

# Wind Turbine Industry Fraud - speech 13th Feb 2013

*February 13, 2013*

**Mr SCHULTZ** (Hume) (16:43): I heard on the radio recently some comments about the Australian wind power industry. Much like the man who voiced them, they were sharp, tough, honest and uncompromising but fair. Dr Alan Watts is an exceptional Australian, a gentleman I am proud to know as a friend. Dr Alan Watts HDA, BSc, MB, ChB, LRCP, MRCS, a recipient of the prestigious Order of Australia for his services to medicine, has leapt to his feet in disgust to voice the silent experience of rural Australians who are shackled by the devastating impact of industrial wind development. Alan reminded those of us who had been sucked in by the clean, green, wind turbine daydream that we are paying through the nose for the high price of our ignorance and inner-city elitist ideology—and, worse, that we will continue to pay until such time as the dirty business which is the clean, green daydream of renewable energy ideals is replaced with sensible and achievable objectives. Said Alan:

Industrial wind is a fraud of enormous consequence whose foundation is based on greed, ignorance, subsidy and entrenched institutional deceit. People who value intellectual honesty should not allow themselves to be quietly fleeced by such industrial treachery or even by their government's callous ... indifference.

He also said:

Wind industry propaganda flatters the gullible, exploits the well-intentioned ... And he said:

They plunder our environment while enriching foreigners all under the guise of some mythical societal benefit. They take our health, our land, our peace of mind and our taxes.

Why? Why do we continue to goose-step to the whoosh, whoosh, thump whim of industrial turbine power stations and the blind eye of the Gillard government? What is at stake and who is paying for it? The news ain't good, ladies and gentlemen. We are through our bills, our super funds and the green bastardisation of our national and cultural identity. This is government-sponsored fraud. All Australians, metropolitan and rural, are being sucker-punched by an industry ideology. The wind industry has squirrel-gripped this nation. Industry, in revolt of reason, would otherwise be trembling in their snake oil stained carbon footprints.

In 2007 several purse-pioneering union fat cats all resigned within a few short weeks from their directorships at Australian Super, the Australian super fund of the year. Where are they now? Greg Combet, former union boss and Julia Gillard's minister for climate change, tells us these turbines are necessary to mitigate the disastrous effects of global warming. So perhaps it was not a great look buying a beachfront property while all those polar bears are drowning.

Dr Watts and everyday Australians still believe in the little thing called democracy. The democracy we

live in is charged to repel corruption through the protection of our legislation, not the lax interpretation. Last night I talked about the government sponsored fraud wind turbines. Where did this rural nightmare begin? Wind turbines were marketed by Enron, an energy trading company that was based in Houston, Texas. Enron was one of the most fraudulent corporations in the history of the United States. Enron Wind Systems was formed after the acquisition in January 1997 of Zond Corporation of California, the largest US developer of wind-powered electricity at the time. Enron went bankrupt in 2002 along with the dissolution of Arthur Andersen, one of the oldest accounting firms in the US. On 10 May 2002, following the Enron scandal, General Electric acquired the assets of Enron Wind Systems, continuing as GE Wind Energy. GE—imagination at work. You will note that the phrase 'imagination at work' does not invite a lawsuit for false advertising. The Gillard government's Clean Energy Future advertising package, however, is open to a case of false advertising, fraudulent misrepresentation and gross negligence. If you study the involvement of fraudulent companies in the wind industry, you begin to realise that this corporate misbehaviour has full government support. As with the Enron scandal, the wind industry would not be operating in Australia without its close financial relationship with our government agencies.

It does not stop at the federal level. There are also significant conflicts of interest within the New South Wales government. When politicians in government office embrace the idea that wind funds are intrinsically good in all situations as they are combating climate change, their decision-making becomes criminal through ignorance. They repeat the fraudulent misrepresentation that they have been lobbied with by the wind industry, such as wind turbines reduce GHG emissions; wind turbines generate renewable energy; this wind farm will generate enough electricity to power X number of homes with the actual figure being usually one-third of the quoted number. Fraudulent misrepresentation is when an individual fails to use reasonable care by giving advice negligently, as they are under a duty to use reasonable care to see that representation is correct and that the advice, information or opinion is reliable.

Eraring Energy is a state-owned corporation that manages a diverse set of electricity generating assets located throughout New South Wales. Eraring Energy has combined generating capacity of over 3,200 megawatts, including Eraring power station at 2,880 megawatts. Eraring Energy was established as a state-owned corporation on 2 August 2000 under the State Owned Corporations Act 1989, the Energy Services Corporation Act 1995 and this Energy Services Corporation (Eraring Energy) Regulations 2000. Eraring Energy owns the Blayney and Crookwell wind farms. The Crookwell Wind Farm is in my electorate in New South Wales. The Eraring Energy 'Gentrader' contract and renewables trading, together with corporate support, Treasury and information technology functions, are managed from the Sydney corporate office.

Renewable energy certificates are giving tremendous returns to the companies involved. The industry-

union superannuation funds will soon have more money to invest in wind farms, with the Gillard government increasing the superannuation guarantee from nine per cent to 12 per cent by 2020. The REC is a political unit that an electrical retailer will purchase to comply with the law of the land. If the retailer does not have enough RECs—a percentage of electricity must be from a registered 'renewable' source—then it is fined by the federal government

\$65 per megawatt hour to make up the quota it has not purchased. That percentage is around five to eight at the moment and will be at 20 by 2020.

