Submission No 67

INQUIRY INTO IMPACT OF RENEWABLE ENERGY ZONES (REZ) ON RURAL AND REGIONAL COMMUNITIES AND INDUSTRIES IN NEW SOUTH WALES

Organisation: RE-Alliance

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Submission to Inquiry ~ Impact of Renewable Energy Zones (REZs) on rural and regional communities and industries in New South Wales

5 February 2025

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RE-Alliance is working to secure an energy transformation that delivers long-term benefits and prosperity for rural and regional Australia. We do this by listening to the needs of communities most impacted by the transition, facilitating collaboration across the renewables industry to deliver social outcomes and advocating for meaningful benefits for regions.

We are recognised as a leading voice on community engagement and social licence in Australia and work in Renewable Energy Zone (REZ) regions across Queensland, NSW, Victoria and Tasmania. We play a unique role, as allies of and advocates for renewable energy host communities and assisting renewable energy developers seeking to deliver best practice community engagement, community funds and to build social licence.

In New South Wales, we have been working for several years on community engagement and environmental issues associated with renewable energy and transmission projects, including in the Central West Orana REZ from 2021 and the South West REZ from 2023 and over the past decade around renewable energy developments across the state.

Given our work in New South Wales over many years with communities and industry on renewable energy, we are well placed to provide input to this inquiry. We have chosen to

focus our attention in this submission particularly in relation to planning approvals, community engagement and benefit sharing. In these areas we recommend:

- Local Energy Hubs for key regions in New South Wales
- Clear policies that empower farming, environmental and First Nations communities to shape the energy transition
- Shared benefits being clearly expected for transmission projects
- Regional-scale strategic benefits allowing co-design and leadership by the community to inform the shape and scope of the approach
- Clearer policies on developer responsibilities for decommissioning.

We would welcome the opportunity to present at a future Inquiry hearing should that be of interest.

Yours sincerely,

Andrew Bray

Submission to Inquiry: Impact of Renewable Energy Zones on rural and regional communities and industries in New South Wales.

RE-Alliance recognises that the NSW Government recently updated and improved the planning framework for renewable energy and transmission in the state. We note that NSW pioneered the legislative framework for renewable energy zones and that the Government is committed to ensuring that developments are done well and that benefits flow to regions that are hosting this infrastructure.

RE-Alliance champions a holistic approach to the energy transition—one that prioritises community voices, fosters trust through transparent practices, and strives for long-term socio-economic and environmental sustainability for rural and regional areas.

Our research, and that of others shows that there is currently majority support for renewables in regional areas in NSW. This fact demonstrates that - at face value - current engagement efforts by both industry and government are playing a role to maintain community support. However, digging deeper into that research and into our experience on the ground in NSW regions shows this support is fragile. There is a high level of dissatisfaction about existing information gaps and lack of pathways for co-design and collaboration for regional communities. There are big opportunities to address these gaps and involve communities more effectively in shaping how things are being done and developed in their region.

Local Energy Hubs would directly address multiple gaps through providing pathways for meaningful participation, capacity building and shaping benefit sharing for regional communities and we strongly encourage NSW MPs to get involved and support this civil society led campaign.

RE-Alliance supports the transformative potential of Renewable Energy Zones (REZs) in New South Wales, especially if there are improvements made by Government to address socio-economic, agricultural and other industry co-existence, community engagement, sustainable practices and settings to ensure NSW maximizes benefits for rural and regional areas. Our key messages to the Inquiry on each of these areas is outlined below:

1. Community Engagement: Regional support for renewables is substantial, but fragile due to information gaps and limited collaboration opportunities. RE-Alliance is campaigning for Federal Government investment in Local Energy Hubs to bridge these gaps, enhance participation, and provide actionable insights to communities and stakeholders.
2. Shared Benefits: Current frameworks for benefit-sharing with local governments and communities in NSW need stronger governance structures and transparency. Best practice approaches to benefit-sharing mechanisms reflect local needs and offer pathways for equitable co-design. The way benefit sharing funds are designed and structured - by the state (through EnergyCo), transmission developers and by

renewable energy project developers is not always enabling participation and involvement of local communities, reducing their ability to shape how things are done in their region. A great example of how this is being done in practice is demonstrated by Hay Shire Council. There is also significant scope to encourage co-ownership options for projects, but recent changes to the NSW planning scheme which restrict the total amount of money developers can allocate to 'benefit sharing' may make this harder for developers and communities to do.

3. Transmission and Compensation: Progress has been made in implementing landholder compensation schemes for transmission in NSW, but neighbour compensation and community benefit programs by transmission developers requires further clarity. A national guideline exists for community engagement and benefit sharing, but how this is being adopted in NSW is not yet clear. Clearer policies on transmission developer responsibilities are critical to fostering trust, building confidence in the community and setting guardrails for the industry.
4. Agriculture and Renewable Energy Coexistence: Agriculture and renewables have successfully coexisted in NSW for decades, with wind farms often co-located with livestock. Solar is increasingly co-located with, or allowing running of, sheep farming. Development of a collaborative framework for NSW could reduce conflict and maximise synergies between these sectors.
5. Socio-economic Impact: REZs are expected to generate significant economic benefits, including thousands of jobs and billions in direct payments to farmers and communities by 2050. Delays in REZ development, however, could increase electricity costs and undermine these gains.
6. Decommissioning and End-of-Life Practices: Although new planning frameworks address decommissioning obligations and financial assurances, gaps remain for existing projects. There are opportunities for improvements through policy and planning requirements to reduce and better prepare for risks at a project level.
7. First Nations Justice: A stronger focus on meaningful engagement, benefit sharing and consent arrangements with First Nations communities could be better enabled by NSW aligning their policy and planning requirements with the national First Nations Clean Energy Strategy.
8. Renewables and biodiversity: Climate change is the biggest risk to the environment. Renewable energy projects have and can integrate biodiversity conservation, as evidenced by case studies. NSW's planning system should strengthen nature-positive developments and ecological protections.

