



PRIME MINISTER

Reference: MS19-000731

22 FEB 2019

The Hon Will Hodgman MP  
Premier of Tasmania  
GPO Box 123  
HOBART TAS 7001

Dear Premier

As the National Electricity Market undergoes unprecedented changes, Tasmania's world class hydro resources will have a vital role to play in storing energy and flexibly generating power to ensure system stability and security.

The Commonwealth is pleased to partner with the Tasmanian Government to take the Battery of the Nation and MarinusLink projects forward to a final investment decision. The Commonwealth's intention is to enter into a debt/equity arrangement with Tasmania to accelerate the projects. Given the interdependencies between the two projects, I propose we announce these as a single initiative.

I look forward to seeing you on Sunday 24 February to announce our shared commitment to these nation building projects.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Scott Morrison', written over a light grey background.

SCOTT MORRISON





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PRIME MINISTER

24 February 2019

The Hon Will Hodgman MP  
Premier of Tasmania  
GPO Box 123  
HOBART TAS 7001

Dear Premier

The Commonwealth is pleased to partner with the Tasmanian Government to assist in taking the Battery of the Nation and MarinusLink projects to a final investment decision and to develop a solution to underwrite the implementation of the projects subject to completion of satisfactory business cases.

In 2018-19, the Commonwealth will provide a \$56 million grant to assist in progressing the MarinusLink project to final investment decision. The grant will support the development of a detailed business case and necessary technical and regulatory approvals with a view to delivering 1,200MW of new interconnection capacity by the middle of the next decade. The Commonwealth and Tasmania will discuss additional funding at a later date if required. The grant will not impact any existing arrangements between the Commonwealth and Tasmania. For the avoidance of doubt, the grant will be exempt from the calculations undertaken by the Commonwealth Grants Commission for the purposes of determining the distribution of the GST.

The Commonwealth also commits to develop a proposal, in consultation with the Tasmanian Government, to fund the construction of MarinusLink outside of the Regulatory Investment Test for Transmission process. Developing MarinusLink on a merchant or other basis will ensure that energy users who purchase electricity delivered through the new interconnector will ultimately fund its construction.

The Commonwealth also commits to develop, in consultation with the Tasmanian Government, an underwriting mechanism for the Battery of the Nation through the Commonwealth's Underwriting New Generation Investments program.

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The Tasmanian Government, through Hydro Tasmania, will provide \$30 million for the feasibility studies necessary to take the first phase of Battery of the Nation to final investment decision. This first phase of the project will provide 1,200MW of new reliable renewable generation and 16GWh of energy storage to the mainland by the mid-2020s.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Scott Morrison', written in a cursive style.

SCOTT MORRISON



PREMIER OF TASMANIA

3

The Hon. Scott Morrison, MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister

I write in response to your letter on the Battery of the Nation and Marinus Link national electricity infrastructure initiatives of 24 February 2019.

The Tasmanian Government confirms its willingness to accept a grant of \$56 million on the basis that it is agreed that:

- The majority of customer benefits of Marinus Link lie outside of Tasmania and that Tasmanian customers will not bear a price burden for increasing NEM energy security.
- The grant funding will be exempt from the calculations undertaken by the Commonwealth Grants Commission for the purposes of determining the distribution of the GST.
- The grant funding will be applied to progress the Marinus Link project through the first phase of the Definitions and Approvals stage, and that further discussions will be undertaken in respect of the additional funding required to take the project to financial close.
- The exact timing of availability of the 1200 MW of Marinus Link capacity will be determined as a part of this work.
- The agreements referred to in your letter have no affect to existing agreements between the Australian Renewable Energy Regulator and the Tasmanian Government owned electricity businesses.
- Further consideration is required before it is determined whether Marinus Link should be a merchant link and funded partly or wholly outside the Regulatory Investment Test for Transmission.

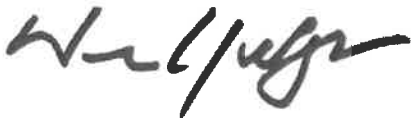
3

- the Commonwealth commits to develop, in consultation with the Tasmanian Government, an underwriting mechanism for the Battery of the Nation through the Commonwealth's Underwriting New Generation Investments (UNGI) program.
- the Tasmanian Government, through Hydro Tasmania, will provide up to \$30 million for the feasibility studies necessary to take a Battery of the Nation pumped hydro energy storage project to final investment decision, consistent with that program.

