



# Commonwealth-Tasmania Bilateral Energy and Emissions Reduction Agreement

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## Memorandum of Understanding

### Date

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This Memorandum of Understanding is dated .

### Parties

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This Memorandum of Understanding is made between the following Parties:

**The Commonwealth of Australia** (the Commonwealth)

**The State of Tasmania** (the State)

### Context

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- A. This Memorandum of Understanding (**MoU**) sets out the objectives and actions that will be delivered through a collaborative partnership between the Commonwealth and the State in relation to boosting Tasmania's interconnection with mainland Australia and the National Electricity Market (NEM), improving energy security, reliability and affordability, and achieving cost-effective emissions reductions.
- B. Many of these actions will support economic recovery from the impacts of the COVID19 pandemic, as they will contribute to lower costs for consumers and business. Actions will be designed to reinforce these objectives, where relevant.
- C. The purpose of this MoU is to record the Parties' agreement on the objectives and actions that will be achieved through this arrangement.

## 1. Interpretation

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- 1.1 This MoU is not intended to be, and is not, a legally binding or enforceable document.
- 1.2 The Commonwealth and the State will act and cooperate in good faith in accordance with the terms of this MoU and consistent with its spirit and intention.
- 1.3 Responsible Ministers for the MoU are the energy Ministers in each jurisdiction.

## 2. Term

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- 2.1 Unless ended by either Party, in accordance with clause 2.2, this MoU commences on the date on which it is signed by both Parties and will continue until 2030, or when Parties agree in writing that all objectives and actions outlined in this MoU have been completed, or by any other mutual agreement.
- 2.2 The Parties may end the arrangements in this MoU by written agreement.

- a. Either Party may notify its intention to end the arrangements in this MoU by giving written notice to the other Party.
- b. If notice is given under clause 2.2.a, the end date of the arrangements under this MoU will be negotiated between the Parties within a period of 14 calendar days or as otherwise agreed between the Parties.

### 3. Agreement

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- 3.1 The Parties acknowledge that this MoU records their expectations, understanding and responsibilities as at the date of the MoU, but does not give rise to legally enforceable obligations.
- 3.2 Each Party will:
  - a. Do all things necessary or desirable to give full effect to the arrangements contained or implied in the Implementation Schedules to this MoU;
  - b. Promptly advise the other of any issue or circumstance that arises that may impact on the Party's ability to implement the actions set out in the Implementation Schedules to this MoU; and
  - c. Promptly disclose to the other, any interest (other than as a Party to this MoU) it has or acquires which is or may be different to the interest of the other Party in connection with this MoU.
- 3.3 The MoU is not intended to affect:
  - a. Any existing Federation Funding Agreements between the State and the Commonwealth; or
  - b. Any other existing arrangement between the State and the Commonwealth
- 3.4 Nothing in this MoU places any obligations on the Commonwealth or State if those obligations would not be supported by constitutional or legislative authority.

### 4. Implementation Schedules

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- 4.1 The Implementation Schedules will specify the objectives, actions and, where applicable, timeframes that both Parties agree to pursue to give effect to the overarching objectives of this MoU.
- 4.2 The following Implementation Schedules have been included in this MoU:
  - a. Schedule A – Governance of this MoU;
  - b. Schedule B – Marinus Link Project Support; and
  - c. Schedule C – Battery of the Nation Support.
- 4.3 The MoU provides a framework for further cooperation on energy and emissions reductions.
- 4.4 The MoU initially delivers support for the Marinus Link and Battery of the Nation projects. The Parties may, by written agreement signed by both Parties, add further Implementation Schedules to this MoU.
- 4.5 The Parties agree to continue to work together to progress additional schedules outlining the governments' agenda and actions to support energy and emissions reduction projects in Tasmania.

## 5. The Parties' Responsibilities

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- 5.1 The Parties will:
- a. Work together to achieve the objectives and actions outlined in the Implementation Schedules;
  - b. Work together to develop a suitable Reporting Framework for progress against the Actions in the Implementation Schedules of this MoU. Reporting is to be on a quarterly basis to the responsible ministers. The Reporting Framework will also consider public facing communications.
  - c. Regularly share progress and updates on implementing actions identified in Implementation Schedules;
  - d. Invite each other as appropriate to attend meetings in relation to implementing actions identified in Implementation Schedules as required; and
  - e. Use all reasonable endeavours to respond promptly to any reasonable enquiries.
- 5.2 If a dispute arises between the parties relating to the MoU:
- a. the party claiming that a dispute has arisen will give written notice to the other party specifying the nature of the dispute (Notice);
  - b. on receiving Notice officers, on behalf of each Party, shall endeavour to settle the dispute;
  - c. if officers cannot resolve the dispute within 28 days of the Notice being given (or within a longer period agreed to in writing by them) the dispute be referred to the relevant Government Department Secretaries for resolution.
  - d. If Government Department Secretaries cannot resolve the dispute within 14 days of the Notice being given (or within a longer period agreed to in writing by them) the dispute be referred to the responsible Ministers for resolution.
- 5.3 The Commonwealth will be responsible for the procurement, selection and performance of any consultants or any other contracts or arrangements required to implement actions identified as the Commonwealth's responsibility outlined in Implementation Schedules. The State will be responsible for the procurement, selection and performance of any consultants or any other contracts or arrangements required to implement actions identified as the State's responsibility outlined in Implementation Schedules.

