

# Budget 2009

## Bakers Research Note

### 2009-2010 Budget

#### A Major Boost to Clean Energy

By Ross Paul

The 2009-2010 Budget, announced by the Australian Government on 12 May 2009, includes a public-private investment partnership whereby the government would provide A\$4.5 billion to fund clean-energy generation and low-emissions technologies (including A\$1 billion previously announced). The private sector would invest twice as much as the government in the partnership, which would create 2-4 new coal-fired power stations using carbon-capture and storage technology, each with a capacity of around 1,000 megawatts. The partnership would also fund 2-4 new power plants using solar, photo-voltaic or thermal energy, and with similar capacity to the new coal plants. The Government confirmed its commitment to ensuring 20 per cent of Australia's electricity comes from renewable sources by 2020. This objective is supported by the Renewable Energy Fund and the Energy Innovation Fund, and by efforts to encourage deployment including through the Solar Homes and Communities Plan.

#### Supporting Clean Energy Generation and New Technology

The announced Clean Energy Initiative is designed to support the growth of clean energy generation and new technologies, and to reduce carbon emissions and stimulate economic activity in a sector that will support thousands of new green-collar jobs. Specifically, the Government will invest:

- \$2.4bn in low emissions coal technologies, including new funding of \$2bn in industrial-scale CCS projects under the Carbon Capture and Storage Flagships program.
- \$1.6bn in solar technologies, including new funding of \$1.365bn in a Solar Flagships program

helping position Australia as a world leader in this vital energy technology for the future.

- \$465m to establish Renewables Australia to support leading-edge technology research and bring it to market, including new funding of \$100m. The new body will advise governments and the community on the implementation of renewable energy technologies; promote the development; commercialisation and deployment of renewable technologies; and support growth in skills and capacity for domestic and international markets. It will operate at arm's length from government, using a strategic investment approach under an expert board.

#### Market Reform and Energy Security

Funding will also be provided to:

- Meet the Commonwealth's contribution to the expenses for energy market reform under Ministerial Council on Energy (MCE).
- Continue COAG energy market reforms.
- Fund in 2009-10 a simulation exercise to test and improve liquid fuel emergency response procedures. This is in accordance with the Commonwealth's obligations under the National Liquid Fuel Emergency Response Plan.
- Support a comprehensive and strategic approach to Australia's energy security and inform government decision making across the sector.

This will ensure that all tiers of government work together and to address energy security.

#### Strategic Technology Priorities

The Government's commitment to establish the Global Carbon Capture and Storage Institute (GGCCSI) and the Flagships program will ensure that Australia continues to be a world leader in the development of low emissions coal technology. The Government, through the Institute supports the G8 target for 20 industrial-scale CCS projects to be

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operating around the world by 2020. In addition, the Flagships program supports the demonstration of large industrial scale projects in Australia, and may include a carbon dioxide storage hub.

Solar Flagships will seek to develop up to four individual generation plants on the national grid. These may demonstrate both solar thermal and solar photovoltaic (PV) technologies, and have electricity generation capacity equal to or greater than a current coal-fired power station. The Solar Flagships program aims to create an additional 1,000 MW of solar generation capacity. This ambitious target is three times the size of the largest solar energy project currently operating anywhere in the world. The specific technologies will be based on a competitive assessment, with an explicit criterion of industry development, including capacity to boost domestic manufacturing and future export potential. Solar Flagships projects are expected to complement CCS Flagships projects, and demonstrate the Government's commitment to helping to maintain the value of our coal exports and utilising our renewable potential. The two strategic technology priorities of CCS and solar will be underpinned by supporting specialised research, development and demonstration programs.

### Energy White Paper

The Government will continue to develop its Energy White Paper over 2009, which will address Australia's energy security and climate change objectives and provide a comprehensive policy framework through to 2030.

The Energy White Paper is to take into account the National Energy Security Assessment, which was

released earlier this year and covers the liquid fuels, natural gas and electricity sectors currently and in 5 years, 10 years and 15 years time. The Australian Government has also commissioned a Liquid Fuel Vulnerability Assessment. This Assessment examines Australia's current level of liquid fuel vulnerability and significant trends which may affect this up until 2020.

### Renewables Sector Performance

The ALTEXGreen, which tracks the performance of ASX listed companies involved in developing or generating renewable energy, has gained nearly 35% since the start of 2009, compared with the ASX-300 which has gained only 4.5%. Renewable energy was already an attractive choice for investors prior to the budget allocations to clean energy as investors were factoring in the implications of the Federal Government's Mandatory Renewable Energy Target.

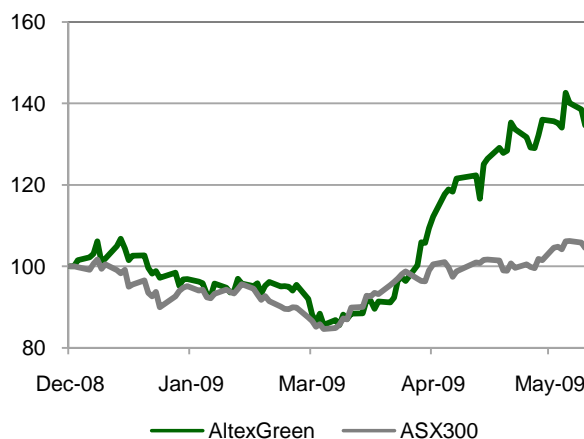


Figure 1: Year to Date Performance of ALTEX Green to 12th May 2009

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