Further detail follows and addresses the identified Inquiry Term of Reference shown below:

- Community engagement and consultation (TOR i - adequacy of community consultation and engagement in the development of REZ and associated projects)
- Adequacy and models for shared benefits (TOR d.ii) - adequacy of the shared benefits being offered to neighbours of large-scale renewable projects)
- Transmission compensation and community benefits (TOR d.1 - adequacy of compensation currently being offered for hosting transmission lines)

- Socio-economic, cultural, agricultural and environmental impacts (TOR a)- current and projected socio-economic, cultural, agricultural and environmental impacts of projects within renewable energy zones in New South Wales including the cumulative impacts)
- VPAs and local government (TOR e)
- Decommissioning (TOR j) - how decommissioning bonds are currently managed and should be managed as part of large scale renewable projects)
- First Nations Justice (TOR i) - adequacy of community consultation and engagement in the development of Renewable Energy Zones, and associated projects)

Inquiry Terms of Reference - Responses

Community engagement, consultation and sentiment

This section addresses TOR d.i - adequacy of community consultation and engagement in the development of REZ and associated projects

RE-Alliance has consistently called for better community engagement and consultation and the need to lift up and empower regional voices. Our qualitative and quantitative surveys of community sentiment and on ground engagement shows that there is large support for renewable energy, that there is some confusion around the energy transition and there is a desire for more community consultation and engagement.

Information gap

RE-Alliance commissioned Essential Research to conduct extensive qualitative and quantitative research in 2024 that included a survey with over 2,000 rural and regional respondents across Renewable Energy Zone electorates in NSW, VIC and QLD, along with focus groups and online discussion boards.

The quantitative research found that 61% of respondents support the development of large scale renewable energy infrastructure in regional Australia. However, the qualitative research highlighted a major information gap in regional communities about the shift to renewables. This accorded with a study conducted by Australian Community Media in July 2024[1], with 61% of respondents believing that governments are not giving communities enough information about the transition and renewable energy. This information gap reinforces the need for better information and initiatives like Local Energy Hubs.

Research by the Sydney Environment Institute at the University of Sydney with the Australia Institute emphasises the key role of community participation and why it is required for Renewable Energy Zones.

> "REZs focus renewable energy development into regions, and this requires an unprecedented level of community participation and social impact assessment, to ensure [the plan for new renewable generation and transmission] is well-understood, orderly, and equitable."

The information gap needs to be addressed urgently and we are campaigning for a local solution - local energy hubs - as well as suggesting a role for CSIRO as a trusted source of information for communities.

[1] What regional communities really think about renewable energy projects, Newcastle Herald, July 22 2024 https://www.newcastleherald.com.au/story/8704083/what-regional-communities-really-think-about-renewable-energy-projects/

Local Energy Hubs

Over the past year, we have been campaigning with the Community Power Agency and Friends of the Earth to build support for the Federal government to invest in Local Energy Hubs. We have found significant support from local and state government, regional leaders, farmers and developers for their role, and continue to hear that the Hubs concept would fill a clear gap in accessible, locally relevant information and engagement.

Local Energy Hubs will help households, businesses and communities navigate the complex information space in relation to renewable energy. Local Energy Hubs will help with all parts of the upgrade to renewables—from the small stuff like helping households and businesses reduce their energy bills, to helping kickstart community energy projects, and supporting farmers to electrify their farming operations. Hubs will also play a role in helping regions to navigate and put themselves in a position of strength to engage with renewable energy developers looking to build new solar farms and wind farms.

> "It's important that the community is involved in the switch to renewables. We have these opportunities to control our own power, share our own power and generate our own power, and I think there are some really great opportunities for regional communities in that." Sally Hunter Narrabi, NSW

> "If there had been a local energy hub it would have been beneficial, it definitely would have helped us and would have made our decision making a lot easier." Tony Inder, Merino Sheep Farmer Wellington, NSW

Local Energy Hubs are outreach centres that would:

- Bridge the information gap in regional communities by employing trusted local experts
- Tackle complex challenges like ensuring communities know exactly how to have input into, and benefit from, large-scale renewable energy projects proposed for their region
- Help the public learn how to save money on power bills in their homes and businesses
- Be a crucial touchpoint for developers, helping to foster trust in communities for their projects through quality communication and engagement
- Address barriers to the electrification of households, small businesses and farms such as lack of time or quality expert advice
- Provide grants to kick-start local community energy projects

5 regional stories the Inquiry needs to hear

A new short film series by producers The New Joneses was recently released. These are the stories of regional communities in the thick of Australia's shift to renewable energy. They clearly articulate a range of issues that the Inquiry should be focussing on:

- How can communities benefit from hosting large scale renewable infrastructure like wind and solar farms? And, what are the pros and cons of living next door to a wind farm? (view film here)
- How can communities own large scale renewables themselves? (view the film here)
- How can regional communities reliant on heavy industry be powered by offshore wind? (view the film here)
- Farmers have farmed with transmission for decades - what can we learn? (view film here)
- How can traditional energy regions continue supplying power to our country via offshore wind? (view film here)

Each person telling their stories in these films agree that Local Energy Hubs would support their communities in the shift to renewable energy.

