

Sustainability of energy supply and resources in New South Wales – Government Response

Legislative Assembly of New South Wales Committee on Environment and Planning

Findings and Recommendations		Position	Comment
Finding 1	Coal mining plays a significant role in the NSW economy, but this is changing due to trends in consumer demand, renewable energy technology advancements, price competitiveness of more sustainable energy sources, financial market investments, and domestic and international government policy directives to reduce carbon emissions.		
Finding 2	Fossil fuel power generation has scientifically been proven to produce adverse environmental outcomes.		
Finding 3	As renewable energy technology continues to advance and becomes more price competitive for consumers this is expected to impact the demand for fossil fuel energy sources in the long run, both domestically and internationally.		
Recommendation 1	That the NSW Government monitors changes in the coal export market to plan for the impact of a decline in coal exports and especially its impact on affected regional communities.	Supported	<p>The NSW Government closely monitors coal-related developments for policy and advisory purposes.</p> <p>As set out in the Strategic Statement on Coal Exploration and Mining in NSW, the NSW Government is already, and continues to, monitor global coal demand and will take a flexible, adaptive approach to respond to any significant shift in trajectory. However, in the medium-term, demand is likely to remain relatively stable, and under some scenarios, global demand for thermal coal could be sustained for the next two decades or more.</p> <p>The Statement shows the NSW Government is already working to strengthen economies in coal regions, including developing and implementing locally-specific plans for those communities. This approach also includes investigating opportunities to support sequential industrial uses for rehabilitated coal-mined land (see Recommendation 9).</p> <p>The NSW Government announced in the 2021-22 Budget the establishment of the Royalties for Rejuvenation Fund. Under the Fund, the Government will set aside a portion of coal mining royalties (\$25 million) annually to support and enhance coal regions.</p>
Finding 4	Renewable Energy Zones will provide NSW with secure and sustainable energy supply.		
Finding 5	Forest biomass is not a renewable, sustainable source of energy.		

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Recommendation 2	That the NSW Government amends the definition of <i>native forest biomaterial</i> under the Protection of the Environment Operations (General) Regulation 2009 to prevent the burning of wood from native forests to generate energy.	Noted	<p>The NSW Government has set strict regulatory controls to ensure native forests are not being harvested or cleared solely for electricity generation. However, energy recovery can play a role in managing legitimate residual native forestry material, that would otherwise go to landfill or be burnt in situ.</p> <p>The use of native forest biomaterials to generate electricity is regulated under the Protection of the Environment Operations (General) Regulation 2021 (the Regulation), and burning of native forest biomaterials is prohibited with limited exceptions. Under this regulation, in very limited circumstances certain native forest biomaterial from approved forestry or clearing activities, or clean-up of declared natural disasters, can be used to generate electricity.</p> <p>The Regulation requires that native forestry biomaterials used for electricity generation must not comprise timber suitable for timber milling or other higher value secondary uses such as landscaping or erosion and sediment control.</p> <p>The environmental rules for native forestry operations on public land, the Integrated Forestry Operations Approvals (IFOAs), places additional restrictions on the sourcing of native forestry biomaterial. It only permits forestry operations occurring if the primary purpose is to produce high quality timber. This further restricts where potential biomaterials can be sourced to ensure it is legitimately a by-product and native forests are not logged solely for the purposes of producing biomaterials for electricity generation.</p>
Recommendation 3	That the NSW Government works with other jurisdictions to exclude native forest biomass from being classed as renewable energy and ensure it is not eligible for renewable energy credits.	Noted	<p>The utilisation of native forest biomass can be effectively regulated under current statutory and associated instruments to ensure sustainable outcomes, and no amendment is considered necessary.</p> <p>Renewable energy resources specified in the Renewable Energy (Electricity) Act 2000 of the Commonwealth limit native forest biomass only to be eligible for renewable energy credits where it is in the form of wood residue. This is clarified in supporting regulation to include biomass from a native forest that is residue or a by-product in nature.</p> <p>The NSW Government will continue to work with the Australian Government to ensure the eligibility criteria in the renewable energy framework is consistent with the NSW native forest biomaterial regulation framework.</p>
Finding 6	We note that the Independent Review into the Future Security of the National Electricity Market stated that flexible, gas-fired generation will have a role in supporting renewable energy technology in the short to medium term.		
Recommendation 4	That the NSW Government prioritises sustainable sources such as battery technology, and other emerging technologies, to firm intermittent energy sources.	Supported	<p>Under the <i>Electricity Infrastructure Investment Act 2020</i>, the Electricity Infrastructure Safeguard includes minimum objectives for the construction of long duration storage and firming. These are:</p> <ul style="list-style-type: none"> at least 2 GW of long duration storage such as pumped hydro, battery storage or other emerging storage technologies that can provide energy for at least 8 hrs by 2030. This is in addition to Snowy 2.0. The NSW Government has also launched the Pumped Hydro Recoverable Grants Program to support the feasibility and development activities of Pumped Hydro Projects in NSW additional firming infrastructure, needed to meet the reliability standard and the energy security target.
Finding 7	There is potential for NSW to export renewable energy, such as green hydrogen, due to the state's significant renewable energy resources.		
Finding 8	Energy efficiency reforms are a key part of reducing energy demand and generation.		

