Rules put transition at risk: Shell; Exclusive

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Body

Shell, the ***oil*** and ***gas*** giant with billions of dollars invested in Australia, says a dysfunctional and enormously complicated system of regulations is putting the transition to clean energy at risk even as it readies to spend big on renewables.

Shell Australia chairwoman Cecile Wake said obstacles for ***gas*** developments and large renewables projects threatened to derail progress towards 2030 climate targets.

Labor wants to cut carbon emissions by 43 per cent on 2005 levels by the end of the decade, a goal that appears increasingly unreachable.

"Right now, what we have is a dysfunctional, deharmonised patchwork quilt of regulations that really make it difficult to have successful investments," Ms Wake said in an interview.

"Many of the headwinds that we're seeing across our ***gas*** business, we are seeing replicated in the large-scale renewable part of the business."

The transition away from fossil fuels coal, ***oil*** and ***gas*** is heading towards another political brawl - like the one that consumed former Coalition and Labor governments. Delays in approvals and higher costs of construction have slowed the rollout of big renewable energy projects despite plenty of interest from global investors.

The Coalition has proposed a network of nuclear power stations as the best way to move away from fossil ***fuel*** as coal plants shut. Opposition Leader Peter Dutton will use a speech in Sydney today to again pitch nuclear power as a long-term renewable energy solution, hitting back at an attack on the plan last week by Energy Minister Chris Bowen.

While conceding nuclear power will have a "significant upfront cost", Mr Dutton will claim that the 80-year lifespan of each plant means they will outlast renewable electricity sources many times over. He will not, however, release any costings.

Prime Minister Anthony Albanese, however, is banking on mechanisms which incentivise the development of wind and solar projects to hit targets. That, the government says, can be supported by ***gas*** to ensure supply if demand surges.

Shell has long criticised the investment climate for ***gas***. Ms Wake pointed to duplication between state and federal environmental approvals and "ambiguous" requirements on Indigenous consultation as some of the reasons for delays and higher costs.

But she said similar hurdles were now evident for wind and solar projects, putting at risk private investment needed to underpin the move away from fossil fuels.

"If we're going to reach net zero by 2050, for Australia to really thrive through the energy transition, we're going to need not one wave of investment, but a second, a third, a fourth, multiple waves of investment and what that requires is successful delivery of projects," she said. "We need a really harmonised set of regulatory settings so that we can deliver projects - whether they're in the ***gas*** or the renewables or firming space - predictably and deliver the lowest cost, most reliable, lowest-emissions energy."

London-listed ***Shell*** is one of the country's biggest energy players. It owns the Queensland Curtis LNG venture at Gladstone, one of the state's three large ***gas*** export projects. It owns ***gas*** power and solar plants, the ERM Power electricity retailer, which sells to business, and household energy retailer Powershop.

In the west, its portfolio includes the Prelude floating LNG plant, a stake in Chevron's Gorgon LNG venture, and a small holding in Woodside Energy's North West Shelf.

Ms Wake said the Australian business represented "quite a powerful microcosm" of a "balanced" energy transition, but added that funders of these projects had "choices on where to go", signalling ***Shell*** could look elsewhere if investing became too difficult.

These issues were raised by Clean Energy Council chief executive Kane Thornton in a speech earlier this month, when he described environmental and planning rules for wind farm development as "not fit for purpose" and one reason for a difficult year in 2023, when few decisions were made on whether to proceed with big projects.

The Clean Energy Council, which represents major renewable energy developers, has warned that a big increase in commitments for generation projects will be needed by the end of December to reach the level of work needed to hit government targets.

"We should have big expectations for the second half of this year," said Mr Thornton. "As a nation, we didn't do a great job of preparing for this complex transition. So we now need to draw on every ounce of tenacity to confront these challenges."

Ms Wake said the transition away from fossil ***fuel*** needed plenty of capital, urging governments to "leave the populism and the ideology and the party politics to one side and really get behind what is in Australia's best interests".

Ms Wake pointed to ***Shell***'s Crux LNG project in Western Australia as one that suffered from the fallout from the litigation over Indigenous consultation at Santos' Barossa ***gas*** project in the Timor Sea and Woodside's Scarborough LNG project.

The $3.6 billion Crux project, which was approved in 2022, is intended to supply replacement ***gas*** for Prelude LNG off the north-west coast. She said ***Shell*** had had to significantly broaden and lengthen consultation, taking in talks with 18 traditional owner groups even though none of the project infrastructure will come onshore.

"It felt to me like an example of additional complexity that added delay and costs to projects without delivering a significantly better outcome for traditional owner groups, and in fact, put a huge burden on them," she said of the project.

Shell's clean energy portfolio in Australia has almost 1.5 gigawatts of renewable generation and storage, including a 49 per cent interest in developer WestWind Energy, the Gangarri solar farm in Queensland, a battery in the NSW Riverina, and the Rangebank battery south-east of Melbourne, which is due online later this year.

But it has a bigger pipeline of projects, including a big battery at Wallerawang in NSW and a smaller storage project in WA's Wheatbelt region.

"There's another bit over a gigawatt of other battery projects that are there in the pipeline, so if we hit a permitting or a contracting roadblock on one of them, we can shuffle the deck in terms of the sequence," Ms Wake said.

In all, ***Shell*** aims to have 4GW of renewables and storage operating by 2032.

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