50 Camberwell Road Hawthorn East VIC 3123

14 February 2025

Hon. Jeremy Buckingham MLC
Chair, Joint Standing Committee on Net Zero Future
NSW Parliament
Lodged online via the consultation portal

Dear Hon. Buckingham MLC,

Response to NSW Parliament's Inquiry into the 2024 Annual Report of the Net Zero Commission

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the NSW Parliament's Inquiry into the 2024 Annual Report of the Net Zero referred in December 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 believes that investment in renewable generation and storage projects is crucial for a resilient energy system.**
- CEIG emphasises that **clear and predictable coal closure timelines are essential for maintaining investor confidence, ensuring market stability, and unlocking the capital needed for a least-cost energy transition.**
- CEIG urges the NSW Government to **improve the planning assessment process for renewable energy projects** through key opportunities in State significant planning pathways, biodiversity, cultural heritage, and land and transmission.
- Whilst CEIG acknowledges that NSW has already taken significant steps to address its firming needs (including through the Roadmap, Long Duration Storage Review

and LTESA storage tenders), **CEIG recommends NSW adopts a strategy that integrates firming capacity with timely VRE deployment,** supported by evidence-based planning and flexibility, to ensure a reliable and cost-effective transition to clean energy.

- CEIG stresses the **importance of timely REZ development** to meet renewable energy and emissions targets, recommending actions to accelerate REZ implementation and provide certainty for developers and communities.
- CEIG suggests **advancing in-progress REZs, exploring expansions through network and non-network solutions, prioritising locations with minimal objections, biodiversity impacts, and costs, and implementing measures to prevent duplication of community benefit fees.**
- CEIG welcomes the passage of the Biodiversity Conservation Amendment Bill 2024 but **remains concerned about high costs and lengthy processes for securing offsets in NSW.**
- CEIG welcomes the release of the NSW Energy Planning Framework but recommends implementing outstanding recommendations including **revising the BAM for landscape-scale assessments, reviewing biodiversity offset requirements across industries, developing renewables offset guidance, and offering flexibility for developers to use Commonwealth or State offsets funds** to reduce delays in securing offsets.

GENERAL COMMENTS

CEIG understands that the Net Zero Commission was appointed in July 2024 to report and advise the NSW Government on progress towards the State's emissions targets and the policies and programs required to achieve net zero by 2050. Additionally, the Joint Standing Committee on Net Zero Future was formed to oversee and review the work of the Net Zero Commission.

The Net Zero Commission's 2024 Annual Report highlights the need for significant decarbonisation in the electricity and energy sectors to meet the State's 2030 and 2035 decarbonisation targets[1]. CEIG emphasises that investment in renewable generation and storage projects is essential for building a resilient energy system. To ensure reliability, the NSW Government must actively encourage investment in clean energy and storage assets.

CEIG has identified key opportunities where the NSW Government should focus its efforts to accelerate clean energy development, enhance firming capacity, reduce emissions, and keep NSW on track to meet its climate targets.

Coal closure certainty

The Net Zero Commission's 2024 Annual Report highlights that emissions increases from extended or expanded coal projects may necessitate greater reductions in other sectors

[1] Net Zero Commission (Nov-24) 2024 Annual Report

to meet the State's emissions targets[2].

CEIG strongly opposed the NSW Government's decision to extend the operation of the Eraring coal power station until August 2027, citing it as a significant setback with far-reaching impacts on investor confidence, renewable energy targets, and climate commitments[3].

We have since called on the NSW Government to clearly communicate that the Eraring power plant extension is a one-off decision, commit to avoiding further extensions, and ensure no similar actions are taken for other coal generators. Uncertainty surrounding coal power station closure timelines is deterring investment in generation and storage capacity, as it disrupts the economic business case by making revenue streams unpredictable and challenging to forecast. Investors must then increase their cost of equity to factor in and compensate for the significant uncertainty and risk.

