

**HD RET uncertainty threatens further blow to South Australian industry**

**WC** 1,568 words

**PD** 23 September 2014

**SN** Energy Monitor Worldwide

**SC** ENRGYMEN

**LA** English

**CY** © 2014 Global Data Point. All Rights Reserved.

**LP**

The day Dick Warburton handed down his report of Australia's Renewable Energy Target, uncertainty ripped through the clean energy industry. In one press release, Andreas Nauan, chief executive of Senvion Australia, a windfarm builder, said any change to the RET would compromise the **company's** existing investments and "damage Australia's international reputation as a safe place to invest". "Once the trust has gone, once the knowledge has gone, once the jobs have gone, then restarting the clean energy industry takes a lot of effort," the release said. Nauan has good reason to be irritated. In February, Senvion Australia received development permission to begin work on a new windfarm project in the Yorke Peninsula in South Australia. That project should end up being worth \$1.5bn and create 500 construction jobs, with 50 more sustained over the 25-year life of the project.

**TD**

But now the **company** says investment in windfarm projects has stalled, making it impossible to know when the project will be completed and come online. In economic jargon, this is called "sovereign risk" and occurs when a government's decisions make business investment unreliable. Richard Inwood, the managing director of Tindo Solar, the country's only domestic solar panel manufacturer, says the uncertainty created by the RET review has effectively "kneecapped" the industry and will force his **company** to revise its plans for growth, which is a tragedy for the renewable energy industry that once seemed to be doing everything right. Already well-established in countries such as Spain, Germany and **China**, clean energy offered a way to tackle climate change while setting up a new industry at a time when the manufacturing sector had been declining due to a high Australian dollar and structural changes within the economy. The Renewable Energy Target (RET) was the core mechanism in making this happen. Initiated in 2001 under the Howard government to help build Australia's clean energy industry, the program was expanded under Labor. Under the RET, Australia is required to ensure that 41,000 gigawatt hours of the country's energy comes from renewable sources by 2020. With a largely unexpected drop in electricity demand, that figure is likely to be nearer 26% of the country's energy by 2020 than the 20% that was initially envisaged. The lesson from this is that the RET has largely been a huge success. When Warburton, a self-professed climate sceptic, calling for the program to be either closed to new entrants or scrapped entirely, it spelled chaos for the \$20bn renewables industry - and the South Australian economy in particular. The state is expected to struggle after 2017 with the closure of the local car industry, which will shut the Elizabeth Holden factory and cause the loss of 1,700 jobs. Most of the factory's 33 direct Australian suppliers are also expected to go, along with a good chunk of the 700-800 companies in the wider supply chain. The bad news doesn't end there. Another recent report from the Department of Defence threw up questions about the future of the state's defence manufacturing industry and reports that the federal government was considering buying "off the shelf" submarines from Japan instead of sourcing them locally from the Australian Submarine Corporation, which built the Collins Class submarines, have added to the state's fears. Doing so would effectively gut the last major manufacturing industry in South Australia, potentially putting thousands out of work and increasing the risk that the state will shed its skillbase. This has prompted criticism from industry figures such as Goran Roos, chairman of the Advanced Manufacturing Council who says that the decision to let manufacturing slide is a mistake. "The statement from the prime minister about defence policy and industrial policy, and you can quote me on this, is completely ludicrous," Roos says. "You can't run a defence operation without industry. Who's going to make your ammunition? Who's going to repair your vehicles?" "Part of it is this erroneous idea about becoming a service economy. Two-thirds of all services that generate value are linked to manufacturing. You can see in Adelaide the link to Holden has an effect on lawyers, accountants and so on." "[Adelaide] is just ahead of the curve." Clean energy had offered a source of hope, as its expansion requires exactly the kind of "advanced manufacturing" the premier had been promising to bring to the state to fill the gap created by the end of Holden. Inwood, of Tindo Solar, says: "We were the fourth largest investor in renewables. In six months we've fallen to ninth." He says when Warburton and his team visited Tindo's factory, they treated it like a "box-ticking exercise". The **company's** factory sits on the outer edge of Technology **Park** in Mawson Lakes, about a 40-minute drive north of Adelaide. From here, Tindo builds,

