# Queensland needs $6b in renewable investment to meet 50 per cent target

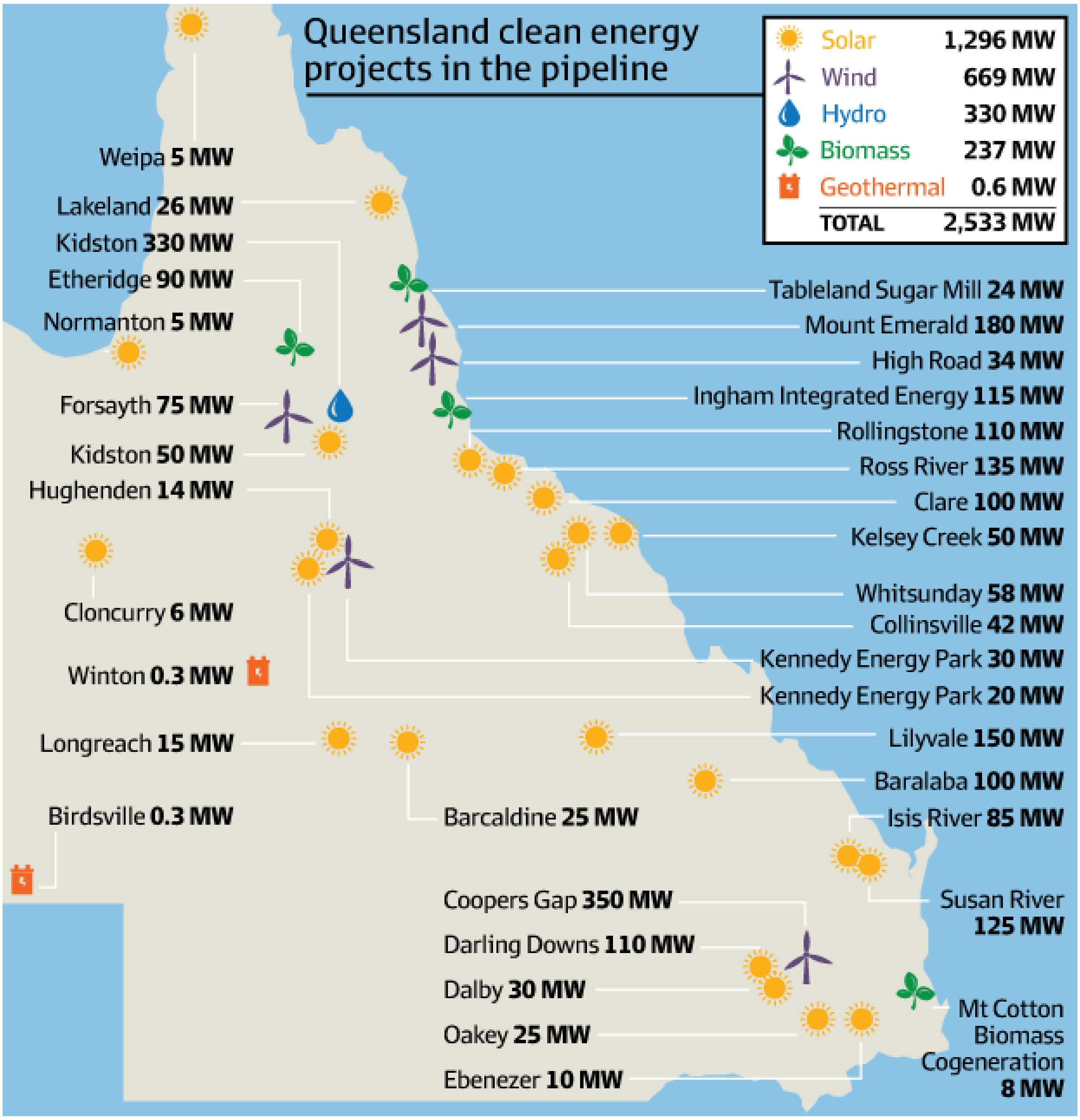
Large-scale solar projects will help Queensland reach its 50 per cent renewables target by 2030, according to a new report. Supplied
AFR, Mark Ludlow, 13 Oct 2016

Queensland will need more than $6 billion in new investment in wind and solar projects to meet its ambitious 50 per cent of renewable energy by 2030, according to a panel commissioned by the Palaszczuk government.