I confirm our willingness to negotiate a memorandum of understanding that addresses how we can best work together to advance these nationally significant projects.

Thank you for your support on this important matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Will Hodgman', written in a cursive style.

Will Hodgman MP  
Premier



TASMANIA  
PREMIER OF TASMANIA

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31 OCT 2019

The Hon Scott Morrison MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

The Hon Angus Taylor MP  
Minister for Energy and Emissions Reduction  
Parliament House  
CANBERRA ACT 2600

*Scott + Angus*  
Dear Prime Minister and Minister Taylor

As you are aware, the National Electricity Market (NEM) is undergoing an unprecedented transition from thermal generation, with rapid growth in renewable generation. As the national transmission planner, the Australian Energy Market Operator identified in its inaugural Integrated System Plan that the lowest cost replacement for the retiring capacity in the NEM will be a portfolio of resources, complemented by over 17 gigawatts of storage. Project Marinus and the Battery of the Nation (BotN) projects can contribute significantly to the NEM's anticipated need.

Project Marinus and BotN will deliver significant market and economic benefits. It's estimated these projects will create 2,400 new jobs and inject \$6.5 billion into the Tasmanian economy alone, with economic benefits for Victoria up to \$1.7 billion and around 1800 jobs.

The Tasmanian Government, through its government businesses, has made significant contributions to progress Project Marinus and Battery of the Nation. Commitments from the State of Tasmania for Project Marinus and supporting BotN projects total \$57 million, \$22.5 million of which has been directly committed to Project Marinus.

Given the overwhelming majority of benefits from Project Marinus are expected to flow to NEM regions other than Tasmania, the Tasmanian Government cannot justify a funding scenario in which Tasmanian taxpayers or electricity customers incur additional costs to benefit other NEM regions.

As such, the Tasmanian Government is seeking further commitments to progress the Design and Approvals Phase for Project Marinus to financial investment decision in 2023. With the existing funding provision of \$56 million, unfunded activities are currently estimated to be in the order of \$132 million.

While we absolutely acknowledge there will be notable benefits to our state and energy businesses should these projects be realised, there are risks and Tasmania is seeking further support from your Government to off-set these risks and facilitate the projects successful development.

Tasmania is grateful for the considerable contribution already made by your Government to the advancement of these projects. Your support has helped us to closely examine and assess the case for both projects and the results of this work demonstrate that Marinus and BotN are strongly positioned to support the future needs of the NEM.

It's widely anticipated that this coming summer, Victoria is facing the prospect of brownouts and while Tasmania will help whenever we can, it's true to say that we are constrained in our ability to do more as a result of the single, lower capacity interconnector that currently exists (Basslink). A prospective 1500 megawatt Marinus Link will unlock more of Tasmania's low cost, reliable, clean energy and dispatchable capacity solutions.

It is important to note that beyond the immediate priority of securing a funding commitment, a threshold issue for the Tasmanian Government in making a decision to invest is ensuring a fair pricing outcome for Tasmanian customers. The current pricing framework appears incapable of allowing costs associated with an interconnector to be split in accordance with the customer benefits. Work is being progressed in this area, including consideration of avenues for a possible change to the National Electricity Rules around pricing, but this issue will need to be resolved ahead of the FID for the Tasmanian Government to support the aims for the transitioning NEM.

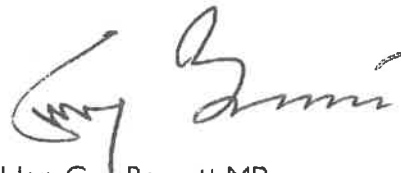
To support our request for additional funding please find enclosed a proposal that details the work required and costs associated to see these projects to financial decision.

I urge you to give this funding proposal your utmost attention and look forward to receiving a positive response.

Yours sincerely



Will Hodgman MP  
Premier



Hon Guy Barnett MP  
Minister for Energy





PREMIER OF TASMANIA

6

5 JULY 2019

The Hon Scott Morrison MP  
Prime Minister  
Parliament House  
P.O. Box 6022  
CANBERRA ACT 2600

### Release of the Project Marinus Business Case Assessment

Dear Prime Minister

In an important step forward, the Tasmanian Government has released the Business Case Assessment (BCA) for Project Marinus today. Please find enclosed a copy of the BCA.

