



Sunday August 27, 2016

Dear Bill,

LABOR'S POSITION ON FUNDING & MISSION OF ARENA – OMNIBUS BUDGET BILL

As the excitement of the first week of Parliament dawns, difficult decisions already face the Parliamentary Labor Party. LEAN appeals to you to ensure Labor acts to save ARENA, one of the great renewable energy institutions created by the last Labor Federal Government which the Government plans to destroy this week.

ARENA must be saved. And its future is in the hands of the Federal caucus. ARENA provides grant funding to power innovation in the renewable energy sector. As part of the "omnibus budget repair bill" to come before Parliament this week, the Government intends to strip ARENA of most, if not all its \$1.3 billion with which it funds research and development that leads to commercialisation of renewable energy innovation.

All that stands between ARENA and oblivion is Labor's decision on how it votes. Exactly where the cross benches are sitting is not clear, but it is likely that Labor's vote will be decisive. LEAN is hoping you will stand up and be a vocal advocate for Labor opposing changes to ARENA's funding and mission.

Budget Repair

Stripping ARENA of its funds is not "budget repair", but rather removing the short term innovation finance that will assist the structural adjustment of our energy economy from fossil fuels to low carbon growth thereby assisting structural reform.

Not only is the Government intending to strip ARENA of the funds it needs to operate effectively but if it survives, to shift it from a grant making body to a loan making body. However, the very nature of innovation funding is that it requires grants as it is not yet mature enough to lend. It is bringing new energy innovations through this "valley of death" that ARENA funds and if they are successful they can then repay the Australian economy. A cursory look at strong first world economies all tell the same story: smart countries fund R&D on a non-commercial basis. With interest rates low, we do not need another bank.

There is no way Australia can deliver Labor's commitment to 50% renewable energy by 2030 and the jobs this will provide without a well funded research capability.

At the election Labor said it would reconsider ARENA's operations and funding, with the election commitments only definitely backing \$300 million of industry development grants. If we won government, a reconsideration of ARENA's role within the new comprehensive framework outlined in the Climate Action Plan was appropriate. Sadly, the conservatives won and won't build a clear path to a prosperous transition. Labor must fight for the few planks that survive to keep the renewable energy industry and investor confidence in Australia alive.

Labor must stand up for this fantastic institution. After all, we created it.

“Budget repair” is important, but must be kept in perspective. As Andrew Blakers, from the Centre for Sustainable Energy Systems at the ANU put it, “You don’t turn off R&D spending when there’s a revolution under way.” Furthermore we must deliver budget repair at the same time as environmental repair. We can’t do one at the expense of the other.

ARENA’s track record

ARENA has completed more than 60 projects across Australia and is currently managing 200 more. 70% of its funding has been invested in rural and regional electorates. ARENA not only helps build new technologies, it has a proven track record of reducing the cost of renewable energy and increasing its supply and diversity in Australia.

As ARENA Chair Martijn Wilder AM has said, “This is a big agenda where ARENA plays a unique role in helping build a new diversified Australian economy. In particular, ARENA has demonstrated this through its large scale solar round funding, which is driving down the costs of renewable energy.

“ARENA’s support of commercial-scale trials of integration of new energy storage technologies with rooftop solar is keeping Australia at the leading edge of innovation in this sector. This is designed to help deliver benefits for many of the 30% of South Australian and Queensland households and businesses which already have rooftop solar, as well as providing opportunity for better managing networks and costs.”

Australia’s first class renewables R&D

As you know, we have world leading renewables research here in Australia. [Prime Minister Turnbull himself has noted](#) that by 2018, more than 60 per cent of all new solar cells will use technology developed in Australia. A [recent study](#) estimates that Australia’s world leading solar photovoltaic (PV) research has delivered \$8 billion of flow on benefits to Australia.

We would be mad to undermine our clever engineers, scientists and implementers and with it, our future. **Labor must stand by two principles – ARENA must remain a grant giving, not loan making organisation AND its \$1.3 billion of funding must remain untouched.**

We understand the decision on how Labor will vote on this aspect of the omnibus budget bill will be decided early this week. Apparently final decisions are being held until the Party sees the detail of the Bill.

However Labor can make decisions on the two key principles – ARENA’s mission and funding. \$300 million is not enough to keep ARENA viable. This decision cuts to the heart of Labor’s commitment to the clean energy future. It cuts to the heart of our ability to stand by good policy and against tinny rhetoric and false constructions of “budget repair”. A decision to capitulate to the Government’s demands will be a serious hit to Labor’s climate change credibility.

LEAN is planning to be in Canberra early this week and would love the opportunity to discuss this with you. Please call or email me to sort out a time to meet.

Thanks



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