The expert panel, chaired by former Macquarie banker Colin Mugglestone, said it was confident there was enough private sector interest to fund the extra 14,000 megawatts of capacity needed to reach the target. It said there would be no net increase in power prices and no coal-fired power stations would have to close.

But critics of the scheme said there were too many heroic assumptions in the expert panel's modelling which if not achieved would be paid for by consumers in the form of higher electricity prices. They also said the influx in renewable investment may impact on existing energy investments in the state.

Energy Minister Josh Frydenberg said Queensland's renewable scheme was not credible, saying it was impossible to believe it would not result in the closure of coal-fired power generators and would be cost neutral.




"Despite what we've seen in South Australia, Queensland has not offered any evidence that its unrealistic 50 per cent renewable energy target can be met without compromising energy security," he said.

"With the report showing that electricity generation from coal being cut by nearly a third, it's just not credible for the Palaszczuk Government to claim there will be no closures of coal fired generators.

Mr Frydenberg, who last week released data which he claimed showed Queensland's renewable scheme would cost more than $27 billion to implement, said states should put national interest first and harmonise their targets with the federal target of 23.5 per cent by 2020.

The expert panel offered the Palaszczuk government three options to reach the 50 per cent renewables target, which has been criticised by the Turnbull government as unrealistic and a distortion to the National Electricity Market. The Turnbull government has tried to link the issue of state targets to the blackouts in SA. Like Victoria and the ACT, it recommended Queensland use "reverse auctions" to encourage private sector operators to make significant investments in the state.

This would start with about 400 megawatts up to 2020, largely driven by the Federal government's large-scale renewable energy scheme, and then a Queensland scheme will have to ensure a further 4000 to 5500 megawatts of renewable projects required by 2030. Under the "contract for difference", the government will reach a five- or 10-year agreement with private investors to guarantee a wholesale electricity price. If prices fall below the agreed figure, the difference will be passed onto consumers in the form of higher power prices.

Queensland already has a high percentage of roof-top solar systems, so solar investment was likely to focus on large-scale commercial applications, according to the report.

Mr Mugglestone said the three different pathways to reach the 50 per cent target were "broadly cost neutral" over the 14 year period and was based on the assumption wholesale electricity prices would come down as renewable projects became more competitive. "The panel believes contract for difference is the best market mechanism to achieve this. We don't believe a broader state-based mechanism such as carbon pricing should be considered," he said.

"Under the modelling, the net effect on consumers are expected to be broadly cost neutral. This occurs because of increased renewable generation placing downward pressure on wholesale prices which is projected to off-set the payment of renewable subsidies."

The three options after 2020 include a "linear pathway" (assuming a uniform rate of renewable build of about 500 megawatts a year up to 2030), a "ramp pathway" (which will feature a ramp up later in the decade to make the most of falling technology costs) and a "stronger national action pathway" (which assumes a federal government will put in place a scheme to reduce emissions in the electricity sector by 45 per cent by 2030).

The first two options would require between $6.1 billion and $6.7 billion in new investment in Queensland projects, with total subsidies to renewables of between $500 million and $900 million by 2030. The report also admits there would be a financial hit of $500 million to $1.1 billion to coal-fired generators, which are mostly owned by the state government. A final report will be tabled to government in November.

Mr Mugglestone said Queensland's diverse energy mix would ensure there would not be any black-outs like in South Australia as the state transitioned to renewables. Energy Minister Mark Bailey denied the draft report was too good to be true, considering Queensland is going to have to crank up its renewables from 7 per cent of the state's energy mix to 50 per cent in only 14 years. "Some people say this target is aspirational and is not achievable, but this panel is showing not one, but three different pathways to achieve it," Mr Bailey said. "I completely reject the assertion this is unrealistic. There is no evidence to back-up the scare campaign against these targets.There has been a lack of national leadership on this issue and South Australia, Victoria and Queensland have been filling the vacuum."

Queensland currently only has 550 megawatts of renewable projects, although there are 2500 megawatts of projects in the pipeline.  Australian Energy Council chief executive Matthew Warren said the Mugglestone report assumed existing coal and gas-fired generation would be willing to continue to operate at reduced margins, transferring the true cost onto Queensland taxpayers. "Transforming the Queensland electricity system will require a multi-billion dollar investment over decades. It's not magic. This will have to be paid for either by consumers or Queensland taxpayers," Mr Warren said. "Policies that directly intervene in commercial decisions risk undermining investor confidence and will not attract necessary investment in new generation."