

1 April 2024

To: Treasury, Industry and Infrastructure Branch, Labour Market, Environment, Industry and Infrastructure Division

By email: NuisanceTariffs@treasury.gov.au

Re: Nuisance Tariffs

To Whom It May Concern

We request that tariff Codes 8507.60 and 8507.80 in relation to Lithium-Ion (**Li-Ion**) accumulators and energy storage systems be added to the list of nuisance tariffs and be abolished as soon as possible. These Codes capture utility scale Battery Energy Storage Systems (BESS) imported from North America which are critical infrastructure for the Australian electricity network and have annual value measured in billions of dollars. Until recently, these were covered by a tariff concession order (**TCO**), which was revoked via decision published by the Commonwealth on 06 December 2023 (**TC 23/46**).

Sosteneo Infrastructure Partners (**Sosteneo SGR**) is a fund manager founded by energy professionals, dedicated to the development, construction, operation and long-term ownership of energy transition assets across Europe and Australasia. Sosteneo SGR manages an infrastructure investment fund in partnership with the Generali Group, a European Insurance company with more than EUR500B in assets under management.

Since our launch in 2023, we have acquired greenfield projects constituting over 2.2GW of BESS capacity across Europe & Australia. These projects include the Koorangie Energy Storage System (**KESS**). KESS is a 185MW/370MWh Victorian State Significance Project and is contracted by AEMO to provide system strength services to the Victorian grid in support of the energy transition.

We also recently announced a partnership with Enel on one of the largest platforms of firming assets in Europe (large scale batteries and open cycle gas turbines), demonstrating our commitment to be at the forefront of the energy transition. As an organisation focused on new build, greenfield assets, we understand what it takes to deliver new energy infrastructure and we are dedicated to decarbonising the energy system.

Given the far-reaching implications of tariff Codes 8507.60 and 8507.80 on utility scale BESS, we outline our objection to these tariffs below.

Why tariffs on Li-Ion BESS should be abolished

1. A 5% tariff on affected BESS would in aggregate likely equal or exceed the \$120 million in annual budgeted savings for consumers from the nuisance tariffs measure. These additional costs will feed directly into consumer energy bills if not eliminated.
2. BESS are a critical part of the energy transition infrastructure. Any increase in costs will slow the decarbonisation of the energy system, at a time the industry is experiencing supply chain disruption and increased capital costs. This is clearly misaligned with Government Policy.
3. Investor and OEM certainty: margins are thin for all infrastructure players in the energy transition, which is very much in the interests of energy consumers. Contracts are usually negotiated and signed years in advance. What is effectively a new tariff, as a result of the revocation of the TCO with immediate effect, clearly makes Australia a less attractive destination for investment. Long term, it will increase the risk premium for investing in Australia.

4. While we are sympathetic to the difficulty facing Australian BESS manufacturers which compete with imports, the 5% tariff is manifestly insufficient support, especially since we understand it does not apply to BESS imports from China. Other ways to support fledgling Australian manufacturers in this sector need to be found. In fact, this would fall within ARENA's remit, so there already is a policy mechanism in place.
5. The only Australian manufacturer of BESS of which we are aware, Energy Renaissance, does not currently provide a viable solution into the utility scale market. See below for a comparison with the most common affected solution, supplied by Tesla. It is not appropriate for the tariff codes to impact the utility scale BESS market when Energy Renaissance is not capable of servicing the market.

	Energy Renaissance (ER)	Tesla
Product Name	SuperRack Twin	MegaPack 2XL
Energy Capacity	153 kWh	3,900 kWh
Dimensions (D x W X H) mm	775 x 552 x 2200	1659 x 7125 x 2516
Largest Project commissioned	3.8 MWh	450 MWh
Project Type	Private Dairy Farm ¹	VicGrid via National Connections ²
Origin of Battery Cell	3rd Party ³	3rd Party
Battery Module Production	Australia	USA

We thank you for considering this matter and would be glad to provide additional information or otherwise collaborate.

Kind regards,

Ivor Frischknecht

Managing Partner

¹<https://energyrenaissance.com/recent-projects/>

²<https://victorianbigbattery.com.au/>

³<https://energyrenaissance.com/technology/>