



***Submission to Victoria's Renewable Energy Auctions Consultation:  
Prioritising Jobs & Community Involvement for Best Practise***

Prepared by Pat Simons, Friends of the Earth's Cleantech Jobs Coordinator

This submission has been endorsed by Hepburn Wind, Renewable Newstead, Macedon Ranges Sustainability Group, and EarthWorker.

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Friends of the Earth (Melbourne) is a membership-based environmental advocacy organisation that has been active for more than 40 years. We appreciate the opportunity to provide a submission to this Victorian government to inform its renewable energy auctions policy.

The Victorian Renewable Energy Target will reshape the energy system and inject renewed confidence into the renewable energy sector. The initiative presents an opportunity to make Victoria a renewable energy hub following a period of considerable uncertainty; maximise local benefits in terms of job creation, industry development and transition in the Latrobe Valley; and enable greater community involvement in the energy system.

The adoption of the renewable energy auctions comes at an important juncture. In February 2014, the Federal government announced a review of the national Renewable Energy Target (RET). The resulting uncertainty resulted in a 90 per cent decrease in investment in Australia's renewable energy sector<sup>1</sup> and over 2,500 job losses<sup>2</sup>. In mid-2015 the Abbott government cut the national RET by 20 per cent (from 41,000GWh to 33,000GWh).

Friends of the Earth welcome the Andrews Governments commitment to ambitious and achievable Victorian Renewable Energy Targets of 25 percent by 2020 and 40 percent by 2025 and the use of renewable energy auctions to meet them.

The two key pillars of a best practise Renewable Energy Auction Scheme will be a) delivering high impact for local job creation and manufacturing in Victoria, and b) prioritising community involvement in renewable energy projects, including growing community owned energy throughout the state. What follows is Friends of the Earth's recommendations for achieving this outcome.

### **High Impact Local Job Creation & Industry Development**

Uncertainty created during the Abbott Government's review and subsequent cut of the national RET saw investment in the renewable energy industry fall by 90%, and over 2,500 job losses. With Victoria also facing job losses due to declines in the local car manufacturing industry, the renewable energy auctions are an opportunity to attract investment in the domestic renewable energy industry and associated supply chains. The need to diversify economic opportunities in the Latrobe Valley also provides an opportunity to make the renewable energy auctions one part of a broader transition plan for the region.

The auction system can have a high impact on local job creation and industry development through two key measures:

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<sup>1</sup> <http://www.smh.com.au/environment/climate-change/australias-renewable-energy-investment-grinds-to-a-halt-20150414-1mkn70.html>

<sup>2</sup> <http://www.abc.net.au/news/2015-04-13/renewable-energy-job-losses/6389242>

- a) Adopting mandatory disclosure of local content for projects greater than 1 MW and;
- b) Adopting a strong, transparent weighting for local content in the evaluation criteria for auction bids.

Local content disclosure will provide transparency for communities about the ways in which renewable energy projects benefit the local, state and national economy. This transparency can create healthy competition among developers to increase the proportion of local content in projects.

The ACT's renewable energy reverse auction system provides a weighting for projects that contribute to "ACT Economic Benefits". Given Victoria's manufacturing capability, including capacity for manufacturing wind turbines, cables and transformers, the Victorian Renewable Energy Auctions could provide a strong weighting for local purchasing, balancing this with ease of administration for renewable energy companies bidding into the system.

It is our hope that these two measures encourage developers to increase the use of local contractors and manufacturers such as:

- Keppel Prince in Portland
- Olex Cables in Tottenham and Lilydale
- Wilsons Transformers in Glen Waverly and Wodonga
- IXL Manufacturing in Geelong
- Raygen Solar in Blackburn
- Cement and fencing contractors
- Logistics, warehousing, and construction firms
- Technical training and education services
- Worker-owned cooperatives
- New or interstate firms that are attracted to establishing operations in Victoria

**Recommendation:** Friends of the Earth recommends the government adopt mandatory local content disclosure and a strong, transparent weighting for local content as part of the auction evaluation criteria.

### **Prioritising Community Involvement**

Community involvement is fundamental to delivering positive outcomes from renewable energy projects and ensuring the future success of the industry throughout Australia. Communities play a key role in securing the renewable energy industry's social license to operate and minimise the social risks of new developments that can lead to time delays and cost increases. Projects with high levels of community involvement have also been shown to deliver 1.5 -3.4 times the local economic benefits in terms of job creation and investment compared with conventional projects<sup>3</sup>.

