Implications of the 2025 state election for a final decision on Project Marinus

Dear Candidate

We are writing to you about an imminent decision to proceed with Project Marinus. This is likely to be a $5 billion decision, with a disproportionate part of this cost being borne by Tasmanian electricity consumers. Yet it has been subject to very little public information and debate.

Prior to the calling of the state election, the Treasurer and the Energy Minister had indicated that a 'whole of state business case' would be released at least a month prior to a final decision to proceed being made by the state government on Stage 1 of the project. This decision was expected to be made in July 2025.

The calling of the state election has introduced a number of additional complications:

- **Shareholding Minister**: The final decision is expected to be made by a unanimous decision of the three relevant shareholding ministers – the Australian, Victorian and Tasmanian energy ministers. The holder of the Tasmanian ministry may change after the election results are finalised and cabinet appointments are announced. If there is not a clear-cut major party win in the election this may take some time.
- **Caretaker conventions**: it is not clear what decisions can be made and what information can be released to the public before the election result is finalised.
- **Public engagement**: It will be even more difficult to engage in public debate on the complex issues in making a decision on Marinus Link in the middle of an election campaign.
- **Proroguing of Parliament**: With the proroguing of Parliament, the Joint Select Parliamentary Committee on Energy Matters has been dissolved. This committee has held extensive public hearings and received over 40 submissions, many of them relevant to Project Marinus. With the dissolving of the Committee there will be no final report of the Committee which would have put a lot of relevant information in the public domain.

We believe the recommendations in the attached are a minimum requirement for a transparent process on this decision which has major financial implications for Tasmanians that will last for up to 40 years.

We urge all candidates to endorse at least the minimal requests for transparency.

Please contact Jack Gilding at **jack.gilding@backroad.com.au** or 0407 486 651 if you would like more information or a personal briefing on these issues.

Margaret Taylor, Chair,
Climate Action Hobart

Margaret Steadman, Secretary
Climate Tasmania

Sharee McCammon,
Co-convenor, Tasmanian
Climate Collective

Marinus Link and the Tasmanian state election

What is Marinus Link and how is it managed?

Marinus Link was originally a TasNetworks project. It is now a separate company, Marinus Link Pty Ltd (MLPL), owned by the energy ministers of Australia, Tasmania and Victoria with agreements on cost sharing between the jurisdictions.

It was originally proposed as two 750 MW cables linking Tasmania and Victoria. As a result of a doubling of the estimated cost, the current proposal ("Stage 1") consists of a single 750 MW cable and associated on-land infrastructure in both Tasmania and Victoria. The total cost of this first stage of the project is expected to be in excess of $5 billion[1].

The project is separate to, but inter-dependent with, the TasNetworks **North West Transmission Developments** (NWTD) project. The NWTD would be totally owned by TasNetworks and costs would be recovered from Tasmanian electricity consumers in addition to the cost of Marinus Link.

The board of MLPL has recommended a final investment decision (FID) for Stage 1, but the final decision to go ahead is expected to be made by a unanimous decision of the three relevant shareholding ministers.

The current Tasmanian state government has given a commitment to release a 'whole of state business case' (WoSBC) at least a month before this decision is made.

> **The business case should be available publicly for at least a month *after* the election before a final decision is made by the state government.**

Problems with the claimed consumer benefits

We are regularly assured that Marinus Link has many benefits for Tasmanians, including cheaper electricity. Other claimed benefits include the construction jobs, lower costs for generators in the National Electricity Market and a contribution to the decarbonisation of the national electricity supply.

The existing claims by MLPL about the benefits to Tasmanian electricity consumers are based largely on modelling undertaken by FTI Consulting and are likely to be repeated in the WoSBC.

> **The full advice from the board of MLPL to the state government should be released alongside the business case.**

The FTI modelling has several serious limitations.

Around half the costs are estimated rather than based on market-tested quotes. The national regulator (the AER) has not yet made a final decision on whether all the expenditure is justified. The FTI claimed benefit assumes a cost of $2.4bn over 20 years for one Marinus cable, including the associated transmission lines in Tasmania. Yet this is effectively half the likely actual cost because the analysis spreads the capital cost of the project over 40 years[2].

---

[1] The AER estimates (Issues Paper, p.9) a regulated asset base (RAB) of $5,051.3m at the point that consumers start paying for Marinus Link in 2030. This includes the already approved Early Works proposal, the estimated Stage 1 costs of $3.8 billion, and capitalised return on the RAB during construction. This does not include the approximately $900m of the TasNetworks NWTD.