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Recommendation 5	That the NSW Government progresses energy efficiency reforms by finalising and implementing the <i>Draft plan to save NSW energy and money</i>.	Supported-in-Principle	<p>The Draft plan to save NSW energy and money (the draft plan) was superseded in a series of policy and program decisions between 2017 and 2020.</p> <p>The government released the draft plan in November 2016 and consulted with industry, businesses and households. The government then announced various packages of energy efficiency programs for households, industry, business, local government and communities, including:</p> <ul style="list-style-type: none"> • the 2017 Energy Affordability Package • A suite of energy efficiency programs for low income tenants, energy intensive manufacturers and for local council-provided street lighting in 2018 • the energy efficiency programs under the Net Zero Plan Stage 1: 2020–2030 in early 2020. <p>The 2019 NSW Electricity Strategy and the 2020 Electricity Infrastructure Roadmap complement these earlier programs and will also save NSW energy and money. The strategy includes the NSW Energy Security Safeguard, an expanded market-based mechanism for energy efficiency and peak demand reduction, which will save households and businesses energy and money. The government continues to develop and implement energy efficiency programs under the Net Zero Plan.</p>
Recommendation 6	That the NSW Government supports higher energy efficiency standards for new homes in the 2022 National Construction Code, through the Australian Building Codes Board.	Supported	<p>The Trajectory for Low Emissions Buildings is a national plan that aims to achieve zero energy and carbon-ready commercial and residential buildings. This plan was supported by all state Energy Ministers, including NSW, in 2019. It proposes implementing cost effective increases to the energy efficiency provisions in the National Construction Code (NCC) for residential buildings from 2022.</p> <p>In NSW, the Building Sustainability Index (BASIX) regulates the energy efficiency requirements for new residential developments in NSW. BASIX energy efficiency requirements are currently under review to align with the proposed changes to the National Construction Code in 2022.</p> <p>The Net Zero Plan 2020-2030 supports the improvement of the NCC and BASIX to provide a pathway to deliver cost-effective, low emissions outcomes for the residential sector. The Net Zero Plan 2020-30 implementation update notes that the Government is working with the Commonwealth and other jurisdictions to implement the Trajectory and is collaborating with industry partners to support the mass market to value and deliver sustainable homes.</p>
Finding 9	The renewable energy and energy management sectors have the potential to provide a substantial number of jobs for workers that are impacted by the energy transition.		
Finding 10	We welcome the NSW Government's establishment of the Expert Panel for Royalties for Rejuvenation as a mechanism to protect jobs and industries and support communities.		