## 6. Funding

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- 6.1 Unless otherwise stated in this MoU, or otherwise agreed by the Parties, anything a Party will do under this MoU will be done at that Party's cost.

## 7. Variation

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- 7.1 Any variation to this MoU will be in writing and signed by both Parties.

## 8. Notices

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- 8.1 The Parties agree they will reduce to writing all formal communications between them in relation to their responsibilities and obligations under this MoU.

8.2 Unless notified otherwise, the Commonwealth's address for notices is:

*Physical Address:* Deputy Secretary, Energy Group  
Department of Industry, Science, Energy and Resources  
10 Binara Street, Canberra ACT 2601  
*Postal Address:* GPO Box 2013, Canberra, ACT 2601  
*Phone number:* 02 6213 6000

8.3 Unless notified otherwise, the State's address for notices is:

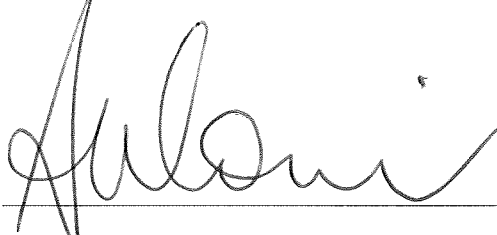
*Physical Address:* Executive Director (Energy)  
Department of State Growth  
4 Salamanca Place, Hobart, TAS 7000  
*Postal Address:* GPO Box 536, Hobart. TAS 7001  
*Phone number:* 1800 030 688



## Signatures

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SIGNED for and on behalf of the )  
**Commonwealth of Australia** by the )  
Prime Minister: )



**The Honourable Scott Morrison MP**

Prime Minister of the Commonwealth  
of Australia

\_\_\_\_\_  
*Date*

SIGNED for and on behalf of the )  
**State of Tasmania** by the )  
Premier: )



**The Honourable Peter Gutwein MP**

Premier of Tasmania

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*Date*

# Schedule A: Governance of this MoU

## 1. Agenda

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- 1.1 The Commonwealth and the State (the Governments) will work cooperatively and in good faith to implement the terms of this MoU.

## 2. Actions

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- 2.1 The Governments will work together to develop and implement an appropriate governance structure to support the finalisation and implementation of this Memorandum of Understanding.
- 2.2 The Governments will appoint an Agreement Implementation Steering Committee ('Implementation Steering Committee'), which will be responsible for implementing this Memorandum of Understanding.
- 2.3 The Implementation Steering Committee will consist of representatives from both Governments.
- 2.4 The Implementation Steering Committee will establish a Terms of Reference which will guide, inter alia, the frequency of meetings, communications protocols, roles and responsibilities, dispute resolution and reporting to Ministers.
- 2.5 The Implementation Steering Committee will report to the responsible Ministers from each Government and the relevant Government officials will be of equal number from each Government.
- 2.6 Each Government will appoint a co-chair of the Implementation Steering Committee.

# Schedule B: Marinus Link Project Support

## 1. Definitions

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- 1.1 Acronyms contained or definitions used in this Schedule:
- a. AEMO – means the “Australian Energy Market Operator”
  - b. D&A Phase – means the “Design and Approvals” phase of the project
  - c. FID – means “Final Investment Decision”
  - d. HVDC interconnector - means “High Voltage Direct Current” interconnector
  - e. NEM means – the “National Electricity Market”
  - f. Project – means the “Marinus Link” project, as defined in AEMO 2020 Integrated System Plan (ISP)
  - g. SPV – means “Special Purpose Vehicle” an entity jointly established by the Commonwealth and the State of Tasmania to progress the Project to a FID.

## 2. Project Purpose

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- 2.1 The Parties will use best endeavours and act in good faith to progress the delivery of the D&A phase of the Project (being a subsea HVDC interconnector and supporting transmission) to a FID, which is anticipated prior to the end of 2023-24.

