



Thursday 6th October 2016

Inquiry into Community Energy Projects

Australian Wind Alliance submission to the Parliament of Victoria's Economic, Education, Jobs & Skills Committee Inquiry

Introduction

The Australian Wind Alliance (AWA) welcomes the opportunity to participate in the consultation process for the Parliament of Victoria's Economic, Education, Jobs & Skills Committee Inquiry into Community Energy Projects. AWA supports the expansion of community energy throughout Victoria and recognises the potential for community energy projects to enrich local economies, create local jobs and better match energy production with local needs.

The financial scale of wind farm projects presents challenges for community ownership which can be addressed through a range of approaches, some of which have already been implemented in operational wind farms.

Benefits of community owned energy programs.

Community owned renewable energy projects are an important and growing area of the renewable energy sector. In Victoria there are currently six community-owned energy projects operating and 26 projects in the works. These projects support local, clean energy production and jobs, as well as deliver social and environmental benefits.

This Parliamentary Inquiry into community energy has an opportunity to ensure communities play a vital role in transforming the energy sector. AWA calls on the Committee to thoroughly investigate best practice policies and put forward recommendations to grow Victoria's community energy sector.

Community-owned energy offers numerous benefits over centralised energy sources. The National Community Energy Strategy outlines the *benefits* of community energy as:

- Securing new sources of funding that enhance local economies, including attracting capital from 'community investors'.

- Environmental benefits, not only through reduced greenhouse emissions, but also through greater engagement of community participants with energy conservation and environmental values.
- Developing new renewable energy capacity through creating scalable, replicable ownership and operating models. Centralised energy projects require significant upfront capital. As a result, they are usually developed and owned by utilities or large corporations. Community/developer partnerships allow individuals to partake in community-owned energy projects that would otherwise be beyond their reach.
- Increasing and mobilising public support for the renewable energy industry more broadly. For instance, community acceptance of wind farms has been shown to increase when there is a sense of local ownership and clear benefits flowing back to the local community.
- Delivering (often local) sustainable employment, education and training opportunities.
- Building community resilience, empowerment and pride. Communities working together to deliver a successful project often brings feelings of community pride, strength and empowerment with tangible outcomes.
- Supporting regional communities and fostering local economic development.
- Creating steady income streams to provide economic diversity for regional areas and fund community development projects over 25+ year time horizons.
- Enabling renters, apartment dwellers and people with unsuitable roofs to also access the benefits of renewable energy generation;
- Creating a community-led response to managing electricity price rises.

Best ways to encourage and support the uptake of community energy projects.

The Australian Wind Alliance urges the Committee to consider the following measures to support community-owned energy:

1. Facilitate community/developer partnerships

Wind farms are large projects, both financially and logistically, placing wind farms beyond the reach of most communities to provide. Even a small wind farm requires capital investment in the tens of millions of dollars and sophisticated project development and execution. Therefore, this Inquiry should consider ways to ensure a pathway for community to effectively partner with wind developers to deliver wind farms that provide opportunities for community involvement and

ownership while tapping the resources and expertise of experienced commercial entities.

AWA commends the approach taken by wind developer, Windlab, at their Coonooer Bridge and Kiata Wind Farms. While only 4% of the projects are community-owned, both projects have been successful in achieving deep and widespread community support, which was recognised in their respective winning bids for the ACT and Victoria wind energy auction processes.

Some of the key elements of their approach have been:

- Initial consultation with the community was conducted through a public meeting that focussed on how financial benefits might be shared in the community.
- Decision making by the project company was made transparent by giving the local community a Board Observer position on the company's board, building trust between the developer and the community.
- All host and neighbouring landholders within 3 km of the wind farm were offered shares. All of these shares were accepted. Landholders were able to purchase additional shares if they chose.
- Decisions around allocation of community grants and allocation of shares under the community share scheme are made by a community committee.

Another method being considered by industry at present to provide some level of community ownership is making available debt instruments to local community. These instruments would operate like bonds and provide a determined rate of return across the life of the project. This rate could either be a fixed percentage or vary according to performance. The wind farm operator would provide some liquidity to allow the bonds to be bought and sold as required.

2. Set a clear target for community energy projects.

The Victorian Government should adopt a transparent target for community energy projects to drive ambition. With a strong policy framework, Scotland was able to increase the number of community energy projects from 3 to 300 in only ten years. More than 508MW of community owned energy capacity is now operational in Scotland, which exceeded their 500MW target by 2020 five years early. AWA supports a target of 5-10% of Victoria's renewable supply by 2025 to be delivered from community energy projects.

3. Create a fit-for-purpose financial policy mechanism to support community owned energy, such as a portion of the VRET auctions.