sells and delivers each system under a contract similar to those widely used across the US and EU. This creates an arrangement where a solar panel system is installed free, in return for a 15-year commitment from the client to **buy** power from the **company**. Inside, the place doesn't look like much. Everything is compact. The entire production line fits into a room not much bigger than the average **residential** house. Every four minutes a brand new panel slides off the line. It takes 40 minutes for a panel to go from start to finish, overseen by a handful of workers in high-vis clothing who keep everything moving. "I'd been here three weeks when the [former] PM decided to open the **company**," says Gavin Warwick who has worked for the **company** since October 2012. He smiles as he remembers being the one to show Julia Gillard the ropes. "Some of the guys thought it would be funny to throw me in the deep end to see how I went," he says. Of the 18 jobs Warwick had applied for that month, he says, Tindo was the one he wanted the most. As a baby **company** in a new industry, Tindo promised exactly the kind of stability he had been looking for. And Tindo Solar has plans to expand, which would create more positions for people like Warwick. The **company** employs 30 people across one shift, but wants to put on a second and third shift, which would create 100 jobs. That number might have been even higher, Inwood says, had the rules of the game not changed so suddenly, forcing the **company** to rethink when and how it may be able to achieve its goal of cornering 20% of the Australian solar panel market. "We're not going to go bankrupt," Inwood says, but "this would have translated to 600 new jobs, five minutes down the road from Holden." The fallout doesn't stop there. Across town, Rhys Jacobs is in his office at the University of South Australia's Sustainable Energy Centre. There, the 23-year-old PhD student is working on a project for use in the Concentrated Solar Power (CSP) industry. CSP represents the other half of the solar energy industry from the photovoltaic solar cells made by Tindo. CSP works much the same way as traditional coal-fire power stations, but instead of burning coal to generate electricity, concentrated sunlight is used to heat a fluid, make steam and produce electricity. Jacob says his research project is on "encapsulated phase-change materials for use in thermal-energy storage". In a word, batteries. Big ones. Jacob says initial design would halve the cost of storing electricity for the CSP industry, though it has yet to undergo a feasibility study. "In terms of cost, current ones go for around \$30/kWh, which is horrible," he says. "We're aiming for \$15/kWh." Jacob is blunt about the state of the Australian renewable energy industry. "Australia's a complete joke in renewable energy policy. We really are the worst country for renewable energy projects. We're dead last. There will be a huge market, unless we call off the RET." Asked whether he will move away to find work, Jacob is just as forthright. "South Australia doesn't have a lot of the industry I'm looking at," he says. "A lot of it is based in Sydney and Victoria. That's where a lot of the work gets done. South Australia has a lot of experts in the field, but we're very far behind when it comes to putting money in the project. "There's a huge market overseas. Europe's still fantastic at it. **China**, not so much. Dubai, surprisingly has a huge CSP industry. Which is very surprising that they are more up-to-date than we are." And so long as the renewable energy industry is left to wonder about what comes next for the RET, the fear is investors will stay away, meaning the country will miss out on opportunities for growth. Inwood says this is the great tragedy behind the review. "We've directly put in \$6m under a set of goal posts that were set in concrete," he says. "All I'm saying is get out of our way and let us do it. Don't change the goal posts when we're just ramping up. "Let us grow."

**IN** isolar : Solar Energy | irenewee : Renewable Energy Equipment | irenewf : Renewable Energy Facility Construction | i1 : Energy | iwind : Wind Energy | i16 : Electricity/Gas Utilities | i16101 : Electric Power Generation | i163 : Renewable Energy Generation | i32 : Machinery | i502 : Heavy Construction | i5020044 : Power Station Construction | iconst : Construction | icre : Real Estate/Construction | ieutil : Electric Utilities | iindstrls : Industrial Goods | iutil : Utilities

**RE** austr : Australia | saustr : South Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

**IPD** Energy & Power

**PUB** Global Data Point Ltd.

**AN** Document ENRGYMEN20140923ea9n0005v