[2] The implied total cost of $4.8bn presumably includes the approved Early Works, the Stage 1 estimated cost of $3.8bn and $900m of NWTD. If so, this includes no interest and no operating expenses. A more accurate approach would be to take the AER estimated cost of $5.05bn and the NWTD cost and apply the AER formula for allowed return on RAB, taking into account the impact of proposed concessional finance from the CEFC.

The FTI report assumes that Tasmania will see a large increase in electricity demand from 2030 onwards, mainly due to hydrogen production. This increased demand is assumed to exist even in their 'world without Marinus' calculations. This in turn leads to higher modelled wholesale prices without Marinus because this demand is modelled to be met by increased use of gas-fired generation and imports from Victoria. In fact the increased demand is not expected to materialise if Marinus is not built.

> **The counter-factual (no Marinus) case should be based on a likely scenario in which the NWTD and other investments that are contingent on Marinus do not occur.**

In calculating the assumed benefit, FTI compares cost to consumers (which is definite if Marinus is built) with modelled wholesale energy cost reductions (which are notoriously difficult to predict).

> **When claiming a benefit to Tasmanian consumers, the business case should separately document the likely costs and the modelled benefits.**

Documented costs to consumers should include the AER allowed cost recovery on Marinus Link, the cost recovery on the NWTD and the cost recovery on Basslink as a regulated interconnector.

By presenting the results of the modelling as indicating a net benefit to consumers with Marinus compared with a no-Marinus scenario, the impression is given that Marinus will reduce prices. In fact the claimed benefit is that the increase in costs will be lower with Marinus than without.

MLPL proposes that 27.6% of the costs will be met by Tasmanian electricity consumers and the remaining 72.4% from Victorian consumers once cost recovery starts in 2030. This is despite the fact that Victoria has 92% of the combined population of the two states. On top of this disparity, over $900m of transmission developments in Tasmania will be paid for totally by Tasmanian consumers, yet most of this development is only necessary to support Marinus and the projects it is expected to facilitate.

MLPL is also proposing that most of the risk of contingencies and cost over-runs (as well as the benefits of far less likely savings) be borne by consumers rather than the company.

Does Tasmania have surplus renewable electricity to export?

FTI's modelling is based on the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP). The ISP assumes that additional generation will be built to meet the legislated Tasmanian Renewable Energy Target of 200% renewable electricity generation. This is despite the fact that no new wind farms or other large scale renewable energy project have been commissioned in the over four years since the legislation came into effect.

By assuming that substantial additional generation will occur in Tasmania without additional cost to consumers (beyond the wholesale cost of electricity generated), the modelling creates a supposed surplus of generation which justifies construction of Marinus to export this energy to the mainland. In reality, due to lower rainfall and lack of new investment, Tasmania has currently fallen below being even 100% self-sufficient in electricity generation.

Implications of the Basslink decision

Basslink is the existing 500 MW cable linking Tasmania and Victoria. Basslink was recently purchased by the publicly listed APA Group. APA applied to the Australian Energy Regulator (AER) to convert Basslink to a regulated interconnector. At present the costs and benefits of Basslink rest with APA. The previous owners of Basslink signed an agreement with Hydro Tasmania which, for a set fee, allowed Hydro Tasmania to accrue the benefits of the use of Basslink.

AER has just (26 June) **agreed for Basslink to be converted** to a regulated interconnector. As a result the capital and operational costs will be passed to electricity consumers in Victoria and Tasmania and any approved body will be able to use the interconnector. This has two implications; consumers will be paying for two interconnectors if Marinus is approved, and the ability to benefit from price differences between Victoria and Tasmania will be shared between the two interconnectors.

> **The business case should quantify the likely implications of the decision taken by the Australian Energy Regulator that the existing Basslink cable should be converted to a regulated interconnector.**

The AER previously made a draft decision against Basslink becoming a regulated interconnector. This was based on an assessment that it was not clear that the benefits to consumers would outweigh the costs. This was with a proposed price of $831m for a 500MW link. This draft decision was opposed by some parties and endorsed by others.

The AER draft decision did increase the doubts about the claimed consumer benefit of Marinus. MLPL assure us that a project with a cost four to six times higher for a link only 50% bigger would be a benefit to consumers. The statement that the decision to convert Basslink to a regulated interconnector based on consumer benefit "is finely balanced" is repeated in the AER's final decision.

Summary and requested action

In summary, the Tasmanian government is poised to commit energy consumers to paying for a project where the final cost and benefits are unknown and the risks are almost entirely borne by electricity consumers from 2030 onwards, and disproportionately by Tasmanian consumers.

Candidates in the forthcoming election are encouraged to support at least the minimal recommendations for transparency on this important decision as outlined above and to ensure that these arrangements are implemented once a new state government is formed.