

Government rebate systems puts renewable energy projects at risk.

The New South Wales Sugar Cooperative and Sunshine Energy is located in Northern New South Wales and supports over 600 farmers, 400 direct workers and over 300 employees in transport and field sectors.

In late 2008 we completed construction of two major cogeneration plants at our Broadwater and Condong sugar mills. The projects were constructed in joint venture with Delta Energy at a cost of \$220million.

Both plants have become unviable with the flood of solar RECs hitting the market and the impacts on prices. We are at the mercy of the joint venture bankers at the moment.

The project was banked on the basis that the government (including the prior incumbents) would introduce targets for renewable energy use that would result in strong REC prices.

The projects will generate in excess of 400,000 REC's yearly and with current REC prices the project is losing in excess of \$10million from its revenue streams.

Whilst we congratulate the government on bringing in the new RET legislation we are extremely concerned with the other introduced incentive schemes and bonuses as part of their economic support package that effectively subsidised Solar and photovoltaic pumps to almost 80% of their capital cost and made the schemes eligible for up to 5 times normal REC generation.

The scheme has meant a flood of RECs on to market and REC prices have dropped from over \$50 to less than \$24. It is a ridiculous situation where our cooperative with our partners Delta have spent significant capital on a renewable energy project and it is being destroyed by ill-conceived and wrongly directed government funds. It puts this project under considerable pressure and will see the investment in renewables brought to a grinding halt. Without a major change quickly the government will have completely destroyed any chance of meeting its renewable energy targets and may have destroyed a number of projects already in place like wind farms and major bagasse generation projects like ours.

I am sure that nobody wants to see 600 farmers out of the economy and the jobs of over 700 employees put at risk. That is what this could do.

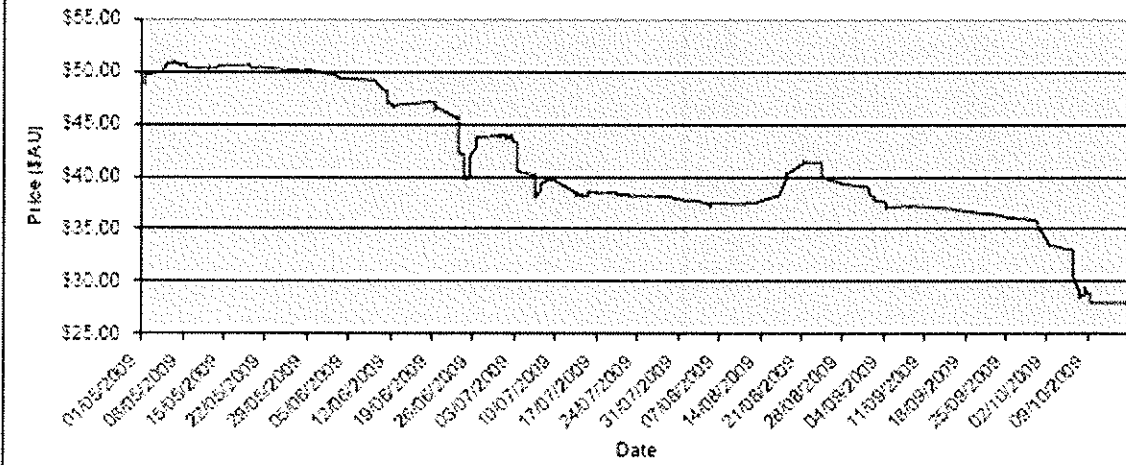
We would ask how the government sees its responsibilities to the community and families involved in the New South Wales Sugar Industry and what actions it intends to take overturn this government created threat to the cooperatives ongoing viability.

Attachments

- Article from today's Ballina Shire Advocate – one of 6 advertisements
- REC price Graph

Contact: Chris Connors 02 66268680 CEO New South Wales Sugar

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