Community sentiment

Community engagement and consultation (TOR i - adequacy of community consultation and engagement in the development of REZ and associated projects)

There are multiple surveys that show that regions support renewable energy. Farmers for Climate Action conducted a survey of peoples living in renewable energy zones in late 2024 finding that around 70% support clean energy projects on farmland in their local community and[2] 73% of those with a connection to farming support clean energy projects on local farmland. This aligns with the Porter Novelli regional poll conducted in 2024 demonstrating that "There is no gap between the support for renewables in cities and in the regions.". Porter Novelli regional poll shows support for renewable energy in regional communities but that "...they want to understand the broader benefits and have a direct influence over where these benefits flow in their community."[3]

CSIRO also conducted a comprehensive survey in 2023 of attitudes of Australians including those from regional NSW. This study aligned with others showing support and that there is a desire for more information about the energy transition:

> "...the community is looking for comprehensive, transparent information on renewable energy infrastructure developments, their benefits, and any potential drawbacks of renewable energy projects. This emphasises the importance of a holistic approach towards supporting communities during the energy transition."

These surveys show the need for local energy hubs and that community value of participation in shaping outcomes in their local region.

[2] The Quiet Majority: Australians in Renewable Energy Zones support the Energy Shift - Farmers for Climate Action, November 2024.
[3] Winds Of Change Regional Australians' Real Views on Renewables, Porter Novelli, October 2024.

Transmission - Compensation and engagement

Transmission compensation and community benefits (TOR d.i - adequacy of compensation currently being offered for hosting transmission lines)

RE-Alliance has been advocating for fair compensation for those affected by transmission development both landholders and host communities since 2021 with the "our Building Trust for Transmission report. The report made a series of recommendations to improve outcomes for local communities in the roll-out of transmission lines, including financial returns and planning and engagement issues. The report was built on extensive consultation with landholders, transmission network service providers and regulators.

Since the report multiple jurisdictions have enacted transmission landholder payments including:

- Queensland's SuperGrid Landholder Payment Framework
- New South Wales' Strategic Benefit Payments Scheme
- Victoria's Landowner payments scheme.

The New South Wales' Strategic Benefit Payments Scheme, as per Renewable Energy Planning Framework, says:

> "Under this scheme, landholders will receive annual payments for hosting high-voltage transmission infrastructure on their land for a period of 20 years. The total payments will be $200,000 per kilometre of transmission hosted (in real 2022 dollars)."

This payment is in line with other jurisdictions such as Victoria.

In regards to broader benefits for transmission development the Framework states that:

"Transmission projects are subject to a range of existing benefit-sharing arrangements, including landowner payments under the NSW Strategic Benefits Payments Scheme. While this guideline does not apply, benefit-sharing is strongly encouraged, and this should be developed in recognition of these arrangements. Additional guidance can be found in The National Guidelines for Community Engagement and Benefits for Electricity Transmission Projects. "

The National Guidelines for Community Engagement and Benefits for Electricity Transmission (the National Guidelines) Projects states that neighbors should be considered for compensation for any impacts and that states are in the process of introducing neighbour-compensation schemes. In addition the National Guidelines state that community benefit programs should be considered such as:

- Grant or scholarship funds
- Investment in community infrastructure or public spaces

- Support for community health, education and environment projects.

In addition to the NSW framework and National Guidelines there have been changes to the AER to include social license and better and earlier engagement with communities and the inclusion of "landholders and asset owners along potential transmission line routes, local community members and groups, local Councils and State Planning Departments; and First Nations, environment and other special interest groups." This requirement from AER for engagement is helping inform the community benefit programs for transmission line development.

Progress has been made in implementing landholder compensation schemes, but neighbour compensation and community benefit programs require broader application. Clearer policies on developer responsibilities are critical to fostering trust and allowing co-design and leadership by the community.

RE-Alliance along with other NGO's and unions created a guide on transmission 'Why investing in our grid is a priority for Australia' (Appendix A). It covers transmission more broadly (intersecting with other points in the Terms of Reference) and its intersection with economic benefits such as local workforce, the need to properly involve regional communities, managing environmental impacts and agriculture.

Shared benefits being offered to neighbours of large scale renewable projects

Adequacy and models for shared benefits (TOR d.ii) - adequacy of the shared benefits being offered to neighbours of large-scale renewable projects)

As we outlined in the Submission to NSW Draft Energy Policy Framework & Guidelines there needs to be appropriate structures in place to realise community co-design and collaboration in project benefit sharing with local governments. RE-Alliance has produced substantial and informative reports on how local communities can influence the shape of benefit sharing from renewable energy developments.[4] In recent months, we have also advocated for improvements to the Federal Government's Capacity Investment Program merit criteria and seen substantive change to strive towards a 'race to the top' for community engagement, benefit sharing and other outcomes such as co-ownership (Appendix B).

We recognise and want to commend the NSW Government for substantially updating and improving the planning framework for renewable energy and transmission in the state. The changes should mean that regional communities will see faster decision-making for projects - getting to a yes or now outcome more quickly, which is a good thing. The moves to improve information about projects and to provide model clauses for private agreement-making are both practical and positive steps. The Framework has set clear expectations for developer contributions to local government should be made, but this needs supporting structures to

[4] RE-Alliance, 2023, Building Stronger Communities: How community benefit funds from renewable energy projects support local outcomes and RE-Alliance, 2021, Community Benefits Handbook: How Regional Australian Can Prosper From the Clean Energy Boom

ensure good governance and transparency over how these funds are collected, managed and invested. Complementing these contributions, and local neighbourhood benefit sharing is the role of the generation licence fee contributions to pooled funding from projects within REZ areas, intended to go towards 'strategic regional investments'. A trial model exists for the Central West for these funds but there is ample opportunity to improve on this approach (in the CWO and elsewhere) to enable better coordination, more community participation and potential to leverage other investment to deliver strategic, long term outcomes desired by communities without adding to community pressures.

