



RESPONSE
**Inquiry into the
impact of Renewable
Energy Zones (REZ)
on rural and regional
communities and
industries in New
South Wales**

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RESPONSE

Inquiry into the impact of Renewable Energy Zones (REZ) on rural and regional communities and industries in New South Wales

Introduction

The Country Mayors Association of NSW (CMA) welcomes the opportunity to respond to this inquiry and in doing so wishes to highlight that there are renewable energy projects being constructed across country NSW, not just in Renewable Energy Zones. We estimate that up to 80% of our membership is impacted in some way by the construction and operation of renewable energy generators.

Our Members are concerned that the Government has created two-tiered outcomes in the renewable energy generation sector, whereby LGAs that fall within a REZ receive support from EnergyCo and other benefits while those outside a REZ are left to make their own arrangements.

While the intent of the creation of the REZ was sound, the reality is that these projects are primarily driven by proximity to electricity transmission lines and access to supply corridors. This has been clearly demonstrated in southern NSW with a proliferation of solar farms either developed or in development despite the promise of South West Renewable Energy Zone.

The CMA would welcome the adoption of policies and approaches that result a more even playing field in relation to renewable energy developments, whereby every LGA can access the support networks and benefits that are currently delivered through EnergyCo for LGAs within a REZ.

In addition, our Members would welcome greater engagement with the State in relation to the development of policies for renewable developments and of course in the development approval process. While we appreciate and support the Government's goal to increase energy generation in NSW through renewable developments, it is important to remember that these developments are happening in the backyards of country councils. Consequently, it is not unreasonable for our Members to ask that where policy is being developed to drive renewable energy development, that feedback is sought from councils about the likely impacts of that policy on the communities they represent.

In addition, our Members regularly express concerns that when State Significant Developments are being considered, there appears to be little regard for local government planning instruments such

as the Community Strategic Plans (CSPs), Local Strategic Planning Statements (LSPS) and Local Environment Plans (LEP). Councils make significant and on-going investments in preparing these plans which inform council decision-making and create a vision for the future of the community. Unfortunately, it appears that too often these documents take a back seat when it comes to State Significant planning decisions to the detriment of the affected communities.

Our Members believe more genuine engagement with local government by the State during the decision-making process would result in better informed decisions that reflect the aspirations of the communities that are hosting renewable energy developments.

Response to the Terms of Reference

a) current and projected socioeconomic, cultural, agricultural and environmental impacts of projects within renewable energy zones in New South Wales including the cumulative impacts

The revenue generated by a renewable energy development is rarely held within the local economy, it may not even be held within the NSW or Australia if the project has been initiated by a foreign-owned company. Consequently, the substantial revenues generated by solar farm activities are rarely spent locally and therefore are unlikely to contribute to the growth of the local economy in any long-term way.

In the construction phase there are substantial jobs created, however in the current skills shortages climate this can create problems for established businesses. Solar farms have a “construction window” and it is our understanding that they are very willing to pay extra to attract workers. This can place existing businesses at a disadvantage.

Overall, these projects generate an economic “sugar hit” during the construction phase, however once constructed our Members’ experience is that there are very few jobs created locally in relation to the actual operation of the solar or wind farm. The jobs that are created are often casual in nature and focus on general maintenance work.

We note and agree with the following statement contained in the NSW Government’s *Benefit Sharing Guidelines* (Nov 2024)

In contrast to other types of industrial development, large-scale renewable energy projects often generate lower levels of ongoing employment. As a result, regional communities may experience significant changes without the long-term benefits of increased local economic activity and improved public and commercial services that often accompany high employment-generating development and related urbanisation.

Many Members remain concerned that the loss of jobs in the agricultural sector and the ensuing multiplier effect, where there are fewer demands for agricultural supplies, workers and contractors has not been adequately addressed. The loss of prime agricultural land to solar and wind “farms” remains a concern and while our Members understand developers are exploring co-use opportunities that facilitate at grazing, we understand that this is not yet the norm.

A significant environmental impact faced by councils is the management of waste associated with the development and operation of solar and wind farms. There appears to be minimal consideration paid to how waste generated through the construction phase will be appropriately disposed.

