

Has the “gas fired” recovery run out of steam?

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Calls for a green led recovery were mounting in the early days of the COVID pandemic, with investment in renewables touted as the answer to a strong transition for regions hard hit by the falling price of coal and gas, the black summer bushfires and the end of regional tourism.

The Morrison’s gas fired recovery, announced in the wake of Australian society emerging from its lockdown in mid-2020, really took the wind out of the sails of energy commentators and many Australians. Morrison alleges there is no credible transition for the Australian energy grid, from coal to renewables, that does not include a substantial increase in gas use. The Government is committing to a taxpayer funded gas fired power plant in Kurri Kurri, to cover the shortfall of retiring coal fired plants.

While the closure of the coal fired Liddell powerplant scheduled for 2023 has been highlighted as leaving an imminent gap in energy generation, the shortfall is already covered by recent announcements from the NSW government of 4 large scale energy projects primarily using renewable technology including battery storage on its own or in hybrid with gas, and emerging technology of virtual power plants, that connects several small-scale producers to provide grid reliability.

The nail in the coffin for the gas fired recovery came when the market regulator AEMO advised that gas generation will be more expensive for the end users (ironically, the same taxpayer paying for the build of the Kurri Kurri plant in the first place) than any of the emerging renewable generation and storage projects coming online now. Last week we also saw AGL notify they will be taking their Torrens B power station in South Australia offline by October as its no longer economical to generate using gas in the current market conditions.

And here is where the story starts getting exciting. The proliferation of rooftop solar and expansion of wind and solar farms has been complimented by the drop in battery storage costs as well as software solutions that enable small scale generators (including residential solar systems) to collectively feed back into the grid for stability. Coal and gas can no longer compete with the wholesale electricity prices from renewable sources.

The private sector was unwilling to fund a new gas-fired power plant, leaving the government to foot the bill, but in the renewable space, there is plenty of investment ready to be made.

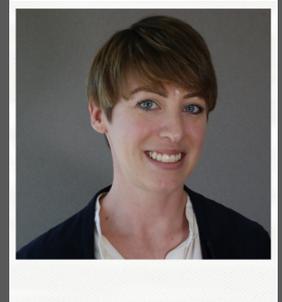
Take Victoria’s Lumea \$300 million project to build a 300-megawatt battery storage outside of Melbourne. An industry first, this infrastructure project will be built with no government support- seeking only private sector finance.

This shows the power of private sector action on climate change. Where governments are falling behind, astute investors see opportunity to address our growing emissions reduction imperative while gaining significant returns on investment.

Here at Marque we are delighted to supporting many companies on the forefront of renewable energy generation. Our clients include not just energy generators, but also storage manufacturers and software solutions that enable even rooftop solar panels to become a significant part of Australia’s energy resilience. Our energy and resources team have the industry know how and the commercial expertise to support emerging leaders in the renewable energy sector.

We can only hope now, the gas fired recovery announcement is, as most of Morrison’s announcements, just that, an announcement.

Have a question? Give us a call.

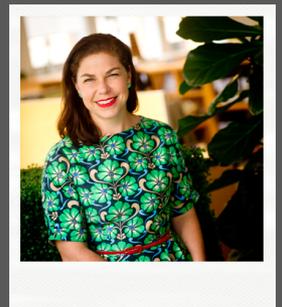


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