Clean Energy Investor Group

50 Camberwell Road Hawthorn East VIC 3123

31 January 2025

The Hon. Mark Banasiak MLC
Chair, Standing Portfolio Committee No. 4 – Regional NSW
NSW Parliament
Lodged online via submission portal

Dear Hon. Banasiak MLC,

Response to NSW Government's Inquiry into the impacts of renewable energy zones (REZ) on rural and regional communities and industries in NSW

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the NSW Government's Inquiry into the impacts of renewable energy zones (REZ) on rural and regional communities and industries in NSW (the Inquiry) which was established in July 2024.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around $38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

- **CEIG supports the establishment of the Inquiry** and hopes it will enable a smooth rollout of REZs in NSW, benefiting both regional communities and the broader energy transition.
- Effective frameworks that consider local issues are **essential for investor certainty and social viability of projects.**
- **State governments play a key role in setting standards for community benefit sharing and engagement practices.**
- **CEIG urges the Committee to consider the urgency of delivering REZs** to meet renewable energy and emissions targets.

- **Delays in REZ development risk slowing the energy transition and delaying the replacement of retiring fossil fuel generation assets.**
- CEIG encourages NSW to **expedite in-progress REZs and consider their expansion in low-objection, low-impact, and cost-effective locations.**
- **CEIG recommends that the timing of NSW REZ announcements align with the Federal Government's CIS announcements.**
- **To pre-empt consultation fatigue, CEIG recommends that the NSW Government engage with councils in detail before declaring a REZ**, coordinating their early feedback and creating a centralised database of local public infrastructure assets available to support early development of projects.
- CEIG urges the NSW Government to **support efforts to attract skilled workers to REZ regions**, such as through educational campaigns.
- CEIG highlights the **benefits of REZs**, including:
  - **Job creation and economic growth**
  - **Energy reliability and security**
  - **Regional development**
  - **Cost-effective energy transition**
  - **Local benefits**
  - **Local economic hubs**
- **CEIG has raised concerns about REZs that are leading developers to avoid them,** including high connection costs, transmission delays, and insufficient planning for port-to-REZ transport routes.
- **CEIG recommends involving developers in the governance and assessment of cumulative impacts within REZs,** as their local presence and project-specific knowledge can provide valuable insights to enhance the process.
- **CEIG urges coordination and alignment between BCS and DCCEEW on IBRAs, species and ecosystems.**
- CEIG is concerned with the **overlap between community benefit fees and REZ access fees**, which could create financial disincentives.
- **CEIG recommends giving developers greater control over community benefit fund allocation** – either managing 80% of the funds or adopting a 50/50 split with the NSW Government – to leverage their community relationships and ensure funds are effectively directed toward local needs.
- **CEIG does not support "buying" social licence** and advocates for **compensation that focuses on "local and very local" benefits** that renewable energy projects can deliver.
- **CEIG encourages the establishment of Local Energy Hubs in REZs** to support communities with the information and resources needed for planning renewable energy projects.
- **CEIG supports decommissioning planning** but advocates for a **flexible, risk-based approach**, distinct from the resources sector's model.
- Policies should **promote industry-led best practices for responsible decommissioning** and end-of-life planning.

GENERAL COMMENTS

CEIG welcomes the establishment of the Inquiry and hopes it will facilitate a seamless rollout of REZs in NSW, ensuring regional communities hosting REZs and transmission infrastructure receive direct benefits.

CEIG understands that the Inquiry will explore the impacts of REZs and large-scale renewable projects within these zones, focusing on factors such as fire risks, socioeconomic benefits, and effects on agricultural, tourism, and the environment.

CEIG has recently supported the finalisation of the NSW Energy Planning Framework[1] which lays a strong foundation for achieving better outcomes for both renewable energy projects and the communities they impact[2].

CEIG emphasises the importance of incorporating local considerations into government policies and project planning. Robust frameworks that reflect these considerations are crucial for investors to assess the social viability of projects and make informed decisions, thereby increasing investor certainty. As the delivery of REZs in the National Electricity Market (NEM) is largely State-driven, governments have a critical role in setting standards for effective community benefit sharing and establishing minimum expectations for meaningful community engagement practices.

REZs must be delivered in a timely manner

CEIG urges the Committee to also take into consideration the urgency of delivering REZs to meet State and federal renewable energy and emissions reduction targets.

Facilitating REZ development is critical to a successful energy transition in Australia and to the decarbonisation of the economy. According to the Australian Energy Market Operator (AEMO)'s 2024 Integrated System Plan (ISP), the NEM will require a six-fold increase in grid-scale wind and solar capacity, reaching 127 GW by 2050, to deliver a cost-effective and reliable power system transition at lowest cost to consumers[3]. A significant portion of this capacity will be developed within REZs, which provide an effective way to prioritise and coordinate where generation investment should occur, enable the planned development of all required infrastructure, and will provide a strong siting signal to investors.

Delays in REZ development risk slowing Australia's energy transition and jeopardising the timely replacement of retiring fossil fuel generation assets, as evidenced by the extension of the Eraring power station.