Socio-economic, cultural, agricultural and environmental considerations

Socioe-conomic, cultural, agricultural and environmental impacts (TOR a)

Socio-economic impacts

Regional communities and farmers are already key beneficiaries of the shift to renewable energy. The socio-economic impacts of renewable energy have been shown more broadly with recent reports and studies. A recent report Billions in the Bush by the Clean Energy Council and Farmer for Climate Action found that farmers are expected to receive between $0.9 and $1.1 billion and communities through community benefits schemes $213 million in the next 5 years. The report found that longer term farmers are expected to receive $7.7 billion and $9.7 billion in direct payments between 2024 and community contributions, such as benefit sharing, are likely to be nearly $2 billion 2050.

- Approximately 6,300 construction jobs and 2,800 ongoing jobs are projected to be created by 2030 due to the development of REZs[5].
- The Central-West Orana REZ is expected to host around 3,000 MW of solar and wind energy within five years, sufficient to power approximately 1.4 million homes.[6]

There is also the risk to energy affordability of not transitioning to renewable energy. The costs of going slow has been shown by modeling conducted by NexaAdvisory. NexaAdvisory modeling showed that delays to transmission build out and REZ development could result in electricity bills that are up to $1,100 or 21 per cent higher than they should be and NSW with the greatest price increase of above $160/MWh by the 2030s. According to the Justice and Equity Centre's Powerless report rural people are already worse off for energy affordability when compared to metropolitan areas. It is critical that there is a fast and fair energy transition.

[5] Cass, D., Connor, L., Heikkinen, R., & Pearse, R. (2022). Renewables and Rural Australia: A Study of Community Experiences in Renewable Energy Zones in NSW and the Case for More Equity and Coordination of the Clean Energy Transformation. The Australia Institute; Sydney Environment Institute.

[6] Renewables and Rural Australia

Agricultural impacts

Renewables and agriculture if done well can co exist, this is called agrivoltacis. Studies have shown that there can be increases in productivity with renewables along with the additional income from the solar or wind generation.

> "International studies have demonstrated that agrivoltaics – where food and energy are co-generated on the same area of land rather than competing for land – can boost agricultural productivity, increase efficiency in land and water use, and improve soil health."[7]

RE-Allaince featured Tony Inder in the local energy hubs video (see his interview here Support Local Energy Hubs) and says that wool quality has "increased significantly" since he became a solar farm host. This accords with a study conducted by EMM Consulting with support from Elders Rural Services that compared properties with and without solar generation and wool production.

The NSW Agriculture Commissioner released a report in 2022 ''Renewable energy generation and agriculture in NSW's rural landscape and economy – growth sectors on a complementary path' it's key finding was:

> "The analysis shows that renewable energy development is not in conflict with agricultural land use at a sufficiently large scale to materially affect the NSW state agricultural base."

The roll out of renewable energy across the state needs to include the regional voices including farming interests to manage any conflicts and develop legacy community co-benefits. The coexistence of agriculture and renewables, through agrivoltaics, demonstrates mutual benefits such as increased productivity and income for farmers. Collaborative frameworks should ensure minimal conflict and maximum synergies between these sectors.

Environmental considerations

Renewables and the environment are not in conflict. Climate change is a major threat to the environment. There is a need to switch to renewables both to reduce emissions for a safe climate and to replace aging fossil fuel generation. There are opportunities for renewable energy companies to reduce impact and create environmental benefits at all stages of a project's life. Re-Alliance looks at these opportunities in the Better Practice Renewables and Biodiversity: Opportunities for Collaboration Guide.

[7] Using sunshine twice: Is agrivoltaics a win-win for Australian farmers?, Melbourne University, Sep 2024.

Having local environmental input in the process through mechanisms for public participation, industry displaying ecological stewardship and government creating the appropriate laws and regulation a race to the top for environmentally sensitive design and net environmental benefits can be achieved.

The Better Practice Renewables and Biodiversity: Opportunities for Collaboration Guide developed by RE-Alliance and the Energy Charter with over 30 collaborators from the environmental and energy sectors**.** includes several case studies demonstrating effective integration of renewable energy projects with biodiversity conservation:

Technology Adaptation – Tall Transmission Towers: This case study illustrates how increasing the height of transmission towers at Cardwell Gap reduced environmental impact by allowing for greater clearance over sensitive habitats, thereby minimizing disruption to local wildlife and vegetation.

Winton Solar Farm Supports Regent Honeyeater Habitat: At Winton Solar Farm, efforts were made to support the habitat of the critically endangered Regent Honeyeater by incorporating native vegetation plantings and habitat restoration into the project design, demonstrating a commitment to biodiversity alongside renewable energy production.

Neoen's Goyder South Project Paves the Way for a New National Park in South Australia: Neoen collaborated with conservation groups and the government to facilitate the establishment of a new national park adjacent to its Goyder South project, showcasing how renewable energy development can align with large-scale conservation efforts. It also shows the importance of collaboration with communities.

These case studies highlight the potential for renewable energy projects to contribute positively to biodiversity conservation through thoughtful planning and collaboration.

We point the committee to the Clean Energy Council's Best Practice Charter for Renewable Energy Projects which includes the commitment: We will demonstrate responsible land stewardship over the life of the project and welcome opportunities to enhance the ecological, cultural and/or agricultural value of the land. For the first time companies have reported back against the commitments, which we encourage community and policy makers to scrutinise and celebrate where the companies demonstrate the commitment.