For example, during the construction phase of a solar farm there can be thousands of pallets that are generally made of product that is so poor in quality that they cannot be reused. Construction also generates tonnes of cardboard and plastic wrapping. During the operational phase the waste is even more difficult to dispose of because there is still no commercially viable solar panel recycling operations in NSW. If even 1% of the solar panels in use in a REZ or other region in NSW reach end-of-life in a single year, perhaps due to hailstorm damage or fire, thousands of panels will need to be disposed.

Wind farms also face problems in relation to waste management. A single wind turbine blade is usually 52 metres long and made of a composite material that cannot be recycled or reused. There is no clear solution for how end-of-life product will be disposed of, and it is not acceptable for operators to assume that the local council will take care of the problem.

Our Members are concerned that these waste issues are inadequately addressed during the development consent process and consequently are likely to create environmental impacts. Given the Government's commitment to the circular economy and Net Zero, councils who bear the burden for waste management in rural and regional NSW would like to see more emphasis placed on developer and operator plans for disposing of waste that embraces the State's circular economy goals.

Our Members encourage the Government to take a whole-of-life approach to the development of renewable energy generation that seriously addresses end-of-life disposal and the accompanying environmental impacts.

b) current and projected considerations needed with regards to fire risk, management and containment and potential implications on insurance for land holders and/or project proponents in and around Renewable Energy Zones

The CMA supports an approach that holds developers and operators of renewable energy sites to account for land husbandry and maintenance, in the same way that other landholders and lessees are held to account for their management of agricultural land.

There are concerns not only in relation to the management of fire risk for example the implementation of effective mitigation measures such as fire breaks, there is also concern about the proper management of weeds and pests. It is imperative that renewable energy generation operators are good neighbours adopting and implementing practices that ensure they manage fire, weeds and pests.

Our Members have not expressed concerns about the potential implications on insurance for land holders.

c) *the historical, current and projected future financial costs associated with construction and maintenance of large scale projects within Renewable Energy Zones*

The CMA has not undertaken work in this area but raises the issue of the impact on road networks through the construction phase of a project as well as increasing demand for water and waste services. These additional demands impose costs beyond standard operations, and any new infrastructure must be funded within a council's existing rates revenue.

It is our understanding that during the development consent process, the Department of Planning has formed the view that s7.11 contributions are not appropriate because there is no direct impact by the developments on infrastructure. The CMA believes that developments of this size and nature do create demands on local infrastructure and this should be reflected through the application of a s7.11 contributions.

d) *proposed compensation to regional New South Wales residents impacted by Renewable Energy Zone transmission lines:*

- (i) adequacy of compensation currently being offered for hosting transmission lines*
- (ii) adequacy of the shared benefits being offered to neighbours of large scale renewable projects*
- (iii) financial impact of compensation on the state's economy*
- (iv) tax implications resulting from compensation received by impacted residents*

The CMA has not formed a view on the appropriateness of the proposed compensation for residents.

e) *adequacy, and management of voluntary planning agreements and payments made to the LGAs impacted by Renewable Energy Zones*

Again, we note that LGAs across country NSW are being impacted by renewable energy developments and are required to strike VPAs with developers, not just those in REZs.

We note that the Benefit Sharing Guidelines for Renewable Energy projects, released by the Government in November 2024 states:

Local revenue mechanisms, such as Section 7.11 and 7.12 contributions under the EP&A Act, are not usually suitable to address this issue as they have limited application to renewable energy projects.

This means that host communities, which bear the brunt of the changes, may not necessarily experience a proportionate level of benefits from the uptake of renewable energy.

Our Members remain unconvinced by the assertion that the use of s7.12 contributions are not suitable for renewable energy projects. A s7.12 contribution is a fixed levy that is applied to a development, s7.12 (4) states:

A condition imposed under this section is not invalid by reason only that there is no connection between the development the subject of the development consent and the object of expenditure of any money required to be paid by the condition.