The BCA for Project Marinus represents a critical milestone, demonstrating that the \$3.5 billion, 1500 megawatt interconnector (delivered in two 750 megawatt stages) can provide significant net benefits of between \$600 million and \$3.1 billion to the NEM. This will put downward pressure on prices for customers in Victoria, New South Wales, Queensland and South Australia.

The BCA also shows that there are significant economic benefits that can be realised in regional areas of Tasmania and Victoria from Project Marinus. The broad direct and indirect economic contribution from the development, construction and operation of the project is forecast to be up to \$2.9 billion, supporting up to 2,800 direct and indirect jobs over the peak construction period. The interconnector is also expected to deliver up to a \$5.7 billion economic contribution in Tasmania from resulting renewable generation and storage investment and create up to 2,350 jobs in regional Tasmania over the peak construction period.

The State's funding proposal provided to your Government in early November 2019 outlines the issues with pursuing funding for the design and approvals stage through any avenue other than a Australian Government grant. I seek your assistance to resolve the question of future funding in the coming months.

We acknowledge the considerable contribution made by your Government to progress the project, and note there is a need to move relatively quickly to maintain the option of a 2027 commissioning of Project Marinus by securing funding for the further advancement of this project.

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These projects are a high priority for Tasmania. I note our offices have been working constructively on progressing Tasmania's funding proposal and I look forward to discussing our request with you in due course.

Yours sincerely



Will Hodgman MP  
Premier

cc: Hon Angus Taylor, Minister for Energy, Environment, and Emissions Reduction  
Hon Guy Barnett MP, Tasmanian Minister for Energy



PREMIER OF TASMANIA



16 NOV 2020

Hon. Scott Morrison  
Prime Minister  
Australian Government  
PO Box 6022  
CANBERRA ACT 2600

**Signing of the energy and emissions reduction agreement Memorandum of Understanding (MoU)  
– Marinus Link and Battery of the Nation**

Dear ~~Prime Minister~~, *Scott*

As you would be aware, our Governments have been working together closely to develop an energy and emissions reduction agreement, with the centerpiece of that agreement progressing Marinus Link to Final Investment Decision.

I am pleased to provide you with a signed version of a MoU that contains a schedule for Marinus Link, outlining how our respective Governments will take the project forward. The MoU also contains a schedule for supporting the Battery of the Nation project through the Australian Government Underwriting of New Generation Investment program. Additional schedules can be added to the MoU in due course, with our Governments having had initial discussions in respect of developing a Tasmanian hydrogen industry and supporting emissions reduction projects.

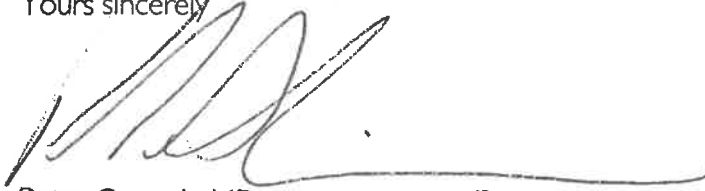
The Marinus Link schedule provides a significant contribution of funding from both Governments, with the Australian Government providing \$93.9 million and the Tasmanian Government providing \$39 million. As per the *Project Agreement for Marinus Link* exchange of letters on 24 February 2019, we are seeking a commitment from you that the Australian Government funding under schedule B of the MoU will not impact any existing arrangements between the Commonwealth and Tasmania, and will also be exempt from the calculations undertaken by the Commonwealth Grants Commission for the purpose of determining the distribution of the GST. This has been discussed and agreed by our respective Energy Ministers and the Minister for Finance, and in the interest of time I have signed the attached MoU on the basis of the above being agreeable. I would appreciate written confirmation from you on this matter.

The attached MoU is the product of ongoing close negotiations between our Governments and I ask that, subject to you providing the confirmation requested above, you co-sign the attached MoU formalising the commitments from both our governments to these critical energy projects. I thank you, together with the Hon. Minister Angus Taylor MP, Hon. Minister Barnett MP and respective Departments, for the ongoing support.

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My office will be in touch with your office to coordinate the announcement of the MOU.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Gutwein', with a long horizontal flourish extending to the right.

Peter Gutwein MP  
**Premier**

CC Hon. Minister Angus Taylor (Australian Government), Hon. Minister Guy Barnett (Tasmanian Government).



