



# MEDIA RELEASE

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## ENERGY – IT'S TIME AUSTRALIANS COME FIRST AND TO RECONSIDER OUR PARIS TARGET

With Energy a major part of Australia's political debate, I understand when my fellow Australians feel disillusioned and angry about the high energy costs currently facing many families and businesses across Australia, no more so than in my home state of Western Australia which has seen our energy costs increase year on year for some time now.

As the previous Head of Procurement for the Western Australian Government's Electricity Generator Verve Energy, and with a background in energy and major projects, I believe it's important Australia considers ALL energy options to provide a reliable baseload power supply to secure the future energy requirements of our country, its citizens, businesses and industry.

Australia used to have a reliable electricity grid, however of late we have seen blackouts in South Australia, and further stress across the eastern states electricity network. With rising prices and constant debate amongst our political parties and politicians, Australians are angry, and they have every right to be so.

Electricity, Water and Gas should be classified as essential services as these are the fundamentals of our society whereby the whole country relies upon these services. We can no longer afford to have the constant debates or inaction, and decisions are needed now, decisions which will secure a reliable baseload power supply, hence my call for ALL energy options to be considered.

We have even seen governments sell off their energy assets and then complain when things don't turn out as expected, i.e. the Liddell Power Station ("Liddell") located at lake Liddell in the Hunter Region of New South Wales. Liddell is a coal powered thermal power station which was previously owned by the New South Wales Government's Macquarie Generation, however was sold to AGL Energy ("AGL") for \$1.5 billion in September 2014.

Debate currently exists around AGL's decision to close Liddell in 2022, which is its 50<sup>th</sup> year anniversary. AGL advises that Liddell needs significant capital expenditure to remain open past 2022, and of the original 2000MW baseload capacity, Liddell is currently able to produce 1680MW as to operate the turbines beyond this would expose Liddell to risk and further failure, and generation on any day is unpredictable as it struggles with outages.

This debate has caused much frustration whereby everyone has an opinion. Even our Prime Minister got involved and said that the government was advised that if Liddell closed, there would be a 1000MW gap in base load requirements, and then sought the sale of Liddell to Alinta Energy.

AGL advised the market of its plans to convert Liddell into a renewables hub following its closure in 2022 so the proposed sale has been refused. Some have even questioned the government mandating the sale by Law, however there is a lesson here for everyone, particularly when Governments take the short-term

view and sell government assets to realise cash at that time, as in the case of the Macquarie Generation sale in New South Wales. Its therefore too late to argue and complain when things haven't turned out as expected.

What we are forgetting is that AGL are a private company, with shareholders and is a company that paid the New South Wales Government a significant amount of money for the purchase back in 2014, which was less than four years ago.

A longer term strategic view needs to be taken when making such an important decision regarding Australia's assets and in particular our electricity future. Australians have every right to now ask how can a sale that occurred less than 4 years ago turn out the way it has, and especially when they are hearing that Australia's energy future has been put at risk. Personally, I suspect the cash on offer was too good to be true, even if the decision has now exposed the New South Wales electricity consumer.

As with Liddell, our Western Australian electricity generation assets have similar aging and maintenance issues, i.e. the Muja coal fired power station, which was originally opened in April 1966. AGL advise that they had spent \$123 million since purchasing Liddell in 2014, and that they expected to spend another \$150 million to tackle corrosion to enable the plant to remain open until 2022.

In 2012, I oversaw the tender and implementation of the maintenance services contract which had increased significantly due to our aging infrastructure, maximising the life cycle and efficiency of our power stations and the effects of renewables on our generation capacity. That year we also suffered an explosion at Muja whereby corrosion was a major issue when we tried to recommission Muja stage A and B. Most thermal power stations do not operate beyond 50 years and in Western Australia we also have similar challenges as Liddell and other coal fired baseload power stations across Australia, and this will continue to put pressure on electricity generation throughout the country.

For that reason and to ensure sufficient generation capacity for the South West Interconnected System ("SWIS"), otherwise known as our electricity grid, we installed Australia's first large scale solar renewable project being the 10MW Greenough River Solar Farm, located 50 kilometres southeast of Geraldton on the Nangetty Walkaway Road, and two (2) x 100MW High Efficiency Gas Turbines ("HEGT") at Kwinana Power Station. The HEGT's replaced two older 120MW steam powered generators that were retired, and this caused further challenges as we encountered a reduction in gas availability, a resistant federal government towards export controls to protect WA's own gas requirements, and we had to enter a gas swap deal to ensure adequate gas supplies were available to run our power stations.

