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Electricity road map will power prosperity

In a low-carbon world, renewable energy is an economic opportunity NSW is seizing by supporting investments that keep prices down and the lights on.

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For more than a decade, Australian politics has been ravaged by the [climate wars](#), dividing the country between those focused on the economy and those focused on addressing climate change.

But two things have changed since the climate wars began.



Australia has world-class renewable energy resources, offering a huge competitive advantage in a low-carbon world.

First, the cost of renewables has plummeted. Wind and solar are now the cheapest form of energy and, according to the Australian Energy Market Operator and the CSIRO, they are the cheapest form of *reliable* energy when backed up by pumped hydro (which stores energy by pumping water up a hill when electricity is cheap and generates electricity by letting the water run down the hill when it is expensive).

Second, the global economy is decarbonising. China has [committed to net zero emissions by 2060](#). South Korea and Japan [recently committed to net zero emissions by 2050](#), joining allies such as Britain, New Zealand, France and Germany.

Under Joe Biden, the United States will also soon have a net zero emissions by 2050 target and, when it does, more than 70 per cent of Australia's two-way trade will be with countries targeting net zero emissions.

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This creates huge opportunities for Australia.

We have world-class renewable energy resources and that gives us a huge competitive advantage in a low-carbon world – to decarbonise, our trading partners are going to need fuels, chemicals and materials made using renewable energy.

A decade ago the risk of reducing emissions was that it would hurt our economy and make us uncompetitive. Today, the risk is that if we do not reduce emissions, we will miss the chance to underwrite our future prosperity.

It is a plan forecast to deliver NSW heavy industry some of the cheapest electricity in the OECD.

In NSW, we face another risk: over the next 15 years, four of our five coal-fired power stations will reach the end of their technical lives.

This is not just a reliability problem. Prices can skyrocket in a tight energy market when power stations close before they are replaced. After the closure of the Northern and Hazelwood power stations, NSW electricity prices increased by 60 per cent – and those power stations weren't even in NSW.

Massive task

To replace these power stations we need to build not just renewable generation, but new transmission lines to allow those generators to connect to the grid, and pumped hydro, batteries and gas to keep the system reliable.

This is a massive task. It generally takes seven years to plan, design and build a new transmission line, and eight years to build new pumped hydro.

This is why the NSW government has released its [Electricity Infrastructure](#)

[Roadmap](#), which sets out its plan to deliver this infrastructure.

At the heart of the plan is an independent consumer trustee. It will provide long-term contracts for the renewable generation, long duration storage and firming (batteries and gas) needed to keep prices down and lights on.

Reducing risk

The contracts reduce consumer prices by reducing [investment risk](#). The infrastructure we need is capital intensive. The more risk investors face when investing in generation and storage, the higher the prices they need to proceed.

The contracts will give projects the option of selling their services to the trustee for a competitively set price. Projects will take up their option if prices are low, and sell their services elsewhere if prices are high. By providing long-term contracts and aligning the development of the infrastructure, we are driving the set prices much lower than investors would have otherwise needed to invest.

While consumers will ultimately meet contract liabilities, they will have to do this only if prices are low, and they will need to be repaid if prices improve later. Consumers will also avoid price spikes because new plant is not built before old plant closes.

The road map is focused on affordability.

It is a plan forecast to deliver NSW heavy industry some of the cheapest electricity in the OECD, and save households \$130 a year and businesses \$430 a year, on average, on their electricity bills between 2023 and 2040.



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It is a plan to stimulate \$32 billion in private sector investment in NSW by 2030.

It is a plan to create jobs – more than 23,000 extra jobs across the state from lower energy prices and investment in the mid-2030s.

It is a plan to reach across the environmental and economic divide and turn NSW into an energy and economic superpower.

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