CLIMATE CAPITAL
rebalancing nature and humanity

18 June 2020

Mr D W Challen AM
Chair
Premier's Economic and Social Recovery Advisory Council
c/- Department of Treasury and Finance

secretariat.PESRAC@treasury.tas.gov.au

Dear Mr Challen

Re: COVID-19 ECONOMIC RECOVERY

I am writing to bring the Council's attention to the potential for supporting private sector investment in renewable energy projects that can have an immediate stimulatory impact in the post-COVID environment.

At a high level, several recent Australian and international reports such as the Clean Energy Council and McKinsey, as well as government recovery programs, have highlighted the potential for clean energy to lead the economic recovery, with significant jobs created in both construction and operations.

In the Tasmanian context, most attention is naturally focused on Project Marinus and the renewable projects that it facilitates, including Battery of the Nation, UPC/AC Renewables' Jims Plains and Robbins Island projects and other wind farms such as Epuron's St Patrick's Plains.

However, these are all very large and long-term projects, whereas there are a number of smaller projects, generally in the 1MW to 10MW range for solar farm projects and up to 50MW for three wind farm projects.

Climate Capital is a renewables developer and investor with a pipeline of opportunities around Australia. We seek to invest in, or acquire, projects that are supported by long-term contracts with corporate customers, and are either connected directly to a customer's operations behind-the-meter or via the electricity grid. Tasmanian projects that we are developing or have a direct investment opportunity include solar, wind and mini-hydro.

None of our projects rely on Project Marinus or the new Renewable Energy Zones as they are being designed and scheduled to meet the demand of corporate customers well before the new interconnector can be committed and built. To complement our corporate customers, we also utilise an innovative platform that can provide modest reductions on residential pricing, which can be adapted to low-income areas or housing organisations.

Climate Capital is currently developing a solar farm near Bell Bay, which is attracting significant interest from mid-sized corporate customers that fit between being unable to fund their own system and having the scale to participate in larger projects. We also have other potential projects in the North, North-West and on the West Coast.

Climate Capital operates a co-investing model with its corporate shareholders who are a mix of social impact and family office investors. This is a very flexible model that allows for external investors to participate in commercially-viable projects, which are 100% equity funded. Investment from a Government-backed fund would be very attractive and allow an expedited funding process.

In this context, we welcome the Government's announcement that a $200 million Tasmanian Economic and Social Investment Fund will be established to invest funds from the Retirement Benefits Fund in private sector projects in the State.

We believe that this fund has the potential to accelerate projects such as Climate Capital's first Tasmanian solar farm — involving capital expenditure of up to $10 million — which we anticipate will be ready for investment (subject to planning and connection approvals) in late 2020.

Also, most other states and territories (as well as several councils) have committed to purchasing their electricity requirements from renewable sources. While Tasmania's energy is predominantly sourced from the hydro-electric system, reforms to Government purchasing have the potential to stimulate new investment, rather than relying on legacy assets, and support the policy target of 200% renewable electricity.

A program of corporate power purchasing agreements (PPAs) for the electricity demand for selected facilities or smaller agencies could be packaged and presented to the market on the condition that it is supplied by one or more new projects. This would have minimal impact on the financial position of the State-owned electricity businesses, which currently supply the load, but directly stimulate new investment projects and potentially introduce new retail competitors into the market.

PPAs with government customers reduce the credit risk for a project, and in doing so, lower both retail prices for customers accessing that generation and the required rates of return for investors. Together, these factors bring forward investment.

While the co-investment fund and PPA opportunities are discrete issues, they are closely aligned and have the potential to accelerate significant investment in the State.

We would welcome an opportunity to discuss these opportunities during PESRAC's forthcoming consultation process, and (if appropriate) contribute to the development of the RBF co-investment fund guidelines. However, I ask that this letter remain confidential at the present time.

Please contact either myself (0407 997 735 or s.bartel@climatecapital.com.au) or Phil Bayley (0418 967 377 or p.bayley@climatecapital.com.au) if we can provide further assistance.

Yours sincerely

Shane Bartel
Chief Executive Officer