

MEDIA RELEASE

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Victorian energy revolution required to meet carbon targets

Nothing short of an 'energy revolution' will be required for Victoria to successfully transition to a carbon managed economy while fulfilling its energy needs, according to a Report unveiled today at VECCI's Victoria Summit.

"The task in front of us is enormous", says VECCI CEO Wayne Kayler-Thomson.

"Market forces alone in the form of an Emission Trading Regime (ETS) will not be enough to drive the innovation and technical change required to transition to a low-carbon world at exactly the scale and timing required.

"Some believe that all that is needed is for the emissions externality to be priced and market forces will do the rest of the heavy lifting - sadly, this is not going to be true.

"In Victoria, 6,000 megawatts (MW) of new capacity will be required to meet projected demand in 2030 (about two-thirds of the current fleet capacity), without a carbon price driving the retirement of the State's existing brown coal generating fleet.

"Twelve thousand megawatts of new capacity is likely to be required by 2030 if the current fleet needs to be replaced. This represents an investment in new generation capacity in the order of \$18 billion to \$36 billion by 2030.

"The challenge for Victoria is that with current technologies, even with the greater use of gas, the investment in new capacity required to meet our future energy demands will not get us the emissions reductions Governments are targeting.

"Energy innovation is required across the whole energy system, including networks, to ensure that we can close the gap between what current technologies can provide and where we need to go.

"Up to \$10 billion could be required to upgrade the Victorian transmission system to get electricity from new power stations to the major load centres and an additional \$5 billion may be required to upgrade gas supply capacity to supply gas to new gas-fired power stations.

"Innovation will be required in every part of our energy system, including: resource extraction and processing; electricity generation; regulatory and market arrangements; low-carbon energy skills in the workforce; transmission and distribution networks; end-use efficiency; and investment in innovation and role of Government.

"The energy industry estimates that at least \$50 billion is required to drive smart transmission and distribution infrastructure Australia wide.

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The Report emphasised that no single alternative low-energy carbon option exists to simply replace existing generation capacity - all options have their downsides from technological immaturity, community acceptance and high cost of intermittent generating capacity or risks of high and increasing fuel prices.

Three primary shifts will need to occur in Victoria over the next twenty years:

- substitution that progressively shifts the primary energy supply to low emissions technology sources like gas, renewables, bio-energy and possibly nuclear.
- capture and sequestration of emissions from fossil fuel combustion; and
- reduction of energy use through demand-side measures including significantly increased energy efficiency and energy conservation

"No silver bullet technology will transform Victoria's energy systems - the solution rests with a diverse mix of technologies that draw on the entire resource potential of the State.

"This will require joined up thinking at State and Federal Government level. As such, a 'whole-of-State' strategic plan is required to:

- Remove regulatory barriers to take-up of mix of energy sources from cleaner coal to gas, co-generation and possibly nuclear
- Increase technology demonstration and deployment efforts
- Fund building retrofits, increase urban density and increase the low emissions travel share for private and public transport
- Boost the capacity of the SME sector to become more sustainable through skills education and improved tax and research and development incentives
- Use Government procurement as an effective policy lever
- Adopt minimum standards and certification for carbon accountants, energy service providers and energy auditors.
- Ensure that non-energy infrastructure can underpin future opportunities, for example our ports should be able to handle the export of cleaner brown coal

"Overall, Victoria has a strong, dynamic and diverse economy and should be well-placed to make the transition *vis a vis* other economies, but only if the issue is approached strategically", says Mr Kayler-Thomson.

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