

DEEPLY DISAPPOINTING SNOWY 2.0 UPDATE HIGHLIGHTS THE CHALLENGE OF GETTING THE ENERGY TRANSITION RIGHT

The Energy Users' Association of Australia (EUAA) says Snowy 2.0's significant cost blowout is deeply disappointing, highlighting the need for better management of the costs and risks of Australia's energy transition, while recognising the project's ongoing importance to a secure and reliable electricity system.

"Getting the energy transition right was never going to be easy, but the reality of moving to large volumes of variable renewable energy is that we need large scale firming technologies like pumped hydro to ensure we keep the lights on in a largely decarbonised energy system," said EUAA Chief Executive Officer, Mr Andrew Richards.

Large scale firming is critical to our new electricity system when we have extended periods of low wind and little sunshine. Pumped hydro can play an important role in providing the storage and dispatchable capacity needed to support an increasingly variable supply of electricity.

"All major infrastructure projects have seen significant cost increases over the last five years and, unfortunately, energy infrastructure is not immune from this. While the need for projects like Snowy 2.0 is clear, the cost blowout and execution of the project have fallen well short of expectations. That is deeply disappointing, and we must learn from this experience."

The scale, complexity and cost of the energy transition is becoming clearer by the day. Delivering it while maintaining a secure, reliable and affordable electricity system is an enormous challenge, and Snowy 2.0 is a stark example of just how difficult that can be.

Australia is facing hundreds of billions of dollars in investment in new generation, storage, networks and technologies to support the transition and maintain system security. This creates significant opportunities for investors and technology providers, but it also creates substantial costs and risks for energy consumers, who will ultimately foot much of the bill.

"We cannot afford to lose sight of the need to manage costs of our energy transition," added Mr Richards. "All energy infrastructure providers, including governments, must ensure major projects are delivered as efficiently as possible and that the benefits justify the investment."

Large commercial and industrial energy users are navigating this transition while facing significant uncertainty and pressure on their energy costs. These businesses often operate large, relatively stable electricity loads that contribute to system stability, but their industrial processes cannot simply be switched up and down to accommodate fluctuations in supply. Sudden interruptions can also damage multimillion-dollar equipment and disrupt critical production.

"Snowy 2.0 remains a critical piece of Australia's energy transition. But recognising its importance does not mean we should accept poor project delivery or lose sight of the costs," said Mr Richards.

"We need to get better at managing the complexity, cost and risk of this transition. If we fail to do so, we risk making energy less affordable for Australian businesses and households, undermining confidence and making the next wave of investment even harder to deliver."

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

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Media Contact: Emily Wood 0421 042 121