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Recommendation 7	<p>That the NSW Government be required to:</p> <p>a. Prioritise the use of local content in renewable energy generation, transmission and firming projects in NSW Renewable Energy Zones when conducting the competitive tender process for Long-term Energy Service Agreements.</p> <p>b. Publish the recommendations of the NSW Renewable Energy Sector Board prepared under s7(4) of the <i>Electricity Infrastructure Investment Act 2020</i>.</p> <p>c. Report at least annually to the NSW Parliament on the number of jobs created and the development of NSW supply chains for the provision of renewable energy generation and transmission infrastructure.</p> <p>d. Publish and report to the NSW Parliament at least annually on the work of the Electricity Infrastructure Jobs Advocate appointed under the <i>Electricity Infrastructure Investment Act 2020</i>.</p>	Supported-in-Principle	<p>a) EII Act requires the NSW Renewable Energy Sector Board (the Board) to prepare a plan for the renewable energy sector. The plan is to set out how to cost-effectively maximise the use of local goods and services and employment of suitable qualified workers in the construction of electricity infrastructure under the Act. As part of its plan, the Board will make recommendations to the Consumer Trustee on how to maximise the use of local content and employment in the Long-term Energy Service Agreement and network project tenders. Subject to recommendation by the Regulator and subsequent approval by the Minister, the Consumer Trustee is required to take the Board's plan into account when fulfilling its functions under the EII Act.</p> <p>b) The Board will provide its plan for the renewable sector to the Minister for Energy and Environment. The Minister may approve the plan only on the recommendation of the regulator. A plan approved by the Minister must be published on the Department's website and takes effect on the day it is published.</p> <p>c) The EII Act requires the Board to monitor and review the plan and make recommendations to the Minister about the implementation of the plan. To assist with this, the Board's plan is likely to make recommendations on monitoring and reporting of job creation and development of NSW renewable energy supply chains. It is intended that reports by Roadmap entities will include key performance indicators relating to jobs and electricity infrastructure projects including generation, long duration storage, firming and network infrastructure projects. Under the EII Act, the regulator will provide a consolidated annual report to the Minister which will be published on the Department's website.</p> <p>d) The EII Act requires the Electricity Infrastructure Advocate to provide the Minister with a report on the advocate's activities as soon as practicable after being appointed, and once a year after the first report. These reports are intended to be made public.</p>
Recommendation 8	<p>That the NSW Government consider a jobs guarantee proposal and its utilisation in other jurisdictions. Along with other relevant Government agencies, this could be undertaken within the Expert Panel for Royalties for Rejuvenation's work to protect jobs and industries, support communities and identify future opportunities that can be built off the back of the mining legacy.</p>	Noted	<p>The Expert Panels are expected to represent local coal mining communities and will make recommendations to the Deputy Premier about how the Royalties for Rejuvenation Fund should be invested. Once established, the Expert Panels will have the opportunity to explore a range of workforce transition strategies and schemes, to ensure that they provide well-informed recommendations to the Deputy Premier, which will assist their local communities.</p>
Recommendation 9	<p>That the NSW Government requires mine operators, or site operators/owners, to rehabilitate and reuse existing infrastructure on mines and power generation sites to allow for the reuse of facilities worth billions, which could assist with making sites more attractive for new commercial and industrial activities and their associated employment.</p>	Supported-in-Principle	<p>As set out in the Strategic Statement on Coal Exploration and Mining in NSW, the NSW Government is already investigating opportunities resulting from future coal mine closures. These opportunities include potential sequential uses of rehabilitated mine land, mine buffer lands and existing infrastructure that would support new industries. Regional NSW is currently working across relevant government agencies to identify ways to leverage the existing regulatory framework for mine closure and rehabilitation and identify areas for reform to facilitate beneficial economic uses of coal-mined land.</p>