Another issue we encountered was the carbon tax which cost our operations approximately \$200 million, an amount which was directly passed onto our retail customers, namely Synergy or all Western Australian consumers at the time. The problem with charging a carbon tax, was firstly understanding what a carbon tax was, and a lot of consultants were engaged to help Verve Energy understand that. Secondly, would it make a difference as it was designed to help us reduce emissions, however we now know it didn't, and the only thing it did was remove our competitive advantage of running our power stations to produce an affordable and reliable baseload power supply for West Australian consumers. In the end this added tax ensured power prices rose, and they have continued to do so year on year since.

With the introduction of renewables this also resulted in our coal fired generators not running as planned, and the competitive advantage of a coal fired power station is in its ability to provide a 24-hour 7 day a week baseload capacity, provided its generators ran as envisaged. With rooftop solar and other renewables generating power during day light hours, our generators capability to produce power was substantially reduced and this increased the risk of outages and further maintenance which was constantly discussed by our government and Premier in power at the time.

Within Australia we see governments, politicians and political parties design energy policy on the fly that has left Australians frustrated and disillusioned with the political process. Our policy has been solely about reducing emissions, but little is said about our baseload power supply and in reducing prices to the

Australian consumer. History will indeed judge our politicians when we ask ourselves how we have allowed our once proud energy infrastructure to become so disjointed, fractured, unreliable and costly.

At the 2015 Paris climate change conference, Australia committed as a target to reduce our emissions to 26-28 per cent on 2005 levels by 2030. Whilst I stress this is only a target, you would excuse me for thinking this is not the case when we hear some in our community talk like this is law, when it is not. Further spruiking that Australia will go it alone, when our global emissions in 2005 was only 1.5% of world emissions is also concerning and in the case of the carbon tax, which impacted Verve Energy approx. \$200 million only ended up costing consumers more, and did very little to change our emissions.

You also can't talk about emissions as only being related to energy. Other industries are also affected, i.e. Agriculture, Transport, Waste etc, and these industries have not yet been discussed as part of our emissions reduction targets. With the introduction of the National Energy Guarantee ("NEG"), another scheme that has not been explained particularly well, but is intended to keep our lights on, cut prices and meet our Paris emissions reduction targets has many in our community unsure, disillusioned and disappointed in the whole political process, especially as the NEG appears to be solely about reducing emissions, and again nothing to do about providing a reliable baseload power supply to the Australian people. As I said above, Australians are angry and they have every right to be so.

Because of our actions, or inaction as the case may be, the only thing that's occurred for years is that Australia has essentially lost its competitive advantage and we have disincentivised ourselves to the green ideology. As a farming family, growing up my grandfather used to explain to me that we are a lucky country, built off the sheep's back that makes things, and our success is in our people, our industry, our jobs and in the Australian ideals and way of life. Australians look after one another, are there for each other, and most importantly it was very tough to break the Australian spirit.

Australia therefore needs to stop damaging ourselves as in essence we are penalising ourselves unnecessarily to reduce our emissions when other countries are not. In the case of coal, its acceptable to export our coal to other countries who then take advantage of our coal to provide their own citizens cheap and reliable baseload power, yet Australians still suffer. Coal therefore must be part of our immediate electricity future, and that doesn't mean that we sell ourselves or offer an Indian billionaire a billion dollar federal government backed loan, or a \$600 million royalty holiday by the Qld government, as in the case of Adani, but we need to schedule new power station projects based on coal for the foreseeable future. Only then will we be able to secure our energy future and continue to provide a reliable baseload power supply that meets the demands of Australian consumers.

Regarding renewables, which currently do not have the capability to provide a reliable baseload power supply, with advances in technology this situation is likely to change in the foreseeable future. I personally do not agree to legislating a renewable energy target that is not yet achievable (as in the case of Labor proposing a 50% cap on energy generation coming from renewable energy sources) as this essentially repeats the same mistakes of the past and therefore jeopardises our energy future, which culminated previously with South Australia being plunged into darkness whilst promoting the same targets. As technology improves, renewables will become more affordable, efficient and we will transition once reliable baseload options for all Australian consumers are able to be achieved.

So with Paris nothing more than a target, the times come to reconsider this and to put Australians first. If Australia accounts for only 1.5% of global emissions, then lets deal with global emissions on a proportional basis, and that way we will no longer damage our economy, Australian industry, Australian jobs and secure energy reliability for all Australian consumers.

Australia can no longer tackle our emissions alone, and nor can we damage our economy any further in the process. What the entire process has shown me is that with the divisions amongst our political parties, politicians, industry and experts, and the resultant decisions affecting all in our community, I'm concerned our politicians have not seen a baseload power station, let alone a renewable energy project such as a

solar or wind farm and decisions are now being made without the proper understanding or fundamentals of our energy policy being considered.

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-ENDS-

Were Australian and we look after one another - It's time for change Australia and together we can do it.

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