CEIG strongly urges the NSW Government to prioritise investments in renewable energy infrastructure over further extending Eraring's operations. The Australian Energy Market Operator (AEMO) in its 2024 Electricity Statement of Opportunities (ESOO), emphasised that for government programs to ensure sufficient generation capacity to reliably meet demand, they must be "...delivered on time and in full"[4]. To enable the timely replacement of coal capacity, we recommend advancing the measures we have outlined in this submission, including:

- Improving planning assessments for renewable energy projects,
- Developing a firmed energy strategy,
- Accelerating renewable energy zones (REZ) development, and
- Improving the Biodiversity Offsets Scheme

Clear and predictable coal closure timelines are essential to maintaining investor confidence, ensuring market stability, and unlocking the capital needed for a least-cost energy transition.

Planning Assessments

CEIG has recently welcomed the finalisation of the NSW Energy Planning Framework[5], which establishes a strong foundation for better outcomes for renewable energy projects and the communities they impact[6]. These reforms are expected to enhance investment certainty, facilitate decision-making processes, and deliver benefits to local communities across NSW.

However, CEIG encourages the NSW Government act on remaining recommendations to improve the planning assessment process for renewable energy projects to expedite the rollout of clean energy infrastructure. This would not only support a smoother transition

[2] Net Zero Commission (Nov-24) 2024 Annual Report
[3] CEIG (May-24) Extension of Eraring Power Station Threatens Renewable Investment
[4] AEMO (Aug-24) 2024 Electricity Statement of Opportunities
[5] NSW Government (Dec-24) NSW Energy Planning Framework
[6] CEIG (Nov-24) CEIG welcomes NSW Energy Planning Framework

to renewable energy but also strengthen investor confidence and advance the State's sustainable energy goals.

In December 2023, CEIG released a report commissioned from HSF reviewing NSW statutory planning processes[7]. While many of the recommendations have been addressed by the final NSW Energy Planning Framework, several key opportunities remain to further improve planning assessment processes in NSW:

- State significant planning pathways:
  - Broader use of Critical State Significant Infrastructure (CSSI) declarations to address the State's critical energy needs
  - Streamline development application (DA) assessment processes through improved inter-agency coordination
  - Greater reliance on conditions to address project impacts, where appropriate
- Biodiversity:
  - Adopt landscape-scale biodiversity assessments and land clearing standards across the State (further detail below)
- Cultural heritage:
  - Develop a robust consultation framework
  - Assess connection to Country
- Land and transmission:
  - Strengthen social licence initiatives
  - Secure land and transmission routes and deliver strategic solutions upfront

Coordinating timely generation and firming capacity

CEIG welcomes Minister Penny Sharpe's announcement of $8.4 million in additional funding to accelerate the connections process for key battery projects in NSW[8]. This funding, allocated to Transgrid and the Australian Energy Market Operator (AEMO), will fast-track grid connections for four key battery projects, each with over 100 megawatts of storage capacity.

NSW faces a critical challenge in ensuring sufficient bulk variable renewable energy (VRE) is built and connected at pace to replace retiring coal capacity, particularly ahead of the planned Eraring power station closure. Accelerating the deployment of large-scale wind and solar projects, alongside storage solutions, is essential to meeting this challenge and delivering a reliable, decarbonised grid.

We acknowledge that NSW has already taken significant steps to address its firming needs, including through the implementation of the Electricity Infrastructure Roadmap, the Long Duration Storage Review and Long-Term Energy Service Agreement (LTESA) storage tenders.

Building on this progress, CEIG recommends that NSW develop a strategy focussed on

[7] CEIG & HSF (Dec-23) Review of NSW Statutory Planning Approvals Processes
[8] NSW Government (May-24) Speeding up connection of batteries to NSW electricity grid

timely bulk VRE deployment while integrating complementary firming capacity. Ensuring these elements work in tandem would enhance the State's ability to transition smoothly greater variable renewable energy penetration and reduce the risk of further reliance on coal power plant extensions.

To further support this transition, CEIG highlights the importance of flexibility and evidence-based planning to address evolving market dynamics. For example, the California Public Utilities Corporation uses annual evaluations with de-rating factors to assess the reliability contributions of different firming technologies, providing a transparent and adaptable framework[9]. Adopting a similar approach would ensure that investments are aligned with real system requirements and deliver the best outcomes in terms of cost and reliability.

