreseeable future and that there are many other projects around remote and regional Australia that would suffer a similar fate—and no doubt will—as a direct result.

The DEPUTY SPEAKER (Mr Broadbent): Tell the nation what ARENA is.

Mr SNOWDON: Don't we know, mate? I will come to it in a moment. I am just conscious of time. It is a sure and certain view of CAT Projects that the repeal of ARENA and the subsumption of its roles into a larger department will have a materially detrimental effect on the long-term development of regional and remote Australia. I am 100 per cent certain of this—absolutely certain. CAT Projects strongly support ARENA, as do I. The previous Labor government established ARENA in 2012, as an independent agency designed to improve the competitiveness of renewable energy technologies in Australia and to increase the supply of renewable energy to Australia's electricity market—exactly what has happened at Yulara.

I say to members opposite, as I said at the beginning of my contribution, that they need to look beyond their own little piles as they think about this bill. They need to understand its implications not only for them but most particularly for those people who live in high-cost areas, where the cost of electricity production is exorbitant and innovation is required. Innovation based on good science, good engineering, good technology and decent investments by informed investors and enlightened organisations such as ARENA can make a material difference to the outcome and mean that, in the long term, we have got sustainable energy supplies to the most rural and remote parts of Australia—for people who deserve better attention than they are getting from this government. I say to the government—and others have made this contribution before—get over being climate sceptics. We know climate change is real. It is about time you actually took heed of not only the science but the very, very good work that is being done in Australia around alternative energy production and renewable energy. Just get over it and do not proceed with this silly piece of legislation which is going to do harm to all of us.