To meet ambitious clean energy targets and ensure energy security, CEIG strongly urges the NSW Government to advance the delivery of in-progress REZs and explore their expansion using both network and non-network solutions. This should prioritise locations with least objections, biodiversity impacts, and costs. This will provide renewable energy developers and local communities with the certainty needed to plan effectively for future land use and the operational framework for clean energy development.

[1] NSW Government (Dec-24) NSW Energy Planning Framework
[2] CEIG (Nov-24) CEIG welcomes NSW Energy Planning Framework
[3] AEMO (Jun-24) 2024 Integrated System Plan (ISP)

CEIG also encourages the NSW Government to align the timing of REZ announcements with the Federal Government's Capacity Investment Scheme (CIS) announcements. It is important that Federal and State Governments work together and are united to ensure a cohesive and supportive framework for renewable energy investment.

Strategic planning with REZ host councils

Councils hosting multiple projects within their local government area (LGA) often experience consultation fatigue, as they are repeatedly asked the same questions by different developers. This can result in slower response times and contribute to delays and uncertainty in the planning assessment process. To address this, CEIG recommends that the NSW Government engage with councils in detail before declaring a REZ, gathering their early feedback and creating a centralised database of local public infrastructure assets available to support early development of projects for each LGA. This database could include information such as quarries, accommodation providers, work camps, water access, and other relevant details to streamline the process and reduce duplication.

Local workforce

The State Government should also support efforts to attract skilled workers to REZ regions, such as through educational campaigns that raise awareness in local communities about the renewable energy industry and its positive economic and social impacts on the region.

Benefits of REZs

REZs can deliver substantial benefits to communities and Australia as a whole, beyond their role in supporting decarbonisation targets:

- Job creation and economic growth: REZs can drive local job creation during construction and operation phases, stimulate regional economies, and create opportunities for skills development in clean energy technologies. EnergyCo projects that REZs and the Electricity Infrastructure Roadmap could attract up to $32 billion in private sector investment, supporting approximately 6,300 construction jobs and 2,800 ongoing roles by 2030[4].
- Energy reliability and security: Concentrating renewable generation within REZs allows for more efficient grid planning, ensuring a more reliable and secure energy supply for consumers.
- Regional development: REZs provide opportunities to enhance infrastructure in regional areas, including roads, schools, and healthcare, through community benefits programs tied to energy projects.
- Cost-effective energy transition: By clustering renewable projects and infrastructure, REZs reduce costs associated with transmission and grid upgrades, lowering costs for consumers.
- Local benefits: REZs provide structured frameworks for delivering meaningful benefits to local communities, fostering trust and collaboration. For example, under the NSW roadmap, landholders hosting renewable energy generation projects are projected to receive an estimated $1.5 billion in lease payments by 2042[5].

[4] EnergyCo (n.d.) What is a Renewable Energy Zone?
[5] EnergyCo (n.d.) What's involved in a Renewable Energy Zone?

- Local economic hubs: Opportunity to co-locate heavy electricity consumers such as data centres in REZs to capitalise on high-capacity and consistent renewable energy generation[6].

Improve the appeal of REZs

REZs are proving slow and complex to execute, with high connection costs and delays in transmission buildouts, significantly undermining their appeal. Many developers are already focusing their projects outside of REZs to avoid these risks, which are compounded by insufficient planning for transport routes from ports to REZs.

For example, the New England REZ will not be ready to support early projects like the Thunderbolt Wind Farm and others connecting to existing infrastructure, as the new transmission has been pushed back to 2031. Similarly, in the South-West REZ, projects are only now being selected for access rights, with many still evaluating alternative port-to-site routes due to late-stage engagement by EnergyCo and Transport for NSW (TfNSW).

Haulage routes and access present a key opportunity for improved coordination. Ideally, port-to-site haulage routes could have been assessed and designated by TfNSW, councils, and the Department of Planning and Heritage Infrastructure (DPHI) before REZs were declared. Instead, developers have needed to independently undertake Haulage Route Studies (HRS) for the same route.

For instance, in the South-West REZ, with five potential ports of origin (Port Kembla, Newcastle, Geelong, Portland, and Adelaide) and multiple routes from each port of origin, an HRS has been completed for all projects and all routes to the South-West REZ. This involved desktop assessments, on-site surveys, and consultations with TfNSW, councils, interstate regulators (road and rail), and the community.

Designating ports of origin and haulage routes earlier in the process would have simplified planning, reduced costs, and provided greater certainty for developers, regulators, and the community. Addressing these challenges through better planning and coordination will be key to enhancing the viability and appeal of REZs for developers.

Consideration of cumulative impacts

CEIG understands that the Portfolio Committee No. 4 – Regional NSW will examine the cumulative impacts of renewable energy projects within REZs. CEIG recommends that developers be actively involved in this process and its governance. Currently, developers lack visibility into cumulative impacts beyond their own projects. However, their local presence and in-depth knowledge of individual projects and communities can provide valuable insights to enhance the assessment of cumulative impacts. Developers' on-the-ground experience makes them well-placed to contribute meaningfully to this process.