Renewable Energy Zones

CEIG also urges the Committee to prioritise the timely delivery of REZs to meet State and Federal renewable energy and emissions reduction targets. The successful development of REZs is essential for NSW's energy transition and broader decarbonisation of the economy. Given that REZ implementation in the National Electricity Market (NEM) is largely State-driven, State governments play a critical role in their roll out.

CEIG recognises that NSW is the most advanced State in the development of REZs, setting up frameworks, access regimes, and other critical infrastructure to support renewable energy deployment. While this progress is commendable, there is still more to do to ensure REZs are delivered on time and meet their full potential in supporting the energy transition.

REZs should offer a strategic approach to guiding generation investment, enabling the planned development of necessary infrastructure, and providing clear siting signals for investors. However, developers are focusing their prospection outside of REZs due to the high costs of connecting to these zones, along with the risks posed by delays in government-led transmission projects and the lack of established transport routes from ports to REZs, which are only now beginning to receive government attention.

These challenges, coupled with delays in REZ development could risk slowing NSW's energy transition and jeopardise the timely replacement of retiring fossil fuel generation generators, as demonstrated by the recent extension of the Eraring power station.

In CEIG's recent submission to the NSW *Government's Inquiry into the impacts of REZs on rural and regional communities and industries in NSW*, we highlighted several key recommendations, including[10]:

- Advancing the delivery of in-progress REZs;

[9] California Public Utilities Commission (Jan-23) Incremental ELCC Study for Mid-Term Reliability Procurement

[10] CEIG (Jan-25) Response to NSW Government's Inquiry into the impacts of renewable energy zones (REZ) on rural and regional communities and industries in NSW

- Exploring REZ expansions through network and non-network solutions;
- Prioritising locations with minimal objections, biodiversity impacts, and costs; and
- Implementing measures to prevent duplication of community benefit fees, particularly in related to overlaps between the benefit sharing rate and REZ access fee components.

These measures will provide renewable energy developers and local communities with the certainty needed to plan effectively for future land use and establish a robust operational framework for clean energy development.

Biodiversity Offsets Scheme

CEIG welcomes the passage of the *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Bill 2024* on 22 November 2024. While the Amendment introduces positive improvements, CEIG remains concerned about the high costs and lengthy processes associated with securing biodiversity offsets in NSW.

Biodiversity credits often represent a substantial expense for renewable energy projects, with NSW's offset processes being slower and more costly compared to other States. This creates significant barriers to the efficient and affordable development of clean energy infrastructure. A key challenge lies in the limited availability of offsets, particularly given the relative high land use requirements of renewable energy projects, which makes it difficult to meet offset obligations when biodiversity credits are insufficient or unsuitable.

Additionally, renewable energy projects are assessed on a "project-by-project" basis, leading to uncertainty in timelines, inconsistent requirements and missed opportunities for broader, strategic assessments and offsets. The Biodiversity Assessment Method 2020 (BAM), as a site-by-site tool, exacerbates this issue by producing assessments that are overly complex and, more broadly, not representative of the impacts within a landscape for projects such as wind energy and transmission lines.

CEIG recommends addressing these challenges by:

- Revising the BAM to incorporate landscape-scale and cumulative impact assessments, starting with REZs, enabling more suitable avoidance, mitigation, and offset measures to achieve a standard of 'no net loss' of biodiversity.
- Reviewing and reforming the *Biodiversity Conservation Act 2016 No 63* and *Local Land Services Act 2013* to align biodiversity offset requirements across industries.
- Allowing developers flexibility to pay into a Commonwealth or State Biodiversity Offsets Fund, particularly when project footprints change, to prevent delays in securing offsets.
- Updating the environmental offsets policy to allow for greater flexibility in discharging environmental offsets obligations through financial offsets.
- Developing guidance tailored to renewable energy projects to clarify offset expectations and requirements.

CEIG has recently released a report commissioned from HSF reviewing the EPBC Act for renewable energy projects in NSW, Queensland and Victoria[11]. The report further highlights ongoing offset challenges and underscores the importance of State and Commonwealth Governments collaborating on the environmental assessment process to make project assessments as efficient as possible and avoid unnecessary delays.

CEIG thanks the NSW Parliament 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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[11] CEIG & HSF (Dec-24) Review of the EPBC Act for Renewable Energy Projects in Queensland, New South Wales and Victoria