MEDIA BRIEFING

The Economic Cost of the Coalition's Proposed 2km Clean Energy Setback

Clean Energy Council | June 2026

The Victorian Coalition has proposed a mandatory 2km setback between clean energy projects (including wind farms, solar farms and batteries) from dwellings. The Clean Energy Council commissioned a map to demonstrate the impact on available land and further produced analysis which quantifies what this policy would cost Victoria in foregone investment, jobs, and community income. In addition, we look at the detrimental impact similar setback policies have had in the past.

At a glance: what is at stake

26,000
Full-time equivalent job-years at risk by 2035, ~75% in regional Victoria

$3.9 billion
In wages that would not flow into Victorian communities

$3.2 billion
In local procurement opportunities foregone across Victorian REZs

$213 million
In landholder and community benefit payments at stake by 2035

$93 million
In Payments in Lieu of Rates (PiLoR) that local councils could lose over the next nine years

Jobs and wages

New wind and solar projects within Victoria's Renewable Energy Zones are projected to create 26,000 full-time equivalent job-years by 2035 — the majority in short-term construction and installation roles located in regional Victoria.

Wages for these roles are projected to reach $3.9 billion by 2035. Operations and maintenance roles, which are ongoing, account for a smaller share but provide long-term, stable regional employment. A 2km setback, by sterilising approximately 70 per cent of available land for wind development, puts this pipeline at risk.

Local procurement and business investment

Direct investment in local businesses through procurement during REZ project construction is estimated at $3.2 billion by 2035. This includes spend on goods, services, and contractors sourced from Victorian businesses — often from the communities closest to project sites.

Council rates: PiLoR

Local governments receive income from renewable energy generators through Payment in Lieu of Rates (PiLoR), which the Victorian Government sets on both a per-project and per-megawatt basis. New wind and solar projects are projected to contribute $12.85 million annually to local councils by 2035.

Cumulative PiLoR payments from REZ generation projects are projected to reach $93 million over the next nine years. This is income foregone by regional councils — not a cost imposed on them — in the event the pipeline does not proceed.

Landholder and community payments

Renewable energy projects pay directly to host landholders and regional communities. By 2035, cumulative payments are estimated at $213 million, broken down as follows:

- $179 million to host landholders
- $33 million to regional communities and councils through benefit sharing

These payments are a direct income stream for farming families and rural communities. A 2km setback would remove the majority of host properties from eligibility, cutting off this income source.

Victoria has tried this before

A mandatory 2km setback is not a new idea for Victoria. Victoria operated this regime from 2011 (Amendment VC82) and it applied to wind turbines. The outcome was documented and unambiguous: new wind project development effectively halted in the state. The policy was later wound back to the current 1km consent framework.

The proposed Coalition policy would extend a 2km setback to all clean energy projects — making Victoria the most restrictive clean energy jurisdiction in Australia. For wind specifically, the comparable international regimes that have been tested were abandoned because of their impact on investment:

- Bavaria's 10H rule (~2km equivalent) caused wind investment to collapse; it was wound back in November 2022.
- Poland's equivalent 10H rule was removed in 2023.
- Both relaxations were driven by the same evidence: severe restrictions on setbacks do not reduce community concern — they destroy investment pipelines.

How Victoria's proposed wind setback compares internationally

The table below shows current wind energy setback regimes across Australian NEM jurisdictions and comparable international markets. The proposed Coalition setback applies to all clean energy projects — the wind comparison illustrates that even for the technology it was originally designed around, 2km is an outlier.

Jurisdiction	Setback distance	Mechanism
Victoria (proposed Coalition policy)	**2,000 m**	**Mandatory**
Victoria (current)	1,000 m	Consent threshold
NSW	1,000–2,200 m	Sliding scale by turbine height
South Australia	1,500–2,000 m	Prescribed
Queensland	~1,500 m (practice)	Acoustic-based
Denmark	~880 m	Statutory
Germany (most states)	≤1,000 m	State cap
Bavaria (10H — now relaxed)	~2,000 m	Wind investment collapsed; rule wound back 2022

A 2km mandatory setback would place Victoria roughly double South Australia's standard, 2.3 times Denmark's statutory rule (the European country with the most operational wind capacity per capita), and more restrictive than NSW.

