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WESTERN RENEWABLES LINK COST BLOWS OUT TO $4BN IN US DEVELOPER SEC FILING

The WRL is part of a transmission network to bring power to Melbourne from the Snowy 2.0 pumped hydro battery.

The cost of a key part of the Australian government's huge renewables project – the Western Renewables Link (WRL) in Victoria – has exploded.

Both the ALP government and the Victorian opposition have announced that if they gain government after the November election, they will conduct an inquiry into the cost of the project before deciding whether to proceed.

But the developer of the project, US giant infrastructure investor Brookfield, has revealed to the US Securities and Exchange Commission that the project will cost $4bn, or some 2.5 times the $1.5bn cost estimate that has been canvassed to the Victorian public.

One Nation's policy in Victoria is to completely scrap the Western Renewables Link (WRL), and other major transmission projects alongside regional renewable energy zones. Now the cost explosion is known, this will become a major issue in the election.

Brookfield told the SEC that its Australian subsidiary AusNet has "finalised the commercial framework with the Victorian government and executed a binding construction contract for WRL, helping to de-risk execution and improve visibility on capital deployment and potential returns".

If past procedures are any indiction the "commercial framework" would have included a guaranteed return on the investment, and an undertaking that over time the ballooned cost plus the guaranteed return, would all be met by Victorian power users.

Given both political parties are promising an inquiry after the election, voters are entitled to know what is in the "commercial framework".

Brookfield will have estimated the cost on the basis of the building contract, but that contract will have flexibility clauses. On the basis of more recent developments, the $4bn figure looks to underestimate the likely costs.

In NSW, a 120km transmission line has been estimated to cost $3.5bn. Given the WRL extends 190km across western Victoria, the cost is likely to be above $4bn. The WRL is part of a transmission network to bring power to Melbourne from the Snowy 2.0 pumped hydro "battery".

In the high country, costs are also escalating at a very fast rate because the CFMEU is now playing a key role in the development.

The CFMEU will no doubt look to duplicate its Snowy 2.0 role in the WRL project, which would almost certainly take the costs beyond $5bn.

The WRL project has been delayed by rigorous opposition from the local farmers whose say their land will be destroyed if it goes ahead. That opposition will intensify now that the costs have become known.

The renewables link was originally designed to be part of a scheme to phase out coal power generation in the Latrobe Valley.

But, as the government came to understand the need for additional backup generation, it now estimates that the total Australian scheme will require 17GW of gas power. However, the gas power stations have not been ordered, and global demand for gas power in data centres has now skyrocketed the price of gas-powered turbines and caused major delays.

As a result, Latrobe Valley coal power will have to operate well into the 2030s and possibly beyond 2040.

The prospect of Victorian power users being lumbered with a $4bn to $5bn transmission line bill plus guaranteed returns changes the renewables game in Australia.

Both Premier Ben Carroll and Coalition Leader Jess Wilson will be under pressure from One Nation to tell voters before the election whether they plan to proceed with the project, given the Brookfield cost of $4bn and the likely cost of more than $5bn. But if they reject the project, it will not only mean that Snowy 2.0 power will not get to Melbourne, but it will also force a look at the whole renewables project, which is now set to cost more than $900bn when the guaranteed returns are taken into account and it does not replace coal for a decade or two.