## 3. Strategic objectives

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- 3.1.1 The Parties agree the following strategic objectives for supporting the Project:
- a. The Project is a critical part of the optimal development pathway for the NEM as identified in the AEMO 2020 Integrated System Plan, and will provide low cost, reliable, and clean electricity to the NEM.
  - b. The Project will assist Australia in meeting its international climate change commitments by providing significant emissions reductions from the electricity sector.
  - c. The Project will provide significant economic and employment stimulus in both Tasmania and Victoria.
  - d. The Project will put downward pressures on electricity prices and enhance energy security and reliability in the NEM.
  - e. Noting the State’s view that Tasmanian customers should not pay more than their fair share for cost recovery of the Project, the Parties agree to work together to achieve a resolution on fair cost allocation for the Project, noting that any outcome on cost allocation will need to be reflected in the National Electricity Rules.

## 4. Actions

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### 4.1 Establishing a Special Purpose Vehicle

- 4.1.1 The Parties agree to establish an SPV to progress the Project and ensure the Parties’ mutual requirements of governance and decision-making are met
- 4.1.2 The Parties agree to work towards a target date of 1 July 2021 for the SPV to be operational.

- 4.1.3 The SPV shall be geographically domiciled in the State.
- 4.1.4 The management team of the SPV shall be geographically based in the State, where possible.

## 4.2 SPV Board Composition

- 4.2.1 The SPV will have a Board comprising four members. Two members of the Board will be appointed by the State and two members of the Board will be appointed by the Commonwealth.
- 4.2.2 In consultation with the State, the Commonwealth will appoint the Chair of the Board and the Chair will have a casting vote.
- 4.2.3 The SPV will have a CEO, appointed by the Board.
- 4.2.4 The SPV will report to both Parties through Shareholding arrangements for each government.

## 4.3 Project ownership and Governance

- 4.3.1 The Parties agree to joint decision-making and governance of the SPV. This will be 50/50 operational decision making of the SPV and the Project.
- 4.3.2 The Parties will own the SPV in the following shares upon its creation:
  - a. The Commonwealth will own 62.5 per cent; and
  - b. The State will own 37.5 per cent.

## 4.4 Costs for D&A phase and financial contributions

- 4.4.1 The Parties agree that the total estimated cost of the D&A Phase is \$188.9 million.
- 4.4.2 The Parties will make the following contributions toward the remaining cost of the project, both of which will be subject to respective due diligence processes:
  - a. Commonwealth: \$93.9 million contribution;
  - b. State: \$39 million contribution.
- 4.4.3 The Parties note the Commonwealth provided a grant of \$56 million toward these costs to the State in 2019 through the *Project Agreement for Marinus Link*.

## 4.5 Fair Cost Allocation

- 4.5.1 Parties will work together to achieve a fair cost allocation transmission outcome for the Project, prior to a FID.



# Schedule C: Battery of the Nation

## 1. Agenda

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- 1.1 The Commonwealth and the State (the Governments) will continue to work with officials from Hydro Tasmania to identify and refine support mechanisms for the Battery of the Nation (BotN) hydropower projects.
- 1.2 The Commonwealth has developed the UNGI program to support new investment in firm electricity generation projects, and shortlisted BotN under the program in March 2019.
- 1.3 The Commonwealth (through ARENA) and the State (through Hydro Tasmania) have jointly invested up to \$6 million on assessing future development options for the Tarraleah power station.
- 1.4 The Tarraleah redevelopment is a \$650 million opportunity that could see early works commence in 2021 with 100 new jobs and 250 jobs during peak construction. The redeveloped power station would provide additional flexible, dispatchable capacity aligned to the first Marinus Link cable.
- 1.5 The Commonwealth (through ARENA) and the State (through Hydro Tasmania) jointly funded the \$2 million pre-feasibility study of pumped hydro in Tasmania and identified a strong portfolio of cost-competitive pumped hydro opportunities. A \$30 million feasibility study is being undertaken by the State (through Hydro Tasmania) to select and progress a preferred site to align with the second Marinus Link cable.
- 1.6 The Commonwealth has announced the \$1 billion Grid Reliability Fund (GRF), to be administered by the Clean Energy Finance Corporation (CEFC). The GRF, subject to the passage of enabling legislation, may be able to support Australian Government investment in new energy generation, storage and transmission infrastructure, including eligible projects shortlisted under the UNGI program.
- 1.7 The Parties will consider a more detailed BotN schedule at a later date.

## 2. Actions

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- 2.1 The State will deliver a project scoping document by February 2021 to the Commonwealth for the suite of potential BotN hydropower projects.
- 2.2 By Q1 2021 initial underwriting options for the BotN hydropower projects will be scoped by the Governments.
- 2.3 The Commonwealth will finalise options, including where possible through the CEFC and GRF, to provide adequate underwriting and/or financing support to enable a commercial final investment decision(s) on the agreed BotN hydropower projects.
- 2.4 The Commonwealth will consider, as part of investigations under 2.2 and 2.3, a capacity upgrade to Tarraleah Power Station.