Australian Government

Tasmanian  
Government

# 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 [DRAFT 4 November 2020]

## 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.

- 9
- 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.

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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





Australian Government



## Signatures

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

\_\_\_\_\_  
15.11.2020  
*Date*

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# 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.
  - h.

## 2. Project Purpose

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- 3.1 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 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 This Parties agree to work towards a target date of 31<sup>st</sup> March 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 Q4 2020 to the Commonwealth Government 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 Government 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 Government will consider, as part of investigations under 2.2 and 2.3, a capacity upgrade to Tarraleah Power Station.





PREMIER OF TASMANIA

10

20 NOV 2020

Hon. Scott Morrison  
Prime Minister  
Australian Government  
PO Box 6022  
Canberra ACT 2600

Dear Prime Minister, *Scott,*

**Signing of the energy and emissions reduction agreement Memorandum of Understanding (MoU) –  
Marinus Link and Battery of the Nation – Revised version**

I have attached a revised version of the MoU correcting some minor formatting and typographical issues that were brought to my attention. The attached version does not change the substantive content or policy commitments from the MoU that I had previously signed and sent to you.

Per my prior letter, I am advised you are progressing a letter of comfort that funding under Schedule B of the MoU will not impact any existing arrangements between the Commonwealth and Tasmania, and will also be exempt from the calculations undertaken by the Commonwealth Grants Commission for the purpose of determining the distribution of the GST.

My office will be in touch with yours to coordinate the announcement of the MOU.

Yours sincerely,

Peter Gutwein MP  
Premier

CC Hon. Minister Angus Taylor (Australian Government), Hon. Minister Guy Barnett (Tasmanian Government).







# 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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- The Commonwealth of Australia (the Commonwealth)**
- The State of Tasmania (the State)**

### Context

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- 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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- 1.2 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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- 3.2 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.

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**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



**Australian Government**

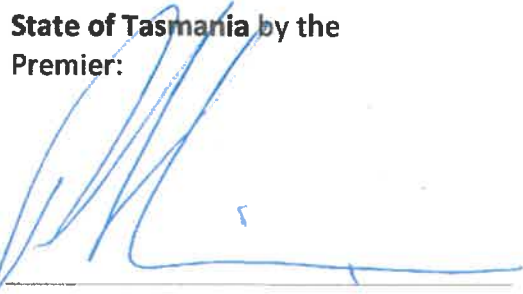


## Signatures

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

*Date*

20-11-20

# 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 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.

11

## 4. Actions

### 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 31<sup>st</sup> March 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

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## 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 Q4 2020 to the Commonwealth Government 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 Government 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 Government will consider, as part of investigations under 2.2 and 2.3, a capacity upgrade to Tarraleah Power Station.





12

PRIME MINISTER

Reference: MC20-174686

15 DEC 2020

The Hon Peter Gutwein MP  
Premier of Tasmania  
GPO Box 123  
HOBART TAS 7001

Dear Premier

Thank you for your letters dated 16 November 2020 and 20 November 2020 providing me with a version of the Tasmanian Energy and Emissions Reduction Agreement, including actions to progress the Marinus Link and Battery of the Nation projects.

I look forward to signing the Agreement with you in person when I visit Tasmania.

My Government is pleased to work with your Government to progress Marinus Link. This transformational project will unlock new electricity generation and storage in Tasmania, helping to lower prices and increase reliability in the National Electricity Market. This critical transmission project will also boost the Tasmanian and Victorian economies, including by creating thousands of jobs.

I note the new Commonwealth contribution to Marinus Link through this Agreement will not impact any existing arrangements between the Commonwealth and Tasmania, and for the avoidance of doubt, the contribution will be exempt from the calculations undertaken by the Commonwealth Grants Commission for the purposes of determining the distribution of the GST.

I look forward to our Governments continuing to work together to identify opportunities to deliver energy and emissions reductions initiatives in Tasmania.

I have copied the Treasurer, the Hon Josh Frydenberg MP, and the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP, into this response.

Yours sincerely

SCOTT MORRISON



14



PREMIER OF TASMANIA

27 JUL 2021

The Hon Scott Morrison MP  
Prime Minister of Australia  
Parliament House  
CANBERRA ACT 2600

The Hon Angus Taylor MP  
Minister for Energy and Emissions Reduction  
Parliament House  
CANBERRA ACT 2600

*Scott + Angus*  
Dear Prime Minister and Minister Taylor

We are writing to you regarding support for the redevelopment of the Tarraleah Power Station under the Commonwealth-Tasmania Bilateral Energy and Emissions Reduction Agreement, an updated version of which is currently being progressed by our respective departments.