Australia currently has an oversupply of renewable energy certificates from the solar industry because of the government incentives. This has kept the REC price down, under \$40, but look at what happens when these are worked through the system. To get to the \$90 for a REC, it has been calculated that the \$65 penalty is equivalent to \$90, claimed as a business expense. Basically, one is a fine; one is a tax-deductible expense.

The renewable energy certificates scam runs out in 2030. The wind industry applies for a REC for each megawatt they produce and feed into the grid. The REC 'ticket' is then sold to a retailer of electricity if they need to meet the federal government's legislation. All of this scam is not transparent; in fact, I believe it is intentionally deceptive.

How is all of this relevant to my constituency? Let me walk you through what benefits my constituency would receive if there were a serious attempt to refocus on and change the direction of this get-rich-quick pot of gold for renewable energy opportunists. I will talk about the scale of subsidy in my electorate. In Hume alone, the subsidy for new wind turbines, excluding existing turbines, is set to reach \$500 million to \$1,000 million per year, or up to \$10 billion over 10 years. This subsidy is equal to around \$450,000 to \$900,000 for each new turbine. Meanwhile, communities are at war with each other, adjacent landholders face serious land value losses and health issues continue to emerge.

If the wind industry subsidy for Hume were given to the electorate to spend, we commit we could do the following. We could reduce emissions by 50 per cent more than is achieved through the wind turbines. We could solve every major infrastructure problem inside the Hume electorate. To name a few things we could do in infrastructure, we could: duplicate the Barton Highway, \$600 million; rebuild the Goulburn hospital, \$150 million; set up CCTV cameras in every major town to prevent crime, \$2 million; fix mobile phone and TV reception black spots—for example, in Crookwell, \$2 million; and pay off the Yass council debt of \$18 million for heightening the dam wall. After three years of using the subsidy to fix infrastructure problems, we could hand back all of the subsidy to the government to reduce electricity prices—up to \$7 billion over seven years. We are prepared to give these numbers to the Parliamentary Budget Office or Treasury for verification because we know they are right.

Who benefits from the subsidies? In the end, the costs of the subsidies are worn by electricity

consumers. Meanwhile, the beneficiaries are the wind companies. They receive this subsidy in the form of renewable energy certificates issued by the federal government when the power is generated and redeemed at market price. Despite

the massive subsidies involved, investors are losing faith in these companies. Their share prices have dropped where they do not have other large businesses outside of wind. Raising money for wind projects is now extremely hard, with the only realistic options being to search for Chinese or other state sponsored capital, to fund the developments from profit or to look for more union sponsored money.

Does wind make sense as a source of power generation? One of the questions we need to answer is whether wind turbines are the most economic way to reduce carbon emissions. We can clearly say two things on this: first, the excessive cost of wind turbines makes them uneconomic unless they receive large subsidies relative to other means of reducing emissions; second, we should allow the most economic means of reducing carbon emissions to succeed without favouring one option over another. I will spend more time on both of these points.

Massive subsidies are required to support wind. The raw economics of wind demonstrate what a poor option it is. The cost of producing coal fired power is about \$40 per megawatt hour. The cost of producing gas fired power is closer to \$60 per megawatt hour, with half the CO<sub>2</sub> emissions of coal. The cost of producing electricity from wind is around \$100 to \$120 per megawatt hour. Low utilisation and high capital costs are the main reasons for this. On top of this, wind requires backup power for times of low generation and this further weakens its economic case. Some argue that the costs of wind generation are coming down. However, the costs of other renewables, particularly solar, are expected to come down much faster. Wind energy is bringing down its costs by increasing the size of the turbines, and this is creating more community unease. If it is true that costs are coming down, let us use wind when it makes sense to do so, not before.

Another way of thinking about the economics of wind is to compare wind with other options for reducing carbon emissions. Using wind to reduce one tonne of carbon dioxide emissions costs around \$60 to \$80. Other means of reducing emissions cost less than \$30—indeed, this government believes it can substantially reduce costs at the current level of carbon tax to around \$25. The cost of reducing carbon dioxide emissions in Europe is below \$10 per tonne. So, in order for wind investments to occur, large subsidies are required, and that is not just compared with other means of generating electricity but compared with other means of reducing emissions.

Who pays for these subsidies? These subsidies are built into electricity prices. We all pay more in our bills to subsidise wind and other renewables. The quantity subsidised increases each year and will continue to do so until 2020 at least. By 2020, we estimate that this subsidy could be as large as \$3 billion. This will require tripling or more the number of turbines and, in all likelihood, the construction

will not happen fast enough to meet the targets. The scale of the subsidies is an important reason for why wind turbines are going out of fashion in countries across the world.

In closing, all I have to say on this very complex subject is that all we need is a leader of strength to recognise that there is a very serious problem with the wind turbine industry in terms of offshore \$2 companies ripping off, in a fraudulent way, taxpayers' resources as a way of funding their projects and taking the money offshore with them. The \$52 billion that is currently in the system for this renewable energy exercise should be looked at, reconfigured and put into the reconstruction and restructuring of infrastructure in this great country of ours.