First Nations Justice

First Nations Justice (TOR l) - any other issues

NSW was the first state to include "First Nations economic participation and community support in renewable energy auction criteria."[8] Research from ANU shows that there is appetite for more involvement from Traditional Owners.

> "Aboriginal land holders are optimistic about the possibilities of renewable energy and can see the benefits of being involved in this sector, but have limited resources to engage strategically in the bold energy transition plans."

A recent milestone was the release of the First Nations Clean Energy Strategy (the Strategy) which included support from both state and federal governments though the National Energy Transformation Partnership. The strategy calls for systemwide reform needing all states to coordinate, "The Strategy has an important role to play in drawing focus to these reforms and complementing them where relevant. This includes coordination with states and territories to support system-wide reform that leads to better outcomes for First Nations peoples."

The strategy documents case studies such as the NSW Avonlie Solar Farm as an example of how a project can be done in an culturally appropriate way. Beon Energy Solutions ran a First Nations Engagement Program at Avonlie (owned by Iberdrola Australia), which included extensive early engagement, cultural awareness training for all managers, and the employment of two local Aboriginal women as community engagement coordinators. This program resulted in over 30 local Aboriginal women and men being employed on the project, the majority of whom were previously unemployed. This program also supported these workers with training, document preparation, and liaising with councils and business for ongoing employment opportunities. As a result, the majority of these workers went on to further employment, many with full-time, permanent occupations.

The Strategy provides a blueprint to move beyond 'business as usual', governments and industry need to establish a better understanding of, and respect for, First Nations rights and interests in the clean energy sector, including cultural heritage protection, environmental management and economic self-determination. Extending the existing work done to date such as the First Nations Guidelines and REZ specific First Nations Guidelines.

See more https://www.re-alliance.org.au/first_nations_clean_energy_strategy

[8]Heidi N.,Chris B. & Therese A. (2023) 'Advancing Aboriginal interests in the New South Wales renewable energy transition'. Centre for Aboriginal Economic Policy Research Australian National University.

Voluntary planning agreements and payments made to the LGAs impacted by Renewable Energy Zones

VPAs and local government (TOR e)

New South Wales Councils in Renewable Energy Zones have seen developers approach local government contributions in varying ways. Many developers do contribute to local councils and the VPA framework has become a common path for Councils to seek binding commitments from developers in their regions at a rate set per MW capacity or % of capital value (1.5% is increasingly common).

Complementing these contributions, landholder and neighbour payments and local community benefit funds are bringing billions of dollars to regional communities (see section on economic benefits).

New South Wales has recently updated its energy planning framework to clarify that a fair proportion (85%) of 'benefit funds' should go towards local councils as local development contributions. This change suggests there have been some challenges with the existing negotiated approach through Voluntary Planning Agreements. The changes will likely mean that future VPA negotiations are aligned to this clear proportional threshold. We support Local Councils getting a fair investment into local development funds, but there is still no clear structure for transparent governance and monitoring of investment from these funds. We would like to see some further refinement here and strong assurance that community and local leaders will be invited to work with Councils and the developers on identifying needs and directing investment of these funds.

Adding some complexity here, also, is that the EII Act in NSW establishes generator access fee funds that can be directed to 'strategic regional investment'. To date this 'pooled funding' structure is in development for the Central West Orana (CWO) REZ and will likely become the model adopted for other REZ regions in NSW. We understand that the approach taken in the CWO will also direct funds to local governments in renewable energy zones. We would like to see the Government consider establishing REZ Foundations to manage these strategic regional funds, as a partnership between local government, NSW government and community representatives. And, as NSW has established community representative groups and First Nations advisory groups for their REZs already, there is scope to extend the way these groups advise the government and EnergyCo.

Decommissioning & end-of-life project obligations

Decommissioning (TOR j) - how decommissioning bonds are currently managed and should be managed as part of large scale renewable projects)

RE-Alliance recognises that there is genuine concern for some in communities around decommissioning practice and risk. In particular, the real (but low) risk that the asset owner could 'go bust', be unable to fund and manage their decommissioning obligations, and leave this burden on the landholder, or relevant state authority. We acknowledge that the recent updates to the NSW planning framework will see development and publication of model conditions for private agreements to ensure asset owner obligations for decommissioning are clear, and a decommissioning calculator tool for wind farms and solar farms, which are both good steps for transparency and consistency.

The new framework confirmed that landholders may request financial assurance for decommissioning from developers, making this clear to all parties. This change reflects the fact that a number of project developers have agreed to provide financial assurance - decommissioning bonds or similar - in agreements with landholders.

The updated framework also set clear expectations that developers should be responsible for decommissioning, but also clearly recognised that "this obligation may fall to the landholder, such as when the owner or operator of the project becomes insolvent. This is because [in NSW] the conditions of development consent apply to the land..."

All of the changes in the planning framework are good and practical steps to improve the decommissioning practice in future projects. There remain opportunities to address decommissioning risks and gaps for the existing and approved cohort of projects which could potentially include:

- clarifying settings for planning assessment processes for decommissioning, including periodic reviews of funding provision to cover decommissioning and end-of-life activities
- considering policy or regulatory interventions to ensure that decommissioning obligations apply to and stay with the asset owner, or their parent organisation (eg. trailing obligations)
- considering policy or regulatory interventions to enable a back-stop funding mechanism for covering end-of-life activities in the case of abandonment
- ensuring that NSW's recycling facilities have the capacity and technology in place to support decommissioning activities as wind, solar and (in future) battery storage projects come to the end of their life
- investigating and sharing expectations for project life-extension and repowering at NSW's existing cohort of renewable energy generation sites, including whether new technology configurations (eg. generation and co-located storage) can be efficiently enabled.