As per our previous discussion and the in-principle agreement we have reached, we seek to confirm the Australian Government will provide support for a redeveloped Tarraleah to be delivered through:

- \$65 million in Commonwealth funding for Hydro Tasmania to ensure the commercial viability of the project in the absence of certainty regarding additional interconnection between Tasmania and the rest of the NEM; and
- an underwriting agreement for the \$700 million redevelopment to support Hydro Tasmania to use its balance sheet to bring this project to fruition.

The redevelopment will double the installed capacity at Tarraleah to 220 MW, and provide peaking duration for up to 24 hours with 5 GWh stored energy.

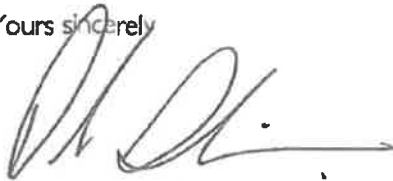
Hydro Tasmania expects the redevelopment, a key part of its *Battery of the Nation* initiative, can achieve Final Investment Decision (FID) in the second half of 2023, subject to a positive FID on Marinus Link, with the main construction period from 2024 to 2027 and operational by 2027-28.

With the earliest commissioning of the first 750MW of Marinus Link also due in 2027-28, ensuring the timely delivery of a redeveloped Tarraleah power station will maximise the value of these initiatives in delivering clean, reliable energy to the NEM and place downward pressure on energy prices.

Assuming an updated bilateral agreement can be reached by end September 2021, providing among other things the required support for Tarraleah, Hydro Tasmania expects early works on the redevelopment can commence by end of 2021. This would result in 100 local construction jobs by mid-2022, with the project serving as an early demonstration for the renewable energy opportunity, investment and jobs that can flow from the successful commitment of Marinus Link.

We look forward to continuing to work with the Australian Government in securing the future of our renewable energy sector and supporting the national energy transition.

Yours sincerely



Peter Gutwein MP  
Premier



Guy Barnett MP  
Minister for Energy and Emissions Reduction



PREMIER OF TASMANIA

15

- 7 DEC 2021

The Hon Scott Morrison MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear ~~Prime Minister~~ *Scott*

As you aware, since signing the Memorandum of Understanding with yourself on Project Marinus in December 2020, our officials have been working cooperatively together to come to a resolution on a number of matters critical to the project's future.

I know we both share the vision for Project Marinus as a project of national significance that leads to lower electricity prices and supports Australia's transition to renewable energy by unlocking access to Tasmania's low cost, reliable, and clean energy. I believe we have now reached a critical juncture specifically relating to the Project's revenue model, which has acute implications for the capacity to advance the Project.

The State has been very clear since the outset that we cannot proceed with the Project without achieving a fair cost allocation, and as you would be aware, the current regulatory arrangements do not allow for the costs of Project Marinus to be fairly allocated among customers, and efforts to achieve fair cost through ENCR processes have not progressed. I understand the Department of Industry, Science, Energy and Resources has undertaken work to identify alternate revenue models for the Project, however, after significant consideration of these models our view is that they do not align to the commitment to achieve fair cost in the MoU.

Due to the national benefits Project Marinus would deliver, we would consider as an alternative to fair cost, an underwriting role by the Commonwealth that would protect Tasmanian customers from any significant impact on their electricity bills from the Project. The State would also welcome a Commonwealth commitment to achieve fair cost through an alternative mechanism, such as an AEMC rule change, but noting the State would require certain guarantees to ensure the Project can be advanced while these pathways are worked through.

I appreciate the strong support that the Commonwealth Government has continued to provide the Project, including the initial \$56 million in funding agreed in February 2019. I note that the State has contributed its \$39 million share to the project under the MoU for the advancement of the current design and approvals phase, while the \$93.9 million MoU commitment from the Commonwealth remains outstanding. Confirmation from the Commonwealth on the timing and nature of its funding commitment must be provided to ensure the project can proceed at pace to FID. Related matters such as confirmation of ownership to commissioning are also essential to ensure tender decision gates in 2022 are not delayed.