Regional ecological planning

CEIG notes that the Inquiry will also explore the impacts of REZs and large-scale renewable projects on the environment. CEIG recommends enhanced coordination and alignment between the Biodiversity, Conservation and Science (BCS) and the NSW

[6] Castalia Advisors (Jan-25) 24/7 dispatchable solar power at costs comparable to gas-fired generation: too good to be true?

Department of Climate Change, Energy, the Environment and Water (DCCEEW) regarding Interim Biogeographic Regionalisation for Australia (IBRAs), species, and ecosystems, similar to the proposed Regional Planning Initiative and National Environmental Standards outlined in the Commonwealth's 'Nature Positive' amendments[7].

While we acknowledge project-specific assessments are still necessary, improving the efficiency of the process for landscape-level ecological assessments would provide a more consistent upfront approach.

Compensation to residents impacted by REZs

CEIG understands that the Committee will examine the proposed compensation measures for regional NSW residents impacted by REZs.

CEIG does not support the concept of buying social licence, as outlined in our submission to the NSW Energy Planning Framework[8]. Social licence goes beyond financial compensation; it is a multifaceted process that requires addressing the specific needs of communities through genuine engagement.

Genuine engagement involves listening to concerns, building long-term relationships and providing benefits to host communities that extend beyond financial benefits.

Compensation for NSW residents impacted by REZs should prioritise 'local and very local' benefits that renewable energy projects can deliver. These local benefits are critical to social licence in hosting communities and must remain central to any framework that outlines how communities will benefit from renewable energy projects.

CEIG urges the NSW Government to:

- Provide clear early guidance around what fees will be levied on developers in REZs, including the amount, the entities responsible, and the purpose of these fees, to prevent duplication of fees paid by developers;
- Ensure that fees are not so elevated that they constrain developers' financial capacity to implement their own 'local and very local' community benefit programs; and
- Ensure that the cumulative impacts of fees on developers are not so high that they decrease the attractiveness of REZs and lead to increased wholesale prices.

<u>Local Energy Hubs</u>

CEIG also encourages the NSW Government to explore the benefits of establishing Local Energy Hubs within REZs across the State. These hubs would provide valuable resources, offering communities the information and support necessary to plan for large scale renewable energy projects that deliver local benefits[9,10]. By providing a trusted and accessible point of contact, Local Energy Hubs would help community members gain a better understanding of new energy infrastructure and its implications, including the opportunities it presents. This approach would build greater local engagement and trust

[7] Australian Government (n.d.) EPBC Act Reform
[8] CEIG (Jan-24) Response to the NSW Government's Draft Energy Policy Framework
[9] RE-Alliance, CPA, Yes2Renewables (n.d.) Local Energy Hubs
[10] CPA (n.d.) Local Energy Hubs: Policy Summary

needed to facilitate the energy transition.

Community benefit funds

CEIG is concerned with the absence of measures to prevent duplication of community benefit fees. The overlap between the benefit sharing rate and components of the REZ access fee could create financial disincentives for development within REZs. Benefit sharing rate payments are in addition to the substantial funding already available through the NSW Government's Community and Employment Benefit Program, to be administered by EnergyCo.

For community benefit fees, it is imperative that the NSW Government ensures transparency in their allocation, providing clear guidance on their use, contributors, and the parties responsible for managing these funds while avoiding duplication.

Currently, developers have limited involvement in how these funds are allocated. CEIG understands that under the current proposal, developers would consult with communities for the allocation of 20 per cent of the funds, while the NSW Government would oversee the process for the remaining 80 percent. However, CEIG believes developers should have greater control over fund allocation, given their experience and strong relationships with local communities. Developers are accustomed to engaging with communities to determine fund usage, ensuring that decisions align with community priorities.

CEIG suggests either:

- Developers manage the consultation process for allocation of 80 per cent of the funds, with the NSW Government handling the remaining 20 percent; or
- A balanced 50/50 approach at a minimum.

These changes would ensure that community benefit funds are genuinely directed toward local needs, strengthen relationships between developers and communities, and foster trust and participation, supporting the long-term success of REZs.

Decommissioning

CEIG understands that the Inquiry will be exploring models for providing financial assurance to manage decommissioning activities for renewable energy projects, such as surety bonds or financial securities, to mitigate decommissioning risks for landowners.

CEIG supports the enforcement of decommissioning planning but emphasises the need for an approach distinct from that used in the resources sector. Instead, we propose that decommissioning policies and financial securities should focus on flexible, risk-based mechanisms that encourage and reward best practices within the renewable energy sector.

CEIG advocates for frameworks that establish clear standards for responsible decommissioning, while avoiding one-size-fits-all financial instruments. Policies should support and promote industry-led best practices for end-of-life planning and protections.

We would welcome the opportunity to collaborate on developing a framework that promotes voluntary, industry-led stewardship aligned with NSW's environmental

conservation goals, while strengthening the State's investment attractiveness.

CEIG thanks the NSW Government for the opportunity to provide feedback on its Inquiry and looks forward to continued engagement on those issues. Our Head of Policy and Advocacy can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

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