Under the ACT reverse auction scheme, projects such as Windlab's Coonoer Bridge Wind Farm demonstrated community engagement and a sophisticated benefit-sharing model can deliver high quality wind developments. CWP's partnership with Embark Australia won the second round of the ACT auction and will be the first large scale project to deliver a community investment vehicle.

The auction system can prioritise community involvement by adopting a strong, transparent weighting for local community engagement. Developers who want to gain community acceptance of large-scale renewable energy developments will welcome benefit sharing and community enhancement funds reflecting the scale of the development as a standard practice in the evaluation criteria. Industry leadership could be encouraged by awarding additional points to projects adopting best practise measures including Community/Developer partnerships and optional community investment (see Figure 1).

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<sup>3</sup> Hepburn Wind (2011) *Hepburn Wind Case Study*. Embark wiki: [www.embark.com.au](http://www.embark.com.au)



**Figure 1 Best practise community engagement activities**

**Recommendation:** Friends of the Earth endorse a strong, transparent weighting for Local Community Engagement inclusive of benefit sharing and community investment in the auction evaluation criteria.

### **Enabling community owned renewable energy through targeted energy auctions**

The burgeoning community-owned renewable energy (CORE) sector highlights the depth of public interest in growing renewable energy, and is already a mainstream model rolling out renewable energy in countries such as Denmark, Germany, Scotland and the USA. Community owned energy projects utilise a range of technologies and are typically small scale. Over 11 years, Scotland has grown the number of community energy projects from nearly zero to over 300. Following similar trends, Australia wide there are currently 70 community energy groups establishing projects, growing from just one, the Hepburn Wind Farm in Victoria in 2010. In Victoria there are currently six community energy projects operating, and 26 under development.

There is a clear case for expanding the community energy sector in line with comparable jurisdictions. A key barrier to entry for community energy projects is ongoing access to finance and a secure purchase price for generation. The renewable energy auctions provide an opportunity to resolve this through a targeted tranche of community energy auctions that could leverage public, private and community finance.

Committing to a targeted community energy auction would provide guidance and transparency for increasing the rollout of community energy projects throughout the state. A targeted auction representing a small percentage of the estimated 5400 MW of renewable energy would be an ambitious and achievable amount of community owned energy over the period of 2017-2025.

The community energy auction could have a simplified contractual process in comparison to large scale projects, and be administered by Sustainability Victoria to better enable community groups to easily participate and drive community scale projects across the state. Clearly defining “Community” and “Community Energy” will help ensure projects are of an appropriate size and genuinely community-based.

**Recommendation:** Friends of the Earth recommends the Andrews Government adopt a targeted energy auction to support the uptake of community energy projects throughout the state.

## Supporting Just Transition in the Latrobe Valley through targeted energy auctions

The Renewable Energy Auctions will be the vehicle for Victoria’s largest rollout of renewable energy to date, attracting a projected \$2.5 billion of investment and generating up to 10,000 jobs over the period of the Victorian Renewable Energy Target to 2025. Simultaneously, due to the retirement of aging coal power generation infrastructure in the Latrobe Valley and transition of the broader economy to renewable energy, Victoria’s Renewable Energy Target must be accompanied by economic development initiatives to help transition communities whose economy is underpinned by the coal power sector.

One measure that could form part of a broader transition plan is a targeted renewable energy auction for the Latrobe Valley. This could leverage off the competitive advantage of the region’s grid infrastructure and knowledge base; minimise future spending on poles and wires and; include a range of energy technologies and innovative business models including solar photovoltaic (PV), wind, energy storage and demand response management. This could build off lessons learned from energy storage projects under the State Government’s \$20 Million *New Energy Jobs Fund*, and would assist in providing new economic opportunities and investment in local jobs and training. There is strong support for a community led transition creating new jobs in the Latrobe Valley.

The following data demonstrates the current capacity and potential for rooftop solar in the Latrobe City Council area. As Figure 3 shows, there is an estimated 72.48 MW of currently underutilised rooftop solar in Latrobe City.

