



THE AUSTRALIAN POWER PROJECT

WIND FARM OPERATORS PAID TO FAIL TO TUNE OF \$600 MILLION

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Almost \$600 million was gifted by the Federal Government to the operators of windfarms over the last twelve months. Renewable energy certificates on the Australian Clean Energy Regulator website confirm that the money was paid to windfarm operators around the country including the nine windfarms in South Australia that failed during last September's state-wide blackout.

Of these funds, more than \$200 million was given to windfarm operators in South Australia which have suffered debilitating blackouts over the last six months as a result of the State's decision to invest in renewables while shutting down their coal-fired power stations.

"These subsidies reveal the true extent of the leg up that is being provided to windfarm operators by the Australian taxpayer. The size of the subsidies is truly shocking when you consider the intermittent nature of renewable energy. As South Australians have learned the hard way, when the wind stops blowing the state becomes vulnerable to financially crippling blackouts," says Nathan Vass, CEO of the Australian Power Project.

Renewable subsidies for windfarm operators reached AU\$588.7 million in 2016, with approximately 12.6 million large scale generation certificates (LGCs) recorded on the Australian Government's Clean Energy Regulator website. LGCs are a key mechanism for meeting the current Federal Renewable Energy Target of 23.5% and are gifted to renewable energy generators in return for producing electricity. These certificates are a "bonus payment" to windfarm operators who also sell the energy they produce to electricity retailers.

"While LGCs exist, investment will continue to favour renewable energy over more reliable and affordable energy sources such as coal and gas. The effect of the LGC is twofold. It creates an irresistible financial incentive for investment in renewable energy. But it also creates an increase in electricity costs as the Government's renewable energy target legislation allows for energy retailers to pass on 100% of the cost of purchasing the LGC to their electricity customers.

"The existence of these clean energy certificates is one of the key reasons why electricity prices are rising in Australia. On average, electricity prices rose 4.7% last year. The closure of the Hazelwood Power Station in Victoria next month is set to increase electricity bills by another \$78 in the eastern states according to the Australian Energy Market Commission.

"These subsidies fundamentally allow renewable energy companies to compete with stable coal and gas fired power stations despite their inability to deliver reliable electricity," said Nathan Vass.

"Australia urgently needs new coal-fired power stations to provide stability to the electricity network to counter the intermittent energy that wind and solar farms are generating. And if the Government is determined to continue providing subsidies to windfarm operators, then funding from the Clean Energy Finance Corporation must be extended to clean coal technology to ensure a level playing field.

"Yet again, taxpayers are left to scratch their heads at why wind farm operators are being paid to fail," he said.

Note: a value of \$46.52 per LGC was applied consistent with Australian Energy Market Commission (AEMC) modelling in 2015. The spot price for LGCs is now approximately \$90, meaning the true total value of subsidies paid to windfarm operators is substantially higher.

Nathan Vass is a former energy and resources executive who created the Australian Power Project to promote sustainable national energy policy.