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14th September, 2012

Submissions
Climate Change Authority
GPO Box 1944
Melbourne, Vic. 3001

Dear Sir/Madam

Re: Submission to Climate Change Authority Review of the Renewable Energy Target Scheme

RPG Australia is a wholly owned Australian company which employs approximately 260 people across three operations in Queensland, one operation in South Australia, and a Melbourne office location. RPG is a heavy engineering business which has invested significantly in developing and establishing the capacity and capability to manufacture key products and services associated with renewable energy projects. To date we have manufactured wind towers, a wave energy unit, and structures associated with large scale solar thermal plants. We have been manufacturing fully fitted out wind towers in Adelaide and Dalby since the commencement of the Wind industry in 2002, and have produced approximately 650 towers over this period. RPG Australia took an early position by investing in manufacturing capability as this new sector started and has a long and very proud history of successful projects in the Wind and Renewable Energy sectors.

In our view the RET has proven it is an effective policy platform to stimulate and drive growth in renewable energy investment, which in turns flows into jobs. Our major concern is even the smallest threat of pending change to the legislation has a considerable knock on effect to investor and financiers outlook which in turn damages

confidence in the renewable energy project market. The RET has been and continues in our view to be the most critical policy for the development of the renewable energy industry. If confidence is provided to the market that the RET will remain unchanged, the policy will deliver the desired outcomes of achieving target renewable energy capacity, investment in jobs and clean technology, a reduction in wholesale energy prices delivered by free and sustainable energy fuel, and target reductions in GHG emissions.

Our key concerns

Since entering the Wind Energy market, RPG has experienced significant “boom-bust” cycles in wind tower demand, which has been largely driven by changes to Government policy. After the formation of the Mandatory Renewable Energy Target scheme in 2000 we have seen changes to policy and regulations brought about by the Tambling Review in 2004, a change in Federal Government in 2007, various State solar hot water rebate schemes and the split of Large Generator Certificates from Small Generator Certificates in 2010, and now the risk of more change following the Climate Change Authority Review.

Due to the threat of on-going RET policy change we have witnessed dramatic swings in Wind Farm investor confidence coupled with periods whereby projects with Development Approvals go into hibernation. We have experienced a hiatus in the wind tower market demand during the past eighteen months which has been largely brought about by the previous flood of RECs in the market. We believe that we must have a period of stability in RET policy from this point, allowing the market to recover in a stable economic environment whilst also enabling sustainable growth in renewable energy capacity.

RPG has invested heavily into wind tower manufacture plant and equipment at sites in Queensland and South Australia. As manufacturers of heavy engineered renewable energy products, which have ongoing capital intensive needs, our stakeholders must have confidence in the outlook for the market. For adequate returns to be achieved from manufacturing, a market with a “start stop” nature is not viable. We must have RET policy stability if we are to continue to provide significant clean energy manufacturing jobs into the future.

Wind tower production is the only significant locally manufactured element across all facets of the renewable energy industry in Australia. We operate in a highly competitive market place, with very high and continual threat of imported towers coming into the Australian market from Asian manufacturers. It goes without saying without the right ongoing policy to stimulate the renewable energy sector our local tower manufacturing industry will not survive. Such an outcome would be highly disappointing as existing policies, efforts and tax payer’s support of the REC scheme would result in many fewer jobs and little economic benefits from new projects.

We are concerned that the mixed signals to the market brought about by the continual tinkering of RET policy is creating a situation whereby our 2020 targets will only be achieved by installing very large renewable energy capacity at the backend of this decade, and the installed capacity will need to be undertaken by resourcing many projects in a relatively short period of time by overseas resources. This is completely inadequate. The RET policy must also deliver local jobs and economic benefits, and stimulate manufacturing jobs in Australia, not creating new growth markets for overseas manufacturers, after all it is the Australian tax payers that are contributing to the cost of the RET. To generate local economic benefits and growth in clean energy jobs we need a long period of RET policy stability.

As stated by the Clean Energy Council, there are currently 15,000MW of renewable energy projects which are either proposed or approved. At RPG we are very confident that if the RET remains unchanged, there will be the right market stimulus and our industry will have sufficient resources to install the required renewable energy capacity to achieve the legislated 41,000 GWh target by 2020.

Our response to the RET Review Issues Paper – Section 2

In responding to the RET Issues Paper, we can only comment on areas within our domain and expertise.

Questions p.25: Are the existing 41,000 GWh LRET target and the interim annual targets appropriate? What are the implications of changing the target? Should the target be a fixed GWh target, with the percentage being the outcome?

Our very firm view is the LRET GWh target is right and must be left unchanged. Changing the target will increase market uncertainty and decrease investor confidence. We have witnessed the outcomes of uncertainty at first hand whereby projects have been put on hold indefinitely or delayed. Any further changes will contribute towards a significant deterioration of the renewable energy market in Australia.

Yes the target must remain to be a fixed GWh target to ensure we have future confidence in this market. If the target is changed at various intervals it will be too difficult for proponents and project suppliers to plan ahead and commit to project resources and investment. Such change will only compound the delay impacts to project commencements by other volatile market forces such as electricity prices and demand.

Questions p.34: Should there continue to be a scheme for small scale technologies?

Yes we fully support the continuation of a separate scheme for small and large scale renewable energy technologies. These different scale energy generation technologies have fundamental differences in market drivers, investment horizons and returns. Due to

the very significant unintended consequences of the two being combined, such as devaluing REC prices for large renewable energy generators, the division of the RET into these two schemes is critical to stimulating large scale projects.

Question p.46: What is the appropriate frequency for reviews of the RET? What should future reviews focus on?

We do not see the need for reviews of the RET every two years; they should be much less frequent for the reasons already stated. Any future reviews should only focus on how the target could be increased, in order to continually drive growth in renewable energy supply and enhance investor confidence.

Summary

We firmly believe the RET policy should be left unchanged. The renewable energy industry needs a stable period now to deliver the legislated target of 41,000 GWh. This will create a terrific opportunity during the next decade to generate considerable growth in renewable energy jobs which will in turn lead Australia to a new energy economy, which has long term clean and sustainable electricity supply to support our future generations, whilst ensuring we become an independent and strong global economy over the long term.

The Government, as the main driver of the renewable energy market, has a responsibility to stop the “boom-bust” nature of this industry. The RET has undergone regular reviews since the legislation was enacted, each time resulting in the slowing of project investment. If we are to maintain a viable renewables manufacturing industry and stimulate investment in technology and jobs, the constant policy tinkering must stop. The greatest risk to achieving 20 per cent renewable energy by 2020 is change to the RET policy.

Michael Dawson
Group Business Development Manager
RPG Australia