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Recommendation 10	That the NSW Government undertake work to remove barriers that prevent the development of a container terminal by the Port of Newcastle.	Noted	<p>In NSW the development of ports, like other State infrastructure, is carefully co-ordinated, planned and managed over time. The development of port facilities has significant and complex implications for the development of public and private infrastructure.</p> <p>The Government's policy on this matter, as set out in the NSW Freight and Ports Plan 2018-2023, is that Port Kembla should be the State's next major container terminal after Port Botany reaches capacity.</p> <p>It is a commercial decision for Port of Newcastle to proceed with the development of a container terminal at Newcastle noting that such development would require State significant infrastructure planning approval.</p> <p>The Federal Court found earlier this year that the transaction arrangements do not impose any competitive barriers on the market for port services in NSW.</p>
Recommendation 11	That the NSW Government conducts a skills audit to assess areas of future workforce growth, and plan to retrain or reskill workers impacted by the energy transition.	Supported	<p>One of the objectives for the Sector Board's plan is to foster opportunities for apprentices and trainees.</p> <p>To inform development of the Board's plan, the Department commissioned UTS Institute of Sustainable Futures and SGS Economics & Planning to conduct a baseline and opportunity study of employment, skills and supply chains in the NSW renewable energy sector. A key finding of this research is the need for a skills audit to understand future workforce and labour needs to grow the sector in a sustainable way.</p> <p>The EII Act requires the Jobs Advocate to advise the Minister about strategies and incentives to encourage investment, development, workforce development, employment, education and training in the energy sector in renewable energy zone regions.</p>
Recommendation 12	That the NSW Government invests in education and training programs to meet the needs of the renewables sector, and retrain workers impacted by the energy transition.	Supported	<p>One of the objectives for the Sector Board's plan is to foster opportunities for apprentices and trainees.</p> <p>The EII Act requires the Jobs Advocate to advise the Minister about strategies and incentives to encourage investment, development, workforce development, employment, education and training in the energy sector in renewable energy zone regions.</p>
Recommendation 13	That the NSW Government funds long-term plans to diversify the economies of communities that will be impacted by the energy transition. The plans should be led by local communities and tailored to the needs of each community.	Supported	<p>This recommendation is being implemented through a range of programs including processes associated with creation of the Renewable Energy Zones, Special Activation Precincts, Hydrogen Hubs, Clean Manufacturing Precincts, Regional Job Precincts and through the activities of the Regional Growth NSW Development Corporation.</p>
Finding 11	Consultation with local government, community groups, local business chambers and unions is essential in determining how funds for economic diversification will be allocated.		

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Recommendation 14	That the NSW Government appoints a coordinator to manage the development of energy transition plans for communities that will be impacted by the transition.	Supported-in-Principle	<p>The Energy Corporation of NSW (EnergyCo) is the NSW-Government-controlled statutory authority that will lead the delivery of NSW's REZs including the Hunter-Central Coast and Illawarra REZs.</p> <p>Renewable Energy Zones (REZs) will play a vital role in delivering affordable, reliable energy generation to help replace the State's existing power stations as they come to their scheduled end of operational life. They will also directly support the local communities including by providing significant economic development opportunities as the transition to net zero continues in NSW.</p> <p>The Central-West Orana, New England and South-West REZs will unlock a significant pipeline of large-scale renewable energy and storage projects, while supporting up to \$20.7 billion of private sector investment in our regions and over 5,000 construction jobs at their peak.</p> <p>EnergyCo is working closely with Department of Regional NSW, Investment NSW, and teams delivering the Net Zero Plan and Hydrogen Strategy to deliver initiatives in the Hunter, Central Coast and Illawarra regions in a coordinated way. As part of its functions, EnergyCo will be promoting local development opportunities, including engaging with local community and industry.</p>
Finding 12	Local government organisations are playing a key role in the energy transition.		
Recommendation 15	That the NSW Government works with the City of Sydney to develop a plan to support other local councils to move towards 100% renewable energy.	Supported	<p>The Department is working with the Business Renewables Centre Australia and the Office of Local Government to develop a guide for councils on Power Purchase Agreements. This will include clear guidance on understanding the different options and complying with the requirements under the Local Government Act. We anticipate this will be finalised in the first quarter of 2022. This Guide is likely to address several options for moving towards renewable energy. These may include the following:</p> <ul style="list-style-type: none"> • Installing solar panels on buildings, which is a simple and reliable way of shifting to renewable energy for operations. • The National GreenPower Accreditation Program (GreenPower). Greenpower is Australia's principle voluntary renewable energy program that provides accreditation and auditing of renewable energy purchases. Councils can purchase GreenPower from their electricity retailer. • • The Corporate Direct Pilot. On 26 October 2021, (GreenPower) launched the Corporate Direct pilot for large organisations to directly surrender renewable energy certificates through GreenPower. Councils and other large organisations are in many cases purchasing renewable energy certificates directly from renewable energy facilities through a power purchase agreement or through certificate wholesale markets. To claim that they are creating additional demand for renewable energy and avoid double counting, these certificates need to be retired from the market. Corporate Direct will be available as a pilot until December 2022, becoming available permanently subject to demand.NSW Government Electricity Procurement contract. Councils are able to access the NSW Government's electricity procurement contract under certain conditions, which can provide an alternative pathway to accessing low and zero emission electricity contracts, while benefitting from the competitive rates that have been leveraged by the NSW Government's purchasing power. <p>Through the Sustainable Councils program DPIE is directly supporting regional Councils and three regional Joint Organisations, to assist them develop energy strategies. This includes incorporating renewable energy into their energy mix and has been well-received by councils.</p>