The CMA believes that “benefit-sharing” could have been achieved through the use of the existing contributions framework, which places councils in the driver’s seat, not developers. The new Guidelines have determined a benefit sharing “rate”, removing the ability of councils to negotiate terms that reflect the diverse needs of the communities they represent. The Guidelines set the benefit sharing rate, it is a flat rate that applies to every LGA as follows:

Total funding for benefit-sharing should be:

- *\$850 per megawatt per annum for solar energy development, or*
- *\$1,050 per megawatt per annum for wind energy development, or*
- *\$150 per megawatt hour per annum for stand-alone battery energy storage systems located in a rural zone (i.e. RU1 Primary Production, RU2 Rural Landscape, RU3 Forestry, RU4 Primary Production Small Lots),*

The introduction of the new “rates” has had a significant impact on councils and their negotiations with developers. The approach set by the Guidelines has severely limited a council’s ability to negotiate the best possible outcomes for the community it represents as seen in the example provided by Greater Hume Shire:

Greater Hume continues to attract interest for renewable energy projects which include large scale standalone battery facilities and solar farms. Before release of the Guideline negotiations concerning Planning Agreements were occurring between Council and proponents of development and the amount payable aligned with our previous Planning Agreements. Adversely affecting the local community the release of the Guideline curtailed these negotiations and the companies offers defaulted to align with the amounts stipulated in the Guideline.

As an example the proponent for a standalone battery development with a capital investment value of \$ 350 million were negotiating with Council for a planning agreement. Those negotiations were for a contribution of approximately \$3.5 million and the proponent and Council discussed part of the payment being a large upfront contribution which would partly be used to help replace the local communities’ swimming pool. Once the Guideline was released the offer was reduced to meet the stipulations of the Guideline and the amount payable was now \$75,000 per year for the operational life of the development. Assuming an operational life of 25 years then the total contribution is \$1.875 million. In accordance with the Guideline no upfront payment is required.

In another example an increase in the battery capacity at the Culcairn solar farm has been approved which expended the capacity from 200MWh to 800 MWh. The capital investment value of this change would be very substantial and in accordance with Guideline no contribution is payable to the local community.

The above examples clearly demonstrates that the criteria within the Guideline disadvantages local communities. The contributions received are less than what other types of development pays under Councils Section 7.12 plan and a significant reduction on previous planning agreements delivered to communities. Smaller ongoing contribution payments instead of larger upfront payments adversely effects Councils ability to utilise the funds to provide public infrastructure of a more substantial nature. Council can borrow against the income source but then the community loses the finance costs.

We question why developers of renewable energy generators are able to make arrangements directly with community members that can easily result in the construction of infrastructure that councils are left to manage when it becomes too much for community groups.

Finally, there is always the possibility that “benefit sharing” arrangements that are put into place before a development is approved can be perceived as buying community acceptance, in order to smooth the way to development consent. The automatic imposition of a contributions levy that has been legislated would provide a far more transparent outcome and more certainty for developers and councils.

f) *current and projected supply and demand levels of manufactured products, raw materials, and human resources required for completion of Renewable Energy Zones and their source*

The CMA is not in a position to comment on the supply chain issues associated with the construction of renewable energy generation projects.

However, skilled labour is a significant issue for the Members that we represent and as stated above well-funded projects like renewables can negatively impact on the availability of skilled labour particularly in the trades’ area.

Many of our Member LGAs are already experiencing unemployment rates as low as 3%, we are concerned that further demands on skilled labour will come at the cost of growth for local businesses and possibly impact on housing construction. We note that Transgrid has resorted to foreign skilled workers under the 482 visa arrangements, which they are housing in Temporary Worker Accommodation located close to construction sites. This may be a model that could be adopted by renewable energy generation projects.

Where major infrastructure developments have resorted to building their own worker accommodation some councils have looked to negotiate the retention of the accommodation post-construction to supplement local housing stock. This innovative approach by country councils is leveraging legacy outcomes for country communities from major developments.

g) *projected impact on visitation to regional areas with renewable energy zones resulting from changes to land use*

The CMA is committed to economic growth through tourism and increased visitation to regional, rural and remote NSW. We are unsure how the creation and development of REZs will impact on visitation either positive or negative.

h) *suitable alternatives to traditional renewable energy sources such as large-scale wind and solar*

Our Members are willing to explore suitable alternatives to traditional renewable energy sources, however the implementation of options such as anaerobic digestion (waste to energy) are often constrained by lack of sufficient feedstock and/or the high costs associated with transporting feedstock for processing.