The Government plans to achieve the VRET through a series of competitive renewable energy auctions. The auctions provide an opportunity to drive the uptake of community energy projects throughout the state.

Big gains can be made by setting aside a portion of the renewable energy auctions for community energy projects in order to leverage community, public and private finance. We believe that this policy mechanism should be underpinned by a series of principles that encourage collaboration, minimise political risk through not requiring ministerial or departmental sign-off on every eligible project, enable projects over a broad range of sizes and value the social benefits of community energy.

4. Re-establish Sustainability Victoria as the community energy support agency.

With the number of community energy projects booming across the state, a well-resourced Sustainability Victoria, which already has local regional representatives, could provide support for groups wanting to start new projects and get them ready to make the most of the opportunities of a financial mechanism like the auctions. This could work alongside a Community Powerhouses program to kick-start community energy projects across Victoria.

5. Remove barriers

'No-go zones' for wind farms and 5km setbacks from regional towns instituted by the previous government's VC82 planning instrument continue to block viable new wind farm projects across the state, including community-level projects. These measures should be removed for all wind farms, not just community-scale projects.

The Payment in Lieu of Rates mechanism (PILOR) requires a large flagfall component for all energy generation infrastructure, regardless of its size. This severely discriminates against small, community-scale wind projects. It should be

restructured to ensure payments to councils are commensurate with the capacity of a wind farm to cover PILOR costs through generation.

By endorsing these policies to serve as fundamental drivers of action in delivering a fair and renewable energy future, the Committee can greatly advance Victoria's community energy sector.

Growing renewable energy is vital for Victoria's future. Placing community energy at the forefront will ensure benefits are accessible to local communities, create jobs and investment in regional areas.

AWA urge the committee to take into account the policy options proposed in this submission to deliver the best outcomes for Victorians.

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About AWA

The Australian Wind Alliance is a community advocacy group for wind energy. We have around 650 members across the country, with a large number in NSW, who are a mix of farmers, wind workers, local businesses and community members. We advocate for greater uptake of wind energy to deliver economic benefits to regional Australia and clean up Australia's energy supply. We represent a community voice of support for wind which is distinct from that of industry.

Dear committee,

I am pleased the Victorian parliament is investigating community energy. It is an enormous opportunity to develop policies that enable local people to participate in, contribute to and benefit from the renewable energy transition through community energy projects.

From 2013-2015, policy uncertainty at a federal level led to instability in the renewable energy sector across Australia.

In light of this, the Daniel Andrews government's recent announcement of Victorian Renewable Energy Targets (VRET) of 25 percent by 2020 and 40 percent by 2025 represents a welcome commitment to a renewable energy future for our state. Community members across Victoria have welcomed the initiative.

Government, industry, and communities must work together to smash Victoria's Renewable Energy Targets.

Community owned renewable energy (CORE) projects are an important and growing area of the renewable energy sector. In Victoria there are currently six CORE projects up and running and 26 projects in the works. These projects support local, clean energy production and jobs, as well as deliver social and environmental benefits.

This parliamentary inquiry into community energy has an opportunity to ensure communities play a vital role in transforming the energy sector. I call on the committee to thoroughly investigate best practice policies and put forward recommendations to grow Victoria's community energy sector.

In particular, we urge the committee to endorse the following measures to support CORE:

Set a transparent target for community energy projects

With a strong policy framework, Scotland was able to increase the number of community energy projects from three to 300 in only 10 years. I believe the committee can deliver cross party support for the state government to set a transparent target for community energy projects to drive a similar level of ambition.

Create a fit-for-purpose financial policy mechanism to support CORE, such as a portion of the VRET auctions

The Andrews government plans to achieve the VRET through a series of competitive renewable energy auctions. The auctions provide an opportunity to drive the uptake of community energy projects throughout the state. We believe it will be essential to consider that this be underpinned by a series of principles, for example encouraging collaboration and valuing the social benefits of community energy.

Big gains can be made by setting aside a portion of the renewable energy auctions for community energy projects in order to leverage community, public and private finance.

Re-establish Sustainability Victoria as the community energy support agency in collaboration with developing Community Powerhouses

With the number of community energy projects booming across the state, a well-resourced Sustainability Victoria, which already has local regional representatives, could provide support for groups wanting to start new projects and get them ready to make the most of the opportunities of a financial mechanism like the auctions. This could work alongside a Community Powerhouses program to kick-start community energy projects across Victoria.

By endorsing these policies, the committee can advance Victoria's community energy sector.

Growing renewable energy is vital for Victoria's future. Doing so with community energy at the forefront will ensure benefits are accessible to local communities, creating jobs and investment in regional areas.

I urge the committee to take into account the policy options proposed in this submission to deliver the best outcomes for Victorians.