On a related matter, the case for Marinus in Tasmania is underpinned by the efficient development of renewable energy resources, including wind and pumped hydro. Importantly, there is a Bilateral Agreement between the State of Tasmania and the Commonwealth to enable coordinated environmental assessments and approvals for such projects. It has been brought to my attention by UPC Renewables that it has been experiencing delay and rework in its environmental assessment process relating to Commonwealth approvals, and I have attached a copy of that correspondence.

Despite the purpose of the Bilateral agreement, I understand the Commonwealth environmental regulator continues to make duplicative requests of the proponent and conflicting conditions of approval. In order to achieve our world leading Tasmanian Renewable Energy Target it is imperative that projects in Tasmania are given every opportunity to succeed. In this respect, I seek your assistance to ensure the intent of the Bilateral is delivered upon.

The transition to net-zero requires all jurisdictions to play a part and Tasmania has the ability to do just that. I reaffirm our commitment to helping the nation to deliver a least cost transition to renewables and seek your support to helping Tasmania's clean, reliable and low cost offerings becoming a reality.

Yours sincerely



Peter Gutwein MP  
Premier

copies: Hon Guy Barnett MP  
Minister for Energy and Emissions Reduction

Hon Angus Taylor MP  
Minister for Industry, Energy and Emissions Reduction

Attachment





PRIME MINISTER

redacted  
version

Reference: MC21-149292

24 December 2021

The Hon Peter Gutwein MP  
Premier of Tasmania  
Level 9, 15 Murray Street  
HOBART TAS 7000

Dear Premier

Thank you for your Letter dated 7 December 2021 regarding the Marinus Link project. I was pleased to meet with you on 17 December 2021 but time did not allow us to discuss the project.

The Marinus Link project will benefit both Tasmania and the National Electricity Market (NEM) more broadly. By enabling the export of Tasmania's dispatchable and renewable energy resources to mainland regions, Marinus Link will support the long-term transition of the National Electricity Market. I note the Australian Energy Market Operator recently reaffirmed the project's net benefits to consumers in its draft 2022 Integrated System Plan.

As you are aware, my Government has a long-standing commitment to Marinus Link and has provided significant support towards its development. This has included:

- A \$56 million grant for early works provided under the *Project Agreement for Marinus Link*.



- Progressing fair cost allocation for transmission investment through the Energy National Cabinet Reform Committee (ENCRC) and including this issue on the ENCRC 2022 Purpose and Work Program.

Regarding the cost recovery of Marinus Link, the Commonwealth remains committed to progressing revised cost allocation arrangements. However, I am advised reform of the current transmission investment framework, either through the ENCRC or through an AEMC rule change, is unlikely to present a viable way forward in time for a final investment decision to be taken on the project in 2024.



In light of this, Commonwealth officials have proposed the project adopt a hybrid approach. The project would progress through the existing cost recovery framework, with any additional costs of Marinus Link to Tasmanian consumers to be offset by additional returns from Tasmanian generators.

s.34

In the Commonwealth's view, this hybrid approach remains the best way to see the project realised. It safeguards the interests of Tasmanian consumers, enables generators, in particular Hydro Tasmania, to access significant additional returns, and creates thousands of jobs, both through the development of Marinus Link and additional generation projects. Without Marinus Link these opportunities would be lost.

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If such an approach is agreeable, I propose details of the arrangement be finalised between our respective Energy Ministers and their departments, supported by independent third party analysis and advice. This work would proceed alongside continued cooperation with Tasmania to progress fair cost allocation reforms. Arrangements should then be reflected through an updated Schedule to the *Commonwealth-Tasmania Bilateral Energy and Emissions Reduction* in the first quarter of 2022.

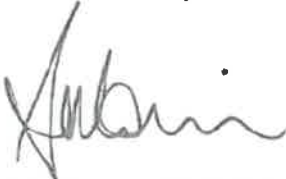


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s.34 This assistance will be provided under the *Federal Financial Relations Act 2009* and structured against agreed project milestones. I understand our respective Energy Ministers' departments are well progressed in developing the payment schedule to ensure that Hydro Tasmania is able to begin the early works as soon as possible.

Yours sincerely



SCOTT MORRISON





18

PRIME MINISTER

Reference: MC22-026457

19 March 2022

The Hon Peter Gutwein MP  
Premier of Tasmania  
Level 9, 15 Murray Street  
HOBART TAS 7000

Dear Premier

Thank you for your ongoing constructive engagement regarding the partnership between the Australian and Tasmanian Governments on Marinus Link.