In our experience, any alternative generation method based in non-metropolitan NSW, which relies on the transport of feedstock for processing is unlikely to be financially viable.

i) adequacy of community consultation and engagement in the development of Renewable Energy Zones, and associated projects

Our Members agree that they would like to see more feedback following consultations on renewable energy developments. They are concerned that community members, councilors and staff participate in consultations in good faith but rarely receive feedback that demonstrates that their concerns and suggestions were considered in the decision-making process.

A single meeting or workshop about a proposed development is not genuine consultation, it is more often than not a presentation on what is going to happen, not a discussion on the way forward. Our Members would welcome the opportunity to work with the State and developers to co-design robust consultations processes that genuinely bring the community to the table to talk about proposed developments.

j) how decommissioning bonds are currently managed and should be managed as part of large scale renewable projects

Our Members welcomed the decommissioning tool recently developed by the Government to assist in calculating the actual cost of decommissioning. However, we remain concerned that landowners are not fully aware that the obligation to rehabilitate the land rests with the landowner, not the developer.

The decommissioning and rehabilitation of a solar facility will require the removal of thousands of tonnes of concrete used for bases, tonnes of steel used for plinths, hundreds of kilometres of underground wiring and finally the end-of-life solar panels. The task of disposing of the waste materials, the cost of transport and the work involved in excavating end-of-life infrastructure will be a very expensive activity. While the assumption may be that the operator will be responsible for the clean-up, it is just as likely that the process will follow the way of so many mining operations where the last operator declares bankruptcy leaving someone else to clean up the mess. The decommissioning will then fall to the landowner with the cost likely to be well beyond the reach of the farmer that leased the land.

Consequently, our Members support the introduction of decommissioning bonds as a possible way of protecting landowners from the onerous costs that are likely to accompany the decommissioning of renewable energy generation operations. It is imperative that renewable energy developers and operators are held to account for decommissioning and rehabilitation, a pay-as-you-go approach through a bonds' scheme that is managed by the Government is a sound approach.

Finally, the landowners should be required to demonstrate informed consent in relation to the rehabilitation obligations that will be tied to their land they lease to a renewables' developer. They need to understand that if an operator of the energy development does not have the financial wherewithal to make good when the project reaches end-of-life, that the task and the costs will fall to the landowner. We would suggest that as part of the Conditions of Consent the developer should be required to provide evidence of informed consent and meet the cost of independent legal advice should the landowner request it.

(j) the role and responsibility of the Net Zero Commission and Commissioner in addressing matters set out above, and

Our understanding is that the Commission's role is to:

- monitor, review and report on the State's whole of economy progress towards its emissions reduction targets and the adaptation objective that NSW is more resilient to a changing climate
- provide independent, expert advice on the NSW Government's approach to addressing climate change
- provide recommendations to the NSW Government on plans or policies to meet the states emissions reduction targets and the adaptation objective
- educate and inform the NSW Government, businesses, organisations, and individuals on ways to promote action to address climate change

We believe that the Commission's role needs to be extended in order to address the matters raised above. Our Members can see a clear role for the Commission to act in an Ombudsman role in relation to the renewable energy generation projects both within the REZs and beyond.

Our Members suggest that the key responsibilities for the Commissioner in the role of Ombudsman could include:

- Overseeing consents and agreements tied to Development Applications and planning matters.
- Establishing and managing Voluntary Planning Agreements (VPAs) and other arrangements between developers, landowners, operators, and Councils.
- Mediating disputes between stakeholders.
- Enforcing end-of-life agreements, including decommissioning plans, bonds, and ongoing maintenance commitments for faulty assets.
- Ensuring decommissioning bonds or similar instruments fund long-term maintenance and asset removal.
- Assisting councils in addressing issues related to REZs with other NSW Government departments.

The above roles would deliver much needed support to councils, particularly where there is a power imbalance between a rural and remote councils and the renewable energy generator developer.

(k) any other related matters.

There are no other related matters that the CMA wishes to raise.

Conclusion

The CMA welcomes the opportunity to provide a response to the Review. Renewable energy generation is critical to the supply of energy to the State and also to meeting its Net Zero goals.

These developments occur exclusively in country locations; therefore, it is important that country voices are sought out, heard and acted on if the developments are to be successfully integrated into the economic fibre of the communities our Member councils represent.

We would like to reiterate that while we appreciate that the focus of the review are the REZs, that renewable energy developments are occurring across country NSW and it is the CMA's belief that Government policy must reflect and respond to that reality.