BULLETIN

20 February 2024

Australia: electricity supply investment, an update. Projects continue to progress through the approval process to the "definite stage".

Here we provide a brief refresh on infrastructure projects investing in Australia's electricity power generation - where the focus is on the switch to renewable energy.

This follows on from our earlier article, published in late 2023.

["Australia: electricity supply investment, renewables focus".]

Projects progressing through the investment pipeline.

The pipeline of investment projects in the electricity power generation sector was a reported $104bn at end 2023. (Source, Deloitte Access Economics, "Investment Monitor".)

That is all but unchanged from $105bn three months earlier.

Significantly, projects continue to progress through the approval process, advancing from "potential" projects to the "definite" stage (that is, to "committed" or "under construction").

The value of definite projects rose to $38bn at end 2023, up from $27bn a year earlier and from $20bn two years prior.

As noted in our earlier piece, this rise partly reflects cost escalation of the Snowy Hydro scheme. Of the $17.8bn increase in definite projects over the past two years, some $6.5bn is due to the rising cost of Snowy (which is now at an estimated $12bn).

In the December quarter, the $3bn Goyder South renewables zone project progressed from under consideration to under construction.

Electricity projects at the potential stage are currently valued in the Investment Monitor at $66bn, broadly unchanged from a year ago but up from $46bn at end 2021.

Electricity supply, construction work up sharply

Official ABS data confirms that the growing pipeline of electricity supply projects is translating into a marked lift in investment activity.

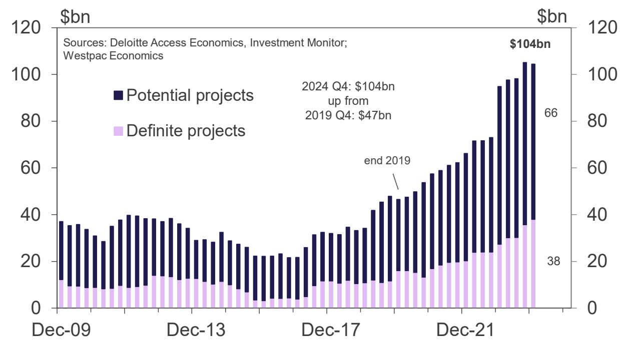
Electricity activity has emerged as the single largest segment within private non-mining infrastructure, at $3.3bn for the September quarter 2023 (36% of the $9.3bn total). The September outcome of $3.3bn, in nominal terms, is some 31% higher than two years earlier.

The pipeline of work outstanding on existing private electricity projects has jumped from $5bn in mid-2022 to $11.9bn in September 2023, as construction activity fails to keep pace with new starts.

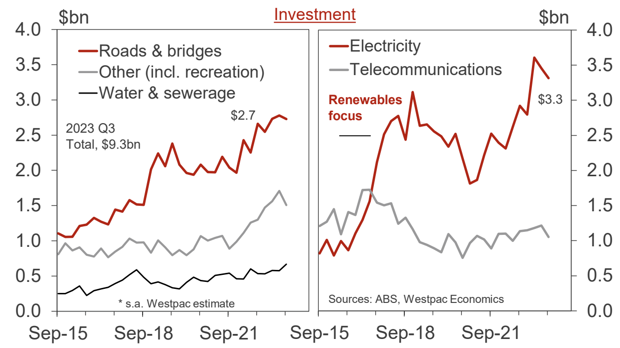
For public electricity projects, activity is also trending higher, but off a lower base, lifting to $1.8bn in the September quarter 2023, a 69% increase on two years earlier. The pipeline of work outstanding remains elevated, reported by the ABS to be $4bn, which is centred on the slow moving Snowy project.

Andrew Hanlan, Senior Economist

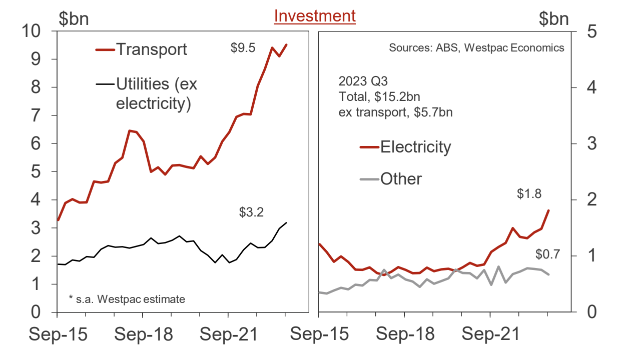
Electricity projects progressing to definite stage



Infrastructure activity: *private non-mining*



Infrastructure activity: *public*



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