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RENEWABLE ENERGY NOW CHEAPER THAN NEW FOSSIL FUELS IN AUSTRALIA

Australia wind beats new coal in the world's second-largest coal exporter

Sydney, 7 February 2013 – Unsubsidised renewable energy is now cheaper than electricity from new-build coal- and gas-fired power stations in Australia, according to new analysis from research firm Bloomberg New Energy Finance.

This new ranking of Australia's energy resources is the product of BNEF's Sydney analysis team, which comprehensively modelled the cost of generating electricity in Australia from different sources. The study shows that electricity can be supplied from a new wind farm at a cost of AUD 80/MWh (USD 83), compared to AUD 143/MWh from a new coal plant or AUD 116/MWh from a new baseload gas plant, including the cost of emissions under the Gillard government's carbon pricing scheme. **However even without a carbon price (the most efficient way to reduce economy-wide emissions) wind energy is 14% cheaper than new coal and 18% cheaper than new gas.**

"The perception that fossil fuels are cheap and renewables are expensive is now out of date", said Michael Liebreich, chief executive of Bloomberg New Energy Finance. "The fact that wind power is now cheaper than coal and gas in a country with some of the world's best fossil fuel resources shows that clean energy is a game changer which promises to turn the economics of power systems on its head," he said.

Bloomberg New Energy Finance's research on Australia shows that since 2011, the cost of wind generation has fallen by 10% and the cost of solar photovoltaics by 29%. In contrast, the cost of energy from new fossil-fuelled plants is high and rising. New coal is made expensive by high financing costs. The study surveyed Australia's four largest banks and found that lenders are unlikely to finance new coal without a substantial risk premium due to the reputational damage of emissions-intensive investments – if they are to finance coal at all. New gas-fired generation is expensive as the massive expansion of Australia's liquefied natural gas (LNG) export market forces local prices upwards. The carbon price adds further costs to new coal- and gas-fired plant and is forecast to increase substantially over the lifetime of a new facility.

BNEF's analysts conclude that by 2020, large-scale solar PV will also be cheaper than coal and gas, when carbon prices are factored in. By 2030, dispatchable renewable generating technologies such as biomass and solar thermal could also be cost-competitive.

The results suggest that the Australian economy is likely to be powered extensively by renewable energy in future and that investment in new fossil-fuel power generation may be limited, unless there is a

sharp, and sustained, fall in Asia-Pacific natural gas prices.

“It is very unlikely that new coal-fired power stations will be built in Australia. They are just too expensive now, compared to renewables”, said Kobad Bhavnagri, head of clean energy research for Bloomberg New Energy Finance in Australia. “Even baseload gas may struggle to compete with renewables. Australia is unlikely to require new baseload capacity until after 2020, and by this time wind and large-scale PV should be significantly cheaper than burning expensive, export-priced gas. By 2020-30 we will be finding new and innovative ways to deal with the intermittency of wind and solar, so it is quite conceivable that we could leapfrog straight from coal to renewables to reduce emissions as carbon prices rise.” he added.

Before that time, clean energy investment will be driven up, and power sector emissions down, only with the support of Australia’s Large-scale Renewable Energy Target. Despite compelling economics for new-build renewables today, Australia’s fleet of coal-fired power stations built by state governments in the 1970s and 1980s can still produce power at lower cost than renewables, because their original construction cost has now been depreciated.

“New wind is cheaper than building new coal and gas, but cannot compete with old assets that have already been paid off,” Bhavnagri said. “For that reason policy support is still needed to put megawatts in the ground today and build up the skills and experience to de-carbonise the energy system in the long-term.”

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