

# Submission to COAG review of specific RET issues

## 1 Contact Details

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## 2 Confidentiality

Do you want this submission to be treated as confidential? **No**

## 3 Introduction

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

Our current commitments will see Suzlon delivering over 700 megawatts of clean renewable energy to Australian consumers.

The successful expansion of a diverse renewable energy industry in Australia depends on a clear and stable policy environment.

The main driver of investment in renewable energy is the expanded Renewable Energy Target (RET).

We welcome the opportunity to provide input into the COAG Review of Specific RET Issues. In particular, we welcome the opportunity to reflect on an emerging issue associated with the operation of the RET market that has seen the REC price drop well below projected levels.

Suzlon is keen to work with the Government to identify ways to ensure the effective operation of RET in both the short and the long-term to enable the renewable energy sector to grow sustainably.

## 4 Key points

- Renewable Energy Certificate (REC) prices are much lower than originally projected.
- The low REC price can be attributed to a significant increase in solar water heater sales, which have received additional support through rebates and the stimulus package.
- The low REC price is having an impact on investor confidence in large-scale renewable energy projects.
- It is critical that this issue is addressed as soon as possible.
- There are a number of possible solutions to address the lower than expected REC price.
- Suzlon is keen to work with the Government to identify the most appropriate solution.

## 5 An emerging issue

The Renewable Energy Target (RET) is the most significant driver of investment in renewable energy in Australia.

Modeling commissioned by the Government projected that under the expanded RET, the price of a Renewable Energy Certificate (REC) would be around \$70. Currently, REC prices are below \$30 – with some commentators predicting that prices will stay this low for around two years.

This has a very significant impact on the investment climate for renewable energy – and in particular for capital intensive projects that require a strong future REC price in order to be viable.

While it is expected that as the target increases, the REC price will also increase – this may be too late for large-scale renewable energy developments that need a guaranteed income for around 15 years in order to proceed.

The reason that the REC price is so low is because of an increase in uptake of solar water heaters. This increase can be attributed to the range of additional support for solar water heaters that exists outside the RET, including a range of state Government rebates, as well as the Australian Government stimulus package.

## 6 Possible solutions

There are three broad approaches that could be applied to address the lower than expected REC price in the short-term:

- reduce the supply of RECs;
- increase the demand for RECs; and/or
- introduce policies that effectively set a floor price for RECs.

A number of possible solutions within these broad approaches are summarized below. Our preference is to remove domestic scale technologies from RET, and ensure they are supported through other effective and targeted policies.

## **6.1 Reduce supply of RECs**

- Take SHW out of RET ensuring it is supported through other mechanisms, such as building regulations or rebates
- Include domestic renewable energy including SHW and PV in a targeted domestic scheme such as a white certificate scheme

## **6.2 Increase demand for RECs**

- Increase RET trajectory in the short-term
- Government purchase of GreenPower

## **6.3 Ensure REC price stability**

- Government introduces a reserve bank function to bank RECs at time of oversupply

## **7 Conclusion**

As a result of a range of policies interacting with RET, the market is not operating as planned. This issue must be addressed in the short-term to restore investor confidence in large-scale renewable energy projects. Suzlon is keen to work with Government to identify the most appropriate solution going forward.