Land sterilisation: what the maps show

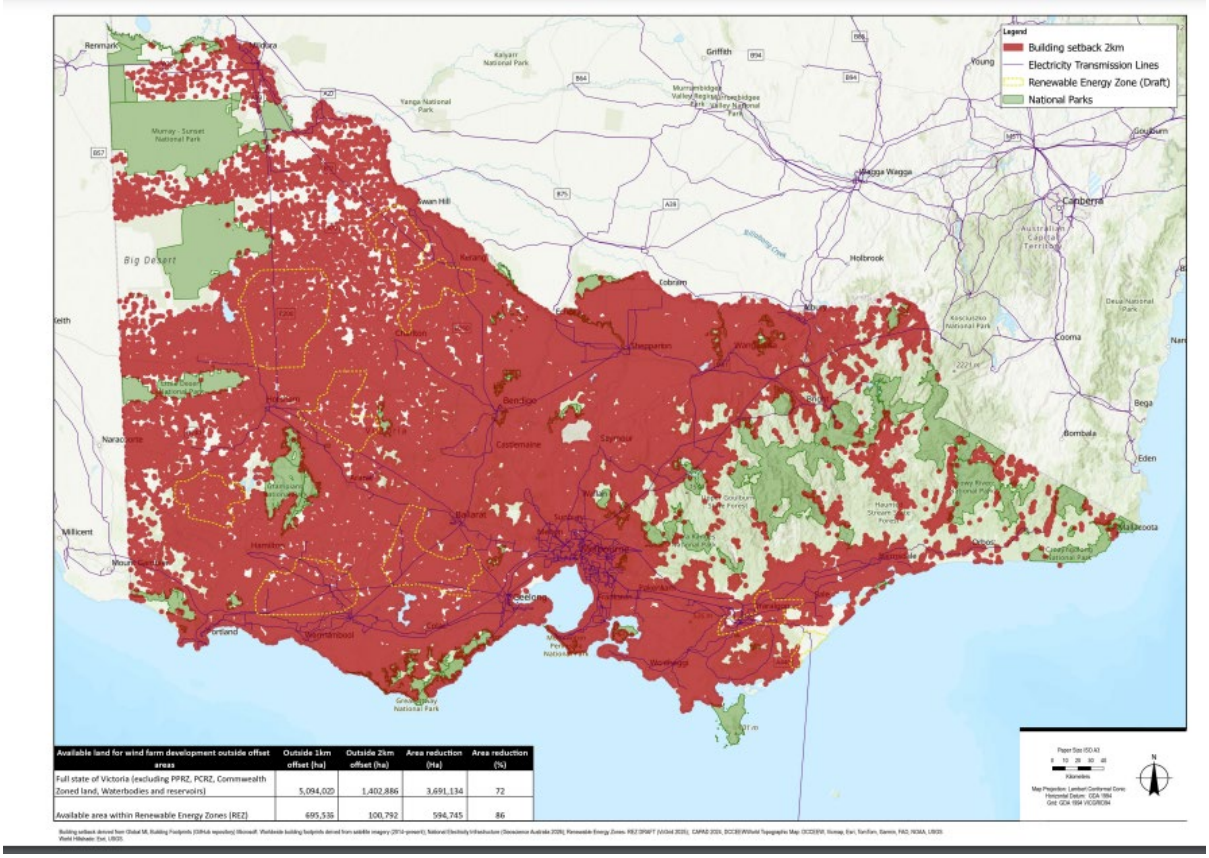
CEC-commissioned spatial analysis overlays the proposed 2km buffer against Victoria's building footprints, planned Renewable Energy Zones, transmission infrastructure, and National Parks. While the spatial analysis was conducted for wind, the same setback applies under the Coalition's policy to all clean energy projects including solar and BESS — amplifying the impact across the full generation pipeline.

The findings:

- A 2km setback removes approximately 70 per cent of available land for development.
- Almost all land with existing or planned transmission infrastructure is sterilised.

- Remaining land is fragmented and lacks transmission access, making development effectively unviable regardless of nominal availability.

Themethodology of the analysis is provided at the end of this document.



Available land for wind farm development outside offset areas	Outside 1km offset (ha)	Outside 2km offset (ha)	Area reduction (Ha)	Area reduction (%)
Full state of Victoria (excluding PPRZ, PCRZ, Commwealth Zoned land, Waterbodies and reservoirs)	5,094,022	1,402,886	3,691,134	72
Available area within Renewable Energy Zones (REZ)	695,536	100,792	594,745	86

Community attitudes in host regions

A survey of REZ residents found:

- 62 per cent of REZ residents personally support renewable energy — a strong underlying social licence in host regions.
- 71 per cent consider climate change an important issue for their community.
- A significant perception gap exists: while most residents support renewables, far fewer (37 per cent) believe their neighbours do, indicating support is under-recognised rather than absent.

Community research identifies demonstrating local economic benefits — jobs, procurement, landholder payments — as the most effective mechanism for maintaining social licence. A 2km setback removes those benefits from the equation.

About this analysis

Statewide building footprints were sourced from the Microsoft Building Footprints dataset, a globally consistent machine-learning derived footprint layer produced by Microsoft Bing Maps and distributed via the Microsoft Planetary Computer under the Open Database License (ODbL-1.0). The Microsoft Building Footprints dataset does not have a single

currency date as building footprints are derived from Bing Maps aerial and satellite imagery captured over multiple years, with imagery dates varying by location. For Victoria, the dataset primarily reflects imagery captured 2016-2024.

This dataset is unable to distinguish between residential dwellings and other buildings such as schools, shopping centres and sheds. Post processing has been applied to limit influence of non-residential dwellings. Using VicMap Planning Zone spatial data, the building footprints were assigned to a planning zone. Building footprints within known non-residential planning zones were removed from the dataset. Non-residential planning zones include:

- Transport zone (TRZ), Public Park and Reserves (PPRZ)
- Public Conservation and Reserves (PCRZ)
- Industrial zones (IRZ)
- Commercial zones (CZ)
- Public Use zones (PUZ)
- Special Use zones (SUZ)
- Commonwealth Land not controlled by planning scheme (CA)

It is noted that some residential dwellings may be present in industrial and commercial zones, however at the state-wide scale of this analysis, these are unlikely to alter the outcomes.

The building footprint dataset was then secondarily filtered using footprint areas. It was assumed that footprints smaller than 100m2 were non-residential small buildings such as sheds or garages. Buildings with a footprint above 500m2 were removed as these are likely to be industrial sheds, barns, schools and shopping centres.

Building height data was not reliably assigned to buildings in this dataset to be able to confidently filter based on building height.

Distance to the public road network was used as an indicator of dwelling likelihood, reflecting the typical placement of rural residences near road access. Distance to closest road was calculated for each building. Buildings further than 500m from a road were assumed to be agricultural sheds located deeper within paddocks and removed from the dataset.

A 2km buffer was applied to all buildings within the state of Victoria. The output may overestimate the coverage of the 2km setbacks in regional areas as the building dataset will still include some non-residential buildings which were unable to be successfully removed using the size and planning zone rules

For further information, contact the Clean Energy Council.