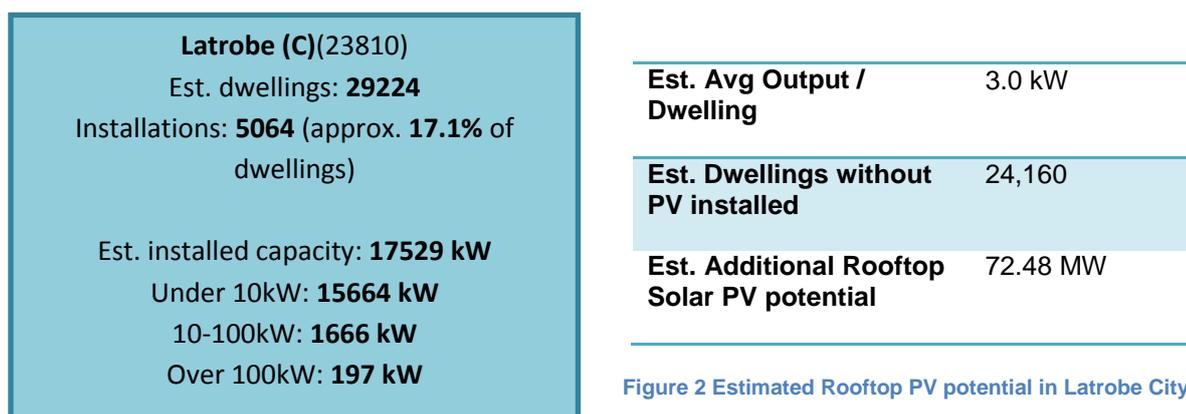


Figure 2 Estimated Rooftop PV potential in Latrobe City

Figure 3 Photovoltaic Capacity in Latrobe City (source: Australian Photovoltaic Institute Solar PV Status Map)

The Victorian Government has previously modelled wind resources throughout the state, including in the Latrobe Valley.

The 2003 Victorian Wind Atlas published by the Victorian Sustainable Energy Authority designates the Latrobe City Local Government Area (LGA) as a “Moderate Wind Resource”. Other areas in this category include Ararat and Ballarat, which currently have wind projects operating, under construction or in planning stage. As modelled in Figure 4. Latrobe City has an average wind resource of 6.3 metres / second.

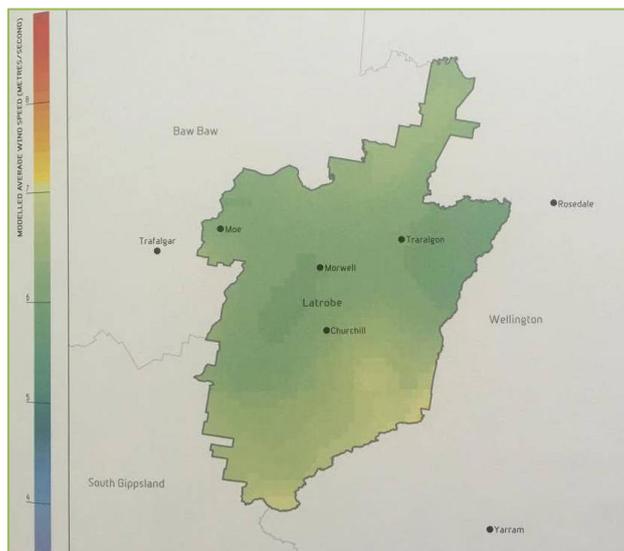


Figure 4 Modelled Average Wind speed in Metres / Second in Latrobe City LGA (Sustainable Energy Authority Victoria, Victorian Wind Atlas, 2003)

The additional advantage of the Latrobe Valley is that it is immediately situated among extensive grid infrastructure due to the history of coal fired power generation, as represented in Figure 5. This provides the opportunity to minimise additional public spending on grid infrastructure. Modelling shows the recently announced Community Grids Mornington Peninsula project will defer the need for \$30 million of investment in network infrastructure.

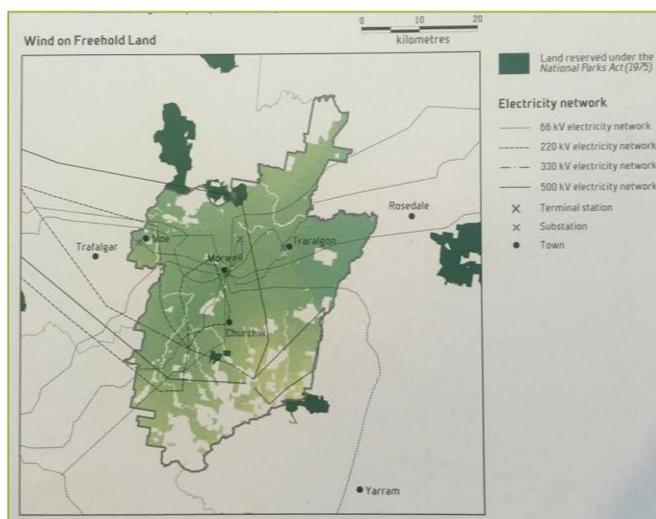


Figure 5 Wind on Freehold Land & Electricity Network distribution (Sustainable Energy Authority Victoria, Victorian Wind Atlas, 2003)

**Recommendation:** Friends of the Earth recommends adopting a targeted renewable energy auction for the Latrobe Valley as part of a broader just transition plan for the region.

