



Committee Secretary  
Senate Standing Committees on Environment and Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600

## **Clean Energy Legislation (Carbon Tax Repeal) Bill 2013**

Hepburn Wind welcomes the opportunity to provide a submission to the Senate Standing Committees on Environment and Communications' Clean Energy Legislation (Carbon Tax Repeal) Bill 2013.

### **Background**

On 22 June 2011, the two turbines of the Hepburn Community Wind Farm began generating electricity into the local distribution network, almost seven years after the project was conceived by Danish-born local builder, Per Bernard. In response to a local community's initial negative response to a large commercial wind farm development, Per catalysed the development of Australia's first community-owned wind farm at Leonards Hill, near Daylesford in Central Victoria.

The 4.1 MW wind farm, owned by community co-operative Hepburn Wind, is scaled to the needs of the local community – the wind farm's annual output exceeds the annual demand of the houses of nearby Daylesford and much of the surrounding area.

The Hepburn Community Wind Farm is owned by almost 2000 members, the majority of whom are local to the region. With massive volunteer effort and nearly \$10m of community capital, the members of Hepburn Wind have shown that under the right conditions, regional communities will embrace the opportunities presented by wind farms.

Most of our member shareholders have never owned shares before, but were drawn to investing in a project that contributes to our local economy, strengthens our social fabric and reduces pollution.

Right from the start, Hepburn Wind committed to sharing the benefits of the wind farm widely within the community – not just with our members. We would argue that our benefit sharing model is the most advanced of any energy project in Australia.

Beyond the opportunity of local ownership, our benefit sharing model includes innovations such as the opportunity of local ownership, a contribution to electricity bills for those living near the wind farm and a community fund projected to return in excess of \$1m to community-building projects over our first 25 years. After just two years of operation, our Community Fund has contributed \$70,000 to 37 community-building projects.

Furthermore, after construction, which involved more than \$7m of Australian content, we employ three locals and have provided more than 24 regionally-based directors and staff with the range of commercial skills required to run a complex development, construction and generation enterprise.

Among other accolades, our wind farm has been awarded with the 2011 Victorian Premier's Sustainability Award and the 2012 World Wind Energy Award as most outstanding project world-wide. The 'Hepburn Model' has inspired many other communities to pursue their own vision of harnessing local energy resources for community benefit.

Our project has educated not only our membership, but many in the community and around the country. While the nascent community energy sector will likely remain a relatively small player in the Australian energy scene, it is poised to positively engage a large number of Australians in the transition to a low carbon future.

## Justification for the Carbon Pricing Mechanism

The scientific community is now beyond reasonable doubt that anthropogenic greenhouse gas (GHG) emissions are changing our climate and, left unchecked, are likely to result in more intense and more frequent extreme weather along with the extinction of significant number of species both on land and in the oceans. As such it is incumbent upon the governments to reduce man-made GHG emissions.

Pricing carbon dioxide (and other GHG) emissions is widely regarded as the most economically efficient and effective mechanism for achieving significant GHG reductions. This is widely accepted and non-controversial in the economic community and we will leave it to others to prosecute this debate, instead focusing on the impact to our community.

## Impact of repeal on our project

After many years of development, the Carbon Pricing Mechanism was introduced on 1 July 2012, resulting in an increase in the wholesale price of electricity. For the first time in many years, the 'all-in' price (value of both energy and renewable energy certificates) met the design goal of the Renewable Energy Target (cost of the least-cost new entrant) and the conditions were set for a healthy renewable energy sector and a shift to lower carbon generation.

The Carbon Pricing Mechanism is the main driver behind a 37% improvement of 'all-in' price received over the record lows of the previous financial year, and represented an estimated \$297,000 contribution to our bottom line. Our earnings before depreciation for the 2012/13 financial year was 4.1c / share. Without the estimated positive uplift attributed to the carbon price, our equivalent earnings before depreciation would have been just 1.1 cents / share<sup>1</sup>.

Looking forward, the repeal of the Carbon Pricing Mechanism is expected to result in a prolonged period of reduced project revenues, levels considerably below those reasonably forecast in the early stages of our project. In such an environment it is likely to be a number of years before our co-operative is in a position to pay a dividend to members and the co-operative will be under great pressure to revisit our commitments to provide benefits across our community. This, in turn, will deal a blow to the embryonic Australian community energy sector.

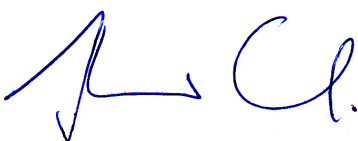
## Impact on repeal on our community

The 2000 members of Hepburn Wind provide a clear demonstration of community support for renewable energy and the desire to proactively reduce greenhouse gas emissions. Together our members invested \$9.9m, almost all of which was contributed in 2008 - 2009 at a time when there was strong bipartisan support for pricing carbon and development of the renewable energy sector. Many of our members are 'mum and dad investors' and contributed personally significant funds, including personal superannuation, based on unambiguous support for carbon pricing from across the political spectrum.

Along with the millions of Australians who are investors in renewable energy infrastructure through their superannuation funds, the members of Hepburn Wind have a reasonable expectation that changes in legislation will not adversely impact their investments. As an investment of great personal significance, our members are watching the proposed legislative repeal with great concern. Hepburn Wind farm was built by our community for the benefit of our community. The repeal of the Carbon Pricing Mechanism introduces a significant sovereign risk to the member investors of our co-operative and ultimately our community.

As the first community owned energy generator in the country, we would welcome the opportunity to present at any public hearings related to the proposed Bill in the coming months.

Yours sincerely,



Simon Holmes à Court  
Founding Chairman

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<sup>1</sup> Annual Report for the year ended 30 June 2013 incorporating audited financial statements for Hepburn Community Wind Park Co-operative Ltd