Energy Policy
INSTITUTE OF AUSTRALIA

Submission to the Department of the Environment and Energy on its October 2018 Public Consultation Paper:

"Underwriting New Generation Investments."

The Institute expresses its in-principle support for the establishment of a mechanism for the provision of financial support for investment in power generation. It does so in the interests of reducing barriers to entry and increasing competition in the generation market.

Two key principles for the mechanism might be:

- First, that it would function on a truly technology-neutral basis so as not to exclude renewables, fossil fuels, nuclear power and hydrogen energy; and

- Secondly, that financial support would only be made available on a competitive basis, i.e. competitive awards would be necessary.

We explained the rationale for our view in our December 2016 public policy paper:

> *"Until energy and climate policy is clarified, the Australian generation sector is likely to remain a 'no-go zone' for investors. It is already problematic to invest in generation in Australia without special support, such as subsidies under the Renewable Energy Target (RET) scheme or power purchase agreements (PPAs). There are however no subsidies for clean coal, clean gas, CCS or new nuclear technologies such as small modular reactors (SMRs). Nuclear power generation is still prohibited by legislation of the Commonwealth and in several states. There is a need to remove all barriers that discriminate against low-emission technologies, map out long-term pathways to all lower emission solutions and provide policy and financial support to those options that provide the best outcome in terms of low-emissions power for the lowest cost."*

As to the design of the mechanism, we offer four broad suggestions:

1. The availability of the mechanism would be relevant for long-term power system planning and there would be a need for each function to complement the other.

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2. Stability of policy is essential. The mechanism should ideally be part of the long-term landscape. It should have enduring value not only to proponents of present-day projects but to planners of future projects that are some years short of feasibility and where critical decisions such as siting have not even been made.

3. The mechanism should avoid a piecemeal approach.

4. To reduce the burden on the public purse, consideration could be given to establishing the mechanism as a special-purpose statutory vehicle with government providing credit enhancement as may be required.

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Note: The Energy Policy Institute of Australia (EPIA) is a policy body, not a lobbying body. This submission does not represent the official or unofficial views of any of its members.