Further to my letter of 24 December 2021, you proposed a revised arrangement for Marinus Link support. I am pleased to advise that, consistent with your revised proposal, the Commonwealth will provide grant funding of up to \$75 million to the Tasmanian Government in place of a Commonwealth company and underwriting. This will support the Tasmanian Government to deliver the Design and Approvals (D&A) phase of the Marinus Link project (on and offshore) to Final Investment Decision (FID). This represents fifty per cent of expected D&A phase costs, based on advice Commonwealth officials received from your department.

To support timely delivery of these important works, this arrangement under the Federal Financial Relations Framework will be subject to governance provisions, including:

- Establishment of a Joint Ministerial Governance Committee (the Committee), co-chaired by the Federal and State Energy Ministers to provide strategic direction and project oversight, supported by a Senior Officials Group and an industry technical reference panel.
- Funding milestones attached to the completion of project delivery milestones, assessed by Commonwealth officials and actively monitored by the Committee.
- Contracts and undertakings of a certain magnitude being reported to the Joint Ministerial Governance committee and Senior Officials Group in advance, and ongoing 'open book' access to the project budget.
- Continued project monitoring and full project oversight by the Commonwealth, including regular officials meetings, and monthly project updates.

- Agreement to appoint Commonwealth nominees to the Marinus Link Pty Ltd Board to reflect our 50 per cent investment in the project. This is an important part of reflecting the importance of this project to the Commonwealth and the broader national electricity market and will demonstrate the enduring commitment of the Australian and Tasmanian governments to work partnership on this critical project. We would be grateful for your advice as to how this governance mechanism can be appropriately accommodated.

The Australian Government appreciates the critical importance of this project, both to Tasmania and the wider electricity market, and our commitment to Marinus is long-term. Therefore, in addition to this pre-FID support, we will consider financing the project beyond FID to ensure Marinus is built, subject to the business case demonstrating an adequate return on investment and the absence of sufficient private financing interest.

I understand that the Tasmanian Government intends to submit a cost allocation rule change to the Australian Energy Market Commission for the Marinus Link project. The Australian Government would also be pleased to support this rule change, subject to appropriate consultation.

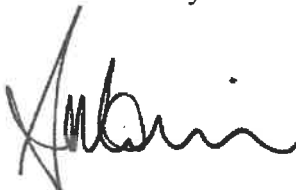
In addition to our continued commitment to Marinus Link, the Commonwealth will provide \$65 million to progress early works for the Tarraleah upgrade as part of Tasmania's Battery of the Nation initiative.

To settle these funding arrangements for Marinus Link and the Tarraleah upgrade, the Minister for Industry, Energy and Emissions Reduction will negotiate and sign the Project Agreement under the Federal Financial Relations Framework on behalf of the Commonwealth.

The total Australian Government funding commitment of \$206 million for these projects will help ensure the reliability and affordability of the National Electricity Market by enabling the export of Tasmania's dispatchable and renewable energy resources to mainland regions.

Given the importance of these projects I trust that this agreement can be settled through an updated Commonwealth – Tasmania Bilateral Energy and Emissions Reduction Agreement to reflect our continued partnership and ongoing commitment to the Marinus Link and Battery of the Nation projects.

Yours sincerely



SCOTT MORRISON





TASMANIA  
PREMIER OF TASMANIA

19

22 MAR 2022

The Hon Scott Morrison MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister *Scott,*

Thank you for your letter of 19 March 2022 regarding additional Australian Government support for Project Marinus and Battery of the Nation.

The Tasmanian Government is pleased to receive your proposal. We support, in-principle, the approach outlined in your letter, particularly the funding arrangements for both Project Marinus and the Tarraleah redevelopment as well as the Australian Government's support for a rule change to address the fair cost allocation issue for Marinus Link.

It is also pleasing to see that the Australian Government will continue to take a strong role to support these Projects so that they can progress to Final Investment Decisions. Both of our Governments are committed to taking these major projects forward for the benefit of the National Electricity Market.

I am confident that we will be able to work through the matters raised in relation to governance, funding milestones and reporting requirements in a timely manner. I understand our respective Departmental officials have already commenced discussions to formalise these arrangements as soon as possible.

Yours sincerely,

Peter Gutwein MP  
**Premier**