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Recommendation 16	That the NSW Government provides funding for the Hunter Joint Organisation's proposed 2050 foundation.	Noted	The NSW Government, through the Net Zero Industry and Innovation Program (NZIIP), will provide support to such initiatives through a competitive process that provides grants for decarbonisation activities across our heavy industry sectors in the Hunter region. The administration of these grants will be in accordance with program guidelines and other transparent processes where organisations like the HJO Foundation will be well placed to apply for funding support. Further information is expected to be made available in early 2022.
Recommendation 17	That the NSW Government amends the <i>Local Government Act 1993</i> to allow local councils to establish Special Charge Schemes, for example, to increase residents' access to solar power.	Noted	The NSW Government is working on a range of resources and a guide to support councils adopt renewable and low emission technology solutions.
Recommendation 18	That the NSW Government ensures that content about government business programs on agency websites includes information on co-operatives.	Supported	Government agencies continually review and update website content to enhance information for stakeholders.
Finding 13	Transmission infrastructure upgrades are a key part of the energy transition.		
Recommendation 19	That the NSW Government monitors the implementation of the framework for transmission infrastructure projects under the <i>Electricity Infrastructure Investment Act 2020</i> and Electricity Infrastructure Roadmap, and considers the need for further reform.--+	Supported	As noted in the committee's report, the Electricity Infrastructure Roadmap (the Roadmap) and its enabling legislation the Electricity Infrastructure Investment Act 2020 (the Act), introduces a new framework to identify, develop and deliver network infrastructure projects in New South Wales, and to determine the costs for these projects that can be recovered from electricity consumers. It is appropriate that the NSW Government monitors the implementation of this framework to ensure it achieves the objects of the Act which include improving the affordability, reliability, security and sustainability of electricity supply. The EII Act provides that the Infrastructure Planner and the Consumer Trustee, who are the entities under the Act responsible for recommending and authorising new network projects in REZs, are to report to the Regulator on the exercise of their functions under the Act, and that an annual report will be provided to the Minister which will be published on the Department's website. The Act also provides that a review of the Act be undertaken 5 years from the commencement of the Act and that a report on the outcome of the review will be tabled in both Houses of Parliament.
Finding 14	Stand-alone power systems and microgrids could lower network costs and provide reliable power for regional communities.		
Recommendation 20	That the NSW Government continues to implement changes to the state's regulatory framework to encourage stand-alone power systems.	Supported	The NSW Government recognises the benefits of Stand-Alone Power Systems (SAPS) to support a more affordable and sustainable energy system. The NSW Government is actively progressing a work program of reforms to support the use of SAPS by Distribution Network Service Providers (DNSP), households and businesses. The Energy Legislation Amendment Bill 2021 included several amendments to the Electricity Supply Act 1995 to support NSW to adopt the national framework to enable DNSP-led SAPS.
Recommendation 21	That the NSW Government considers extending eligibility for programs for low income households to access solar energy and batteries.	Supported	The NSW Government is reviewing its suite of energy social programs and assessing different and expanded delivery options. Existing programs that have been operating as trials, such as the Solar for Low Income Households program and the Empowering Homes program have been recently expanded to include new locations.
Finding 15	Community consultation is a key part of planning for renewable infrastructure projects.		