Appendix

Appendix A - ‘Why investing in our grid is a priority for Australia’

Appendix B - ‘Has Australia started a race to the top of better practice renewables development?’

Why investing in our grid is a priority for Australia

Why we need it

Coal power plants shutting down
Australia's coal power plants are closing rapidly, with twelve shut down in the last decade, reducing coal generation from 74% to 56%.

Ensure that we keep the lights on
To maintain reliable power, we need to replace ageing coal plants with renewable energy sources and expand production.

Support renewable energy integration
Investing in our grid by building 10,000 km of new grid infrastructure by 2050, is crucial to connect renewable energy sources as coal exits.

Broad benefits

Jobs across the Country
Between now and 2050, Australia's renewable energy industries will require nearly two million workers, fostering economic opportunities nationwide.

Support regional economic growth
Renewable energy transition drives regional industries; it creates jobs, income for landholders, and community benefits.

Cheaper electricity for everybody
Upgrading the grid will supply cleaner, cheaper power, reducing reliance on expensive gas and lowering energy bills.

Guiding principles

Local jobs and a skilled workforce
Collaboration between sectors is vital to meet the demand for two million workers in renewable energy industries by 2050.

Regions at the centre
Government-community partnership is crucial for regional influence in decision-making, ensuring lasting benefits for communities.

Informed consent (FPIC) with First Nations people
Free, prior and informed consent from First Nations communities is essential to protect culturally significant sites in renewable energy projects and ensure First Nations economic empowerment.

Grids and Thriving Nature
Prioritise biodiversity protection and cultural respect in grid projects to ensure sustainable development.

Electricity grid infrastructure plays a vital role in ensuring consistent power as coal plants retire. These new grids connect renewable sources, offering opportunities for skill development, bolstering local economies through increased employment and supply chain activity, and advancing the transition to renewable energy.

Preparing for Australia's Future Power Needs

Australia's coal power generation facilities are progressively shutting down. Twelve coal fired power stations closed in the last decade and coal generation fell from 74% to just 56% in that time. The remaining facilities are experiencing significant operating challenges as they reach the end of their mechanical and economic life. They are expected to close within the next decade and are already being rapidly replaced by wind and solar farms, backed up by energy storage. With almost 40% of our energy already generated by renewables, Australia's energy system will soon be majority renewables-powered.

As well as replacing ageing power stations, we need to produce a greater total volume of electricity to account for new electric vehicles, farm machinery, home appliances and large volumes of energy for heavy industries - some of which have never needed to connect to a grid before.

The missing link to bring this new renewable generation to market are major new grid infrastructure and upgrades to existing lines. They will ensure we can supply homes, schools, workplaces and industry with higher volumes of renewable, cheaper power. Upgrading our grids means opportunities for businesses to participate in a global economy that increasingly prioritises goods produced using renewable energy.

New power lines, pylons and substations need to be built. To power Australia, we need to add almost 10,000 km of new grid infrastructure by 2050 to connect the new renewable generation as our coal generators exit the system, with 4,000 km of this to be built by 2030.[1] If we aim to build new manufacturing industries to shore up our economy in the coming decades, we will need at least twice as much. Increasing the length of the grid by this much is a big task.

Building the grid infrastructure we need won't come without challenges. It will require a change in how governments, industry, civil society and regional communities work together for this change to succeed.

Delays to these power lines, pylons and substations would hold back economic growth in our regions, slow our chance of tackling climate change for future generations and will mean burning more expensive gas, raising energy bills for everyone. This document seeks to outline how this transmission buildout can be expedited in full view of the risks of not succeeding.

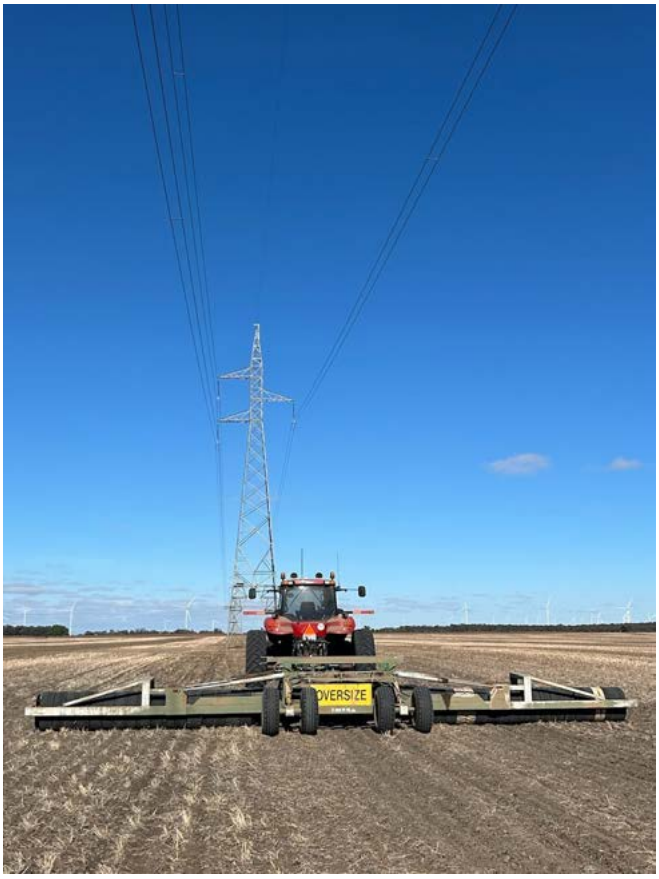

Image Credit: Yellowgrain

1 Numbers taken from the step change scenario in the Draft 2024 Integrated System Plan: https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2023/draft-2024-isp-consultation/draft-2024-isp---overview.pdf

Ensuring energy reliability and affordability

The rollout of new grid infrastructure is one of the biggest infrastructure projects needed in Australia in decades. By building new grid infrastructure and connecting up new generation, renewable electricity can be safely and reliably moved around Australia, sharing the electricity generated from large wind and solar farms, and energy stored in batteries and hydro dams, to homes and businesses.

