



GE Energy

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Subject: Investigation into Application for dumping duty notice for wind towers exported to Australia from the People's Republic of China (China) and the Republic of Korea (Korea)

Non-Confidential – For Public Record

GE is a global supplier of wind turbines and it has actively worked with industry partners to develop wind farm projects in Australia.

GE supplied turbines to the recently commissioned Mumbida wind farm in Western Australia and it will supply the Boco Rock wind farm in New South Wales.

GE does not support the application for dumping duty notice for wind towers exported to Australia from the People's Republic of China (China) and the Republic of Korea (Korea) and, based on its experience, urges the Anti-Dumping Commission to consider:

- any local factors undermining the cost competitiveness of local vendors such as input and compliance costs;
- the need to further develop the local manufacturing and supply chain capacity for wind energy projects as evidenced by the Clean Energy Finance Corporation's recent decision to provide senior debt finance of \$37.5 million to another Australian wind farm project, was to facilitate the *"use of Australian-engineered and built towers, aiding the further development of local market manufacturing capability and supply chain scale in the Australian wind industry"*; and
- the impact on local vendors due to the deferment of Australian wind projects as a result of uncertainty about the future of Renewable Energy Target and complementary policies due to review and/or amendment, coming in an extended period of a high Australian dollar.

For the Boco Rock wind farm project, GE initiated a tender process for the supply of towers.

Two local tower suppliers were approached and provided a tender package requesting their proposals for the supply of the sixty-seven (67) 80- metre towers required for the project.

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Both companies expressed interest to provide towers to the project. Neither company responded before the July 24 deadline for responses. One company replied on August 2, GE accepted this late submission. The second company did not provide a submission.

Due to a mutual non-disclosure agreement, GE cannot disclose specific pricing information without its approval. GE had requested pricing from the same company for the same project (Boco Rock) in October 2012.

The response of overseas vendors was at pricing levels comparable to those from received these vendors on other projects which provides the basis for our statement that we believe this to be the current market level. The response from overseas vendors was inclusive of transport to site.

As mentioned earlier, the financing provided by CEFC for an Australian wind farm project to procure locally-manufactured towers highlights the need to further develop the local manufacturing and supply chain capacity for wind energy projects.

Absent the ability to source select components in international markets, there will be a dramatic reduction in the number of economically sound wind development investments made in Australia.

Australian policy uncertainty

The Australian renewable energy industry – proponents, investors and suppliers – contend with uncertainty on the future of climate change and energy policies.

The Renewable Energy Target remains the prime driver of renewable energy investment and generation in Australia. Despite the RET enjoying bipartisan support since it was legislated in 2000, it has been subject regular amendment and constant review with the *Renewable Energy (Electricity) Act 2000* mandating a further review by the end of next year.

GE's submission to the Climate Change Authority's 2012 review of the RET reflected the views of two local wind tower suppliers' own submissions – Keppel Prince Engineering where it stated:

"The RET has undergone regular reviews since its inception, each time resulting in the slowing or deferment of investment. With bilateral support for the target of at least 20% by 2020, RET reviews every two years are unnecessary."

RPG Australia where it stated:

"Our major concern is even the smallest threat of pending change to the legislation has a considerable knock on effect to investors and financiers outlook which in turn damages confidence in the renewable energy project market.... We operate in a highly competitive market place, with very high and continual threat of imported towers coming into the Australian market."

As a participant in the Australian industry, GE agrees uncertainty about RET and complementary policies has deferred and will continue to defer the development of Australian wind farm projects. Local suppliers, which do not compete in the global market to supply projects overseas, and their cost competitiveness are disadvantaged

when the Australian market has slowed or investment deferred due to review or amendment of Australian policies. Overseas wind towers manufacturers supplying the global market, as GE does, are not limited to Australian projects and the vagaries of the Australian renewable energy market.

While recommending for the stability for and fewer reviews of the RET, the Climate Change Authority found:

“Module costs have fallen as increased global production capacity has created economies of scale, and as the technologies themselves have improved in response to research and development activities. As a relatively small player in the development and manufacture of renewable technologies, the RET has arguably had little impact in reducing technology costs. The high Australian dollar over recent years, however, has contributed to lower costs of imported modules.

Future Projects

GE has offered to provide further engineering and manufacturing assistance to the local supplier, which responded to the Boco Rock tender, in a bid to boost their international competitiveness.

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Should you require any additional information please do not hesitate to contact the undersigned.

Sincerely,



Chris Kapsalis
Senior Project Manager