



14 September, 2016

**Response to August 2016 Consultation Paper
Tasmanian Energy Security Taskforce**

Dear Mr. Willis and Taskforce Members,

The Clean Energy Finance Corporation ("CEFC") and Goldwind Australia ("Goldwind") welcome the opportunity to submit a joint letter responding to the Tasmanian Energy Security Taskforce ("the Taskforce") August 2016 Consultation Paper.

The CEFC and Goldwind are working together to investigate a proposed second interconnector between Tasmania and Victoria. Should such a cable prove economic, it would significantly boost not only Tasmanian but also Victorian energy security.

A second interconnector between Tasmania and Victoria could improve energy security in several ways:

- As backup to the existing interconnector between Tasmania and Victoria, Basslink, which given recent outages could pose significant ongoing reliability issues.
- By increasing Tasmania's capacity to export power to Victoria, it will allow Tasmania to build additional renewable generation that would not otherwise be economic.
- As Tasmania would likely then have electricity generation in excess of demand, Tasmania would have excess capacity to assist in providing energy security in Victoria.
- By allowing new renewable energy projects to become economic, there would be increased diversification of energy resources in Tasmania and Victoria and improved market competition.

The current national target to reduce emissions by 26-28% by 2030 will require a significant increase in renewable energy. It should be noted that under the Paris Agreement, this target is a minimum and is less ambitious than that required to limit global warming to 2 degrees Celsius. The target is also subject to a five-yearly review, from which the national commitment can only deepen. The Victorian government has also recently announced a renewable energy target of 25% by 2020 and 40% by 2025, with a long-term net zero carbon target for 2050.

A second interconnector could allow Tasmanian renewable energy resources to contribute to these new generation opportunities and decarbonisation challenges, while also boosting jobs and investment within Tasmania.

Recent analysis for the Climate Change Authority by Jacobs Group (Australia) published on 25 August 2016 reviewed the potential pathways available to enable Australia to meet its 2 degree Paris commitment. From conversations with the Climate Change Authority, we understand that in all scenarios except one, a second interconnector

between Tasmania and Victoria will be required for Australia to meet its decarbonisation targets. Jacobs' analysis also showed that rapid closure of brown coal generation is likely under most scenarios and that the overall contribution of coal fired electricity generation decreases significantly (see Appendix I).

The second interconnection would enable additional new build renewables and improved Victorian access to despatchable base load capacity within the Tasmanian hydro system and, in turn, assist Victoria's transition away from its current reliance on brown coal generation. Access to additional export capacity will be valuable and could also catalyse additional investment in the hydro generators, further enhancing the reliability and security of the overall Tasmanian system.

Climate change is expected to lead to changes in rainfall patterns across Australia. Tasmania has already experienced a downward trend in rainfall since 1970 and continued declines in Tasmania's rainfall could reduce dam levels and in turn the capacity of Tasmania's hydro system. Alternative sources of generation will help improve energy security for Tasmania.

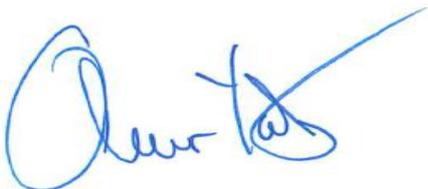
In summary, a second interconnector would:

- improve energy security by promoting alternative generation capacity
- increase the ability for inter-regional trade of electricity
- encourage additional wholesale and retail electricity competition
- strengthen markets in Tasmania and Victoria.

Over the coming months, the CEFC, Goldwind and other parties expect to continue to engage with the Tasmanian Energy Security Taskforce, the Tasmanian government, the Australian Government review of a Second Interconnector and other key stakeholders to investigate a proposed second interconnector. The CEFC and Goldwind welcome other stakeholders to join this commercial investigation into a second interconnector.

We are happy to engage with and provide the Taskforce with regular updates on our progress and welcome any feedback the Taskforce may have on the proposed project.

Sincerely,



Oliver Yates
Chief Executive Officer
Clean Energy Finance Corporation



John Titchen
Managing Director
Goldwind Australia

About the CEFC

The Clean Energy Finance Corporation invests, applying commercial rigour to increase the flow of finance into the clean energy sector. Our mission is to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in emissions reduction. We do this through an investment strategy focused on cleaner power solutions, including large and small-scale solar, wind and bioenergy; and a better built environment, with investments to drive more energy efficient property, vehicles, infrastructure and industry. The CEFC also invests with co-financiers to develop new sources of capital for the clean energy sector, including climate bonds, equity funds, aggregation facilities and other financial solutions. The CEFC operates under the Clean Energy Finance Corporation Act 2012.

About Goldwind Australia

Goldwind Australia is a wholly owned subsidiary of Xinjiang Goldwind Science & Technology, a leading vertically integrated global wind power company offering comprehensive wind power solutions. Xinjiang Goldwind Science & Technology is listed on the Shenzhen Stock Exchange (stock code 002202) and The Stock Exchange of Hong Kong (stock code 2208). High-quality manufacturing is the foundation for Goldwind's business along with excellent customer service and technological innovation. Bloomberg New Energy Finance recently ranked Goldwind as number one in the world for newly installed capacity in 2015. In 2015 Goldwind installed more 7.8 GW with accumulated installed capacity exceeding 31GW.

Appendix I: Share of generation by technology type, % of total generation, 2 degree emissions constraint (Jacobs' modelling for Climate Change Authority)

Table 7: Share of generation by technology type, % of total generation, 2°C emissions constraint

Scenario	2030				2050			
	Coal	Gas	Renewable	Other low emission	Coal	Gas	Renewable	Other low emission
Reference	63%	12%	24%	0%	53%	28%	19%	0%
Carbon pricing	3%	41%	46%	10%	0%	8%	65%	27%
Emission intensity	5%	24%	52%	19%	0%	6%	69%	25%
Absolute baselines	21%	3%	76%	1%	0%	1%	71%	28%
RET	16%	9%	74%	0%	4%	15%	81%	0%
LET	20%	5%	70%	5%	1%	5%	72%	22%
FIT	19%	6%	72%	2%	2%	6%	73%	19%
Regulatory	0%	32%	66%	2%	0%	21%	62%	17%

Source: Jacobs. Sums across the rows may not add up to 100 due to rounding. 'Other low emission' is gas CCS and nuclear (coal CCS was available but not deployed in any scenario).

Source: Jacobs (2016) Modelling illustrative electricity sector emissions reduction policies, Final Report, prepared for the Climate Change Authority, available online: <http://www.climatechangeauthority.gov.au/reviews/special-review/modelling-illustrative-electricity-sector-policies>