Sometimes it's not windy or sunny. But it's usually windy or sunny somewhere! One of the advantages of large grids like the National Electricity Market is that we can **transport renewable energy across great distances to where it's needed**, reducing the total amount of renewable energy generation and storage that would otherwise need to be built in each region.

Investing in renewable grids will **provide households and businesses with cheaper, more reliable energy**. CSIRO analysis consistently shows wind and solar, new grid, batteries and pumped hydro storage is the cheapest way to power our economy.[2]

Keeping energy costs for households and businesses down **requires nearly all of the 10,000 km of grid infrastructure to be completed by 2050** and half to be in place over the next decade.[3][4]

If we don't build the grid and renewables on time, **households will pay hundreds of dollars and businesses thousands of dollars more per year** in their energy bills.

Keep energy bill costs down
Transport energy across great distances
Better and more reliable access and make progress towards net zero by bringing even more renewables onto the grid

2 https://www.csiro.au/en/research/technology-space/energy/energy-data-modelling/gencost
3 https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-overview.pdf?la=en
4 https://aemo.com.au/newsroom/media-release/updated-energy-plan-reiterates-the-need-for-urgent-delivery.

Broad and local economic benefits

The shift to renewable energy as old coal power plants close will both disrupt and benefit regional Australia. If we do this well, with regions leading the charge, communities can harness new industries including wind and solar, renewable manufacturing and agriculture, ensuring there will be jobs and opportunities in our regions for decades to come.

Grid infrastructure creates thousands of direct jobs through planning and construction,[5] and ongoing jobs in operations and maintenance, and we need to act quickly to train community workforces that will be needed to complete the buildout. New grid projects are **developing community benefit funds that provide grants to community group**s that work alongside the line. Grid infrastructure **brings payments to landholders hosting the towers**, and in some cases to neighbouring properties.

There are indirect benefits from the wind, solar, hydro and storage projects new grid infrastructure enable, including further jobs, additional income streams for landholders, improved services such as telecommunications,[6] and community benefit schemes.

Investing in renewables and upgrading our infrastructure will deliver reliable, renewable Australian energy, driving local economic benefits and new jobs in regional communities as new renewable energy projects and grid infrastructure projects are built.

Secure long-term regional job opportunities
Potential additional income streams
Mitigate environmental impact and make progress towards reducing emissions by bringing even more renewables onto the grid.

5 For example, it is estimated that transmission investment will generate about 6500 jobs over the next 15 years in Victoria's Western Renewable Energy Zone alone. https://www.afr.com/policy/energy-and-climate/transmission-infrastructure-lagging-as-planners-seek-to-balance-local-needs-20230904-p5e1st
6 https://www.powerlink.com.au/news-media/project-delivers-regional-high-speed-internet-and-mobile-coverage

Properly involving Regional Communities

Australia needs a process where critical grid projects can be assessed and approved in a timely manner, without cutting corners.

New electricity grid infrastructure goes through the planning system, where there are opportunities for the public to input into project design. And while it is inevitable that electricity infrastructure will be visible, grid network companies typically seek to minimise and mitigate where possible, avoiding impacts on the most sensitive landscapes, environment and society.

Transmission lines can go underground, and in some cases this is appropriate. However, underground transmission lines cost between three and twenty times the cost of overhead lines, and this extra cost (billions of dollars for each project), will be passed on to people through their energy bills.[7]

Grid infrastructure must continue to coexist with agriculture, as it has done for decades. Natural habitats must be protected as part of assessment processes, while also acknowledging the climate benefits for those same habitats from these projects.

Underground lines cost 3 – 20x more than overhead lines. Extra cost of underground lines will reflect in energy bills

7 https://aemo.com.au/-/media/files/major-publications/isp/2021/transmission-cost-report.pdf?la=en

Household and large-scale energy generation are both required

The challenge of replacing coal fired power stations requires a significant increase in both household and large-scale generation and storage. According to the Australian Energy Market Operator's (AEMO's) forecasts, large-scale solar and wind power will increase nine-fold by 2050, and rooftop-scale solar will increase by more than five-fold. Modeling from the Climate Council shows that it can be done faster.[8]

Both small and large-scale renewables will play a role in our future grids. Small-scale solutions including household solar and batteries are great for localised areas and low volume on-site consumption, while large-scale generation produces power at the volume required to meet medium and high density residential, commercial and industrial energy demands across the country.

8 https://www.climatecouncil.org.au/wp-content/uploads/2024/03/CC_MVSA0394-CC-Report-Seize-the-decade-FA-Screen-Single.pdf

Conclusion

Electricity grid infrastructure is at the heart of facilitating our journey to net zero and keeping the lights on while our coal fired power stations retire. New grid infrastructure will connect new electricity generation to our homes and businesses and transport the renewable power required to decarbonise industry and transport.

Investment in our electricity networks will be essential to unlock skills and training opportunities, deliver a boost to local supply chains and make progress towards net zero by bringing even more renewables onto the grid.