### Renewable Energy Advocate: transparency and certainty

Alongside maximising benefits for local jobs, transparency, community support and certainty will be key to successfully achieving a legislated Victorian Renewable Energy Target of 5400 MW. This can be assisted by establishing an independent Renewable Energy Advocate.

An independent Renewable Energy Advocate can track Victoria's annual progress towards meeting legislated VRETs. The advocate would make recommendations to the government for increasing the state's competitiveness to secure renewable energy investment. It would make recommendations to

government for the most effective ways to accelerate renewable energy deployment and transition away from polluting fossil fuels. Other jurisdictions including NSW and South Australia have adopted independent renewable energy advocates as part of a suite of policies to build the renewable energy industry.

**Recommendation:** Friends of the Earth recommends establishing an independent Renewable Energy Advocate responsible for tracking Victoria's annual progress towards the VRET to provide transparency and certainty.

## Other considerations

### *Legislated Target*

Damage done to the federal RET provides lessons for the establishment of the Victorian Renewable Energy Target and auction system. Specifically, uncertainty around the notion of a "real 20 percent" culminated in the Abbott Government's cut to the legislated target of 41,000Gwh to 33,000 Gwh, causing investment to drop by 90 percent and 2,500 job losses in the renewable energy sector.

An explicit, legislated target of 5400MW of new renewable energy achieved through a series of auction tranches over the period of 2017 – 2025 with provisions that prevent artificially decreasing the target has the best chance of creating the investor certainty necessary to meet the Victorian Renewable Energy Target. This can be bolstered by the option to increase the Victorian Renewable Energy Target in the future.

The ACT 100% Renewable Energy Target recently received support from the Canberra Liberal party, who stated they will continue with the legislated target if elected<sup>4</sup>. Friends of the Earth welcomes this announcement, and believes the Victorian Opposition can provide cross-party support for the Victorian Renewable Energy Target and auction system. Additionally we would like to highlight statements by former federal Environment Minister Greg Hunt urging state governments to adopt auction systems to grow renewable energy<sup>5</sup>.

### *Renewable Energy Technology*

Friends of the Earth supports auctions that rollout commercially available renewable energy technologies, such as wind farms, solar photovoltaic, and solar thermal generation. The use of micro-hydro as well as methane capture from rubbish tips and sewage treatment plants is a niche generation that can be included in the auctions. Friends of the Earth strongly recommend the government exclude power generation that draws on native forest materials as they are not considered an ecologically sustainable form of energy production and will have perverse impacts on the market.

Friends of the Earth welcome the government's proposal for a specific tranche of generation to come from solar power.

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<sup>4</sup> Canberra Liberals commit to renewable energy and carbon emission reduction target, 29<sup>th</sup> August 2016, <http://www.nicolelawder.com.au/2-uncategorised/225-canberra-liberals-commit-to-renewable-energy-and-carbon-emission-reduction-targets-tuesday-30-august-2016>

<sup>5</sup> Giles Parkinson, *Hunt urges states to adopt ACT-style auctions to boost wind and solar projects*, 2<sup>nd</sup> December 2015, <http://reneweconomy.com.au/2015/hunt-urges-states-to-adopt-act-style-auctions-to-boost-wind-and-solar-projects-67719>

## Final Comment

Friends of the Earth Australia is a national environment organisation with over 30,000 supporters. As a lead advocate for the establishment of a Victorian Renewable Energy Target we are pleased the Andrews government continues to develop policy to grow renewable energy and jobs in our state. We hope the government gives due consideration to the recommendations in our submission.

Thankyou and kind regards,

Pat Simons  
Yes 2 Renewables, Cleantech Jobs Coordinator  
Friends of the Earth

Friends of the Earth's submission has been endorsed by the following organisations<sup>6</sup>:



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<sup>6</sup> Renewable Newstead have also attached a short letter of recommendation, please see below.

30th August 2016



To whom it may concern,

The Renewable Newstead Committee has studied the Friends of the Earth submission to the Victorian State Government's consultation on the detailed design of Victoria's renewable energy reverse auction scheme.

Although our current State Government funded project will not explicitly establish any generation facility that could participate in such an auction our subsequent activities may well do so. An expressed goal of the current Renewable Newstead project is to establish an economic and regulatory environment that would favour such schemes.

We therefore wholeheartedly endorse the suggestion that one or more of the proposed reverse auctions specifically target community-based generation.

Thankyou and kind regards,

The Renewable Newstead Committee