Principles for building our future grid successfully

Minimising impacts and solving challenges of building new grid infrastructure requires collaboration across government, the private sector, and communities at every stage of the conversation. It is important that the following principles are incorporated into grid developments:

1. Local jobs and a skilled workforce

> **Co-ordinated efforts among various sectors are needed to meet the nearly 2 million worker demand by 2050.**

There are big workforce opportunities and challenges for this scale of build. Between now and 2050, Australia's renewable energy industries will require nearly two million workers in engineering, building, and energy trades.[9]

To create a strong workforce pipeline requires coordination and strong partnerships with the energy industry, educational institutions, governments, unions, First Nations groups and communities all working together to lift the collective capacity of the community to be able to do the work. This could be achieved through government incentives for training in the areas where skills are needed most, and by ensuring businesses invest in apprentices.

2. Regions at the centre

> **Government and community collaboration is essential for regional influence in decision-making.**

Government development, planning and energy agencies must coordinate among themselves and help communities to engage more directly, ensuring community influence over decision-making is well reflected and respected.

Lasting legacies are made through new and upgraded roads, childcare facilities, community transport, additional housing, better energy reliability, additional communications and digital coverage, and more water, waste and health services.

See RE-Alliance, 'Community Benefits Handbook: How Regional Australia Can Prosper From The Clean Energy Boom' for further information on community and farming impact and benefits.

3. Free, prior, and informed consent (FPIC) with First Nations people

> **Engaging with First Nations communities from the planning stage onward is key to protect culturally significant sites in renewable energy projects.**

Respectful engagement on the basis of Free, Prior and Informed Consent with First Nations communities must occur from the initial planning stage of any transmission project and throughout the project's life cycle to ensure protection of culturally significant places and ensure First Nations economic empowerment.

See First Nations Clean Energy Network's 'Aboriginal and Torres Strait Islander Best Practice Principles for Clean Energy Projects,' for further information on FPIC and engaging First Nations people with renewable energy.

4. Grids and thriving nature

> **Minimize impact, protect biodiversity, and respect culturally significant places in projects.**

Making sure the grid is planned and built well means avoiding or minimising negative impacts on the environment. We can have both a renewable energy future and protect our biodiversity. Making sure that projects protect and even regenerate precious habitats and prioritise working with local environmentalists and First Nations groups to avoid impacts requires stronger planning frameworks and improved industry practice.

For more information please visit Better Practice Renewables and Biodiversity - RE-Alliance; Nature Conservation Council of NSW; We can't save the climate by destroying nature - Australian Conservation Foundation (acf.org.au); Mainstreaming Biodiversity into Renewable Power - OECD and New guide shows how solar farms can improve biodiversity – Community Power Agency.

9 https://www.racefor2030.com.au/wp-content/uploads/2021/10/RACE-E3-Opportunity-Assessment-FINAL-REPORT-October-2021.pdf

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18 December 2024

Has Australia started a race to the top of better practice renewables development?

The Australian Government's Capacity Investment Scheme might not sound particularly exciting – but it has the potential to deliver significant benefits for rural, regional and First Nations communities.

The Capacity nvestment Scheme (C S) is a key lynch-pin of the Federal Government's renewable energy strategy and targets. t encourages investment in new energy generation and storage by providing a long-term safety net that decreases financial risk for investors. Ultimately, the C S will ensure more renewable energy projects get built.

Through the C S, the Australian Government aims to deliver a target of 32 GW of new capacity nationally, made up of 23 GW of renewable generation (such as wind and solar) and 9 GW of dispatchable capacity (such as battery storage). The projects that are successful in gaining C S support should ensure we can meet the 2030 targets for renewable energy generation, create energy reliability and reduce emissions.

We believe the C S also has an important role to play in enabling better practice renewables development.

Throughout 2024, the Government has been rolling out tender rounds for the C S, and as the guidelines for each round have been released, we've been advocating strongly – with our colleagues at Community Power Agency – to ensure that the merit criteria and guidance for community engagement has progressively improved.

The good news is our advocacy is showing results, with the guidelines for each tender continuing to strengthen. Stronger guidelines ultimately create the environment for a race to the top of better practice renewables development. This means better outcomes for rural, regional and First Nations communities.

There have been five tender rounds so far: the pilot South Australia/Victoria Tender, the National Electricity Market (NEM) Tender 1, Western Australian Wholesale Electricity Market Tender 2 and NEM Tenders 3 and 4, which are open to projects across the country.

Through those rounds we've been proactively working with the Australian Government to clearly articulate that the C S needs program settings that match our ambition that the shift to renewables should deliver lasting benefits in the regions, shaped and designed by people living there – and our engagement efforts are paying dividends.

Specifically, we're very pleased to see that our advocacy has, progressively at each tender round, improved and strengthened language or created 'higher merit' opportunities for:

- Building trust, meaningful relationships, collaboration and co-design for community and First Nations engagement, benefit sharing and decision-making
- Community participation in decision-making
- First Nations engagement, guidance, economic opportunities and collaboration
- First Nations equity, ownership or energy offtake arrangements
- Considering community co-investment or co-ownership

Each round has also clarified guidance on what the assessors are looking for in order to reward higher merit to projects bidding for C S support.

Closing out 2024, we've seen the successful bids from NEM Tender 1 recently announced. The bids for Tender 3 will close on 18 December, while the bids for Tender 4 opened up on 13 December.

Heading into 2025, we will stay engaged with the government's C S team, paying particular attention to contracting arrangements, binding commitments and further opportunities for program refinement.

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RE Alliance pays respect to First Nations peoples and their elders past and present, who, for time immemorial, have cared for Country. We acknowledge sovereignty was never ceded. We commit to working alongside First Nations peoples to achieve a just energy transformation.