



Australian Construction Outlook

EXTRACT FROM REPORT

Utilities

October 2024

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Summary of Outlook

Utilities construction is currently experiencing its third, and largest, boom, of the last 15 years. The total value of utility construction work done has increased by 41%, in real terms, or \$11.6 billion, over the three years from 2020/21 to 2023/24. Activity is now expected to increase by a further 24%, or \$9.7 billion (in constant 2021/22 prices), over the three years to 2026/27. Activity should remain at, or near, the peak in 2027/28, before a steady decline.

The primary driver of the current upswing is electricity construction which is forecast to account for over 50% of total utility construction in the next decade. We expect 57% growth in electricity construction over the next three years to June 2027. While a gradual decline is expected afterward, construction will remain at historically high levels.

This surge in electricity surge is being fuelled by significant investments in renewable energy, driven by ambitious government targets for clean energy, the closure of coal-fired power stations, and the potential for renewable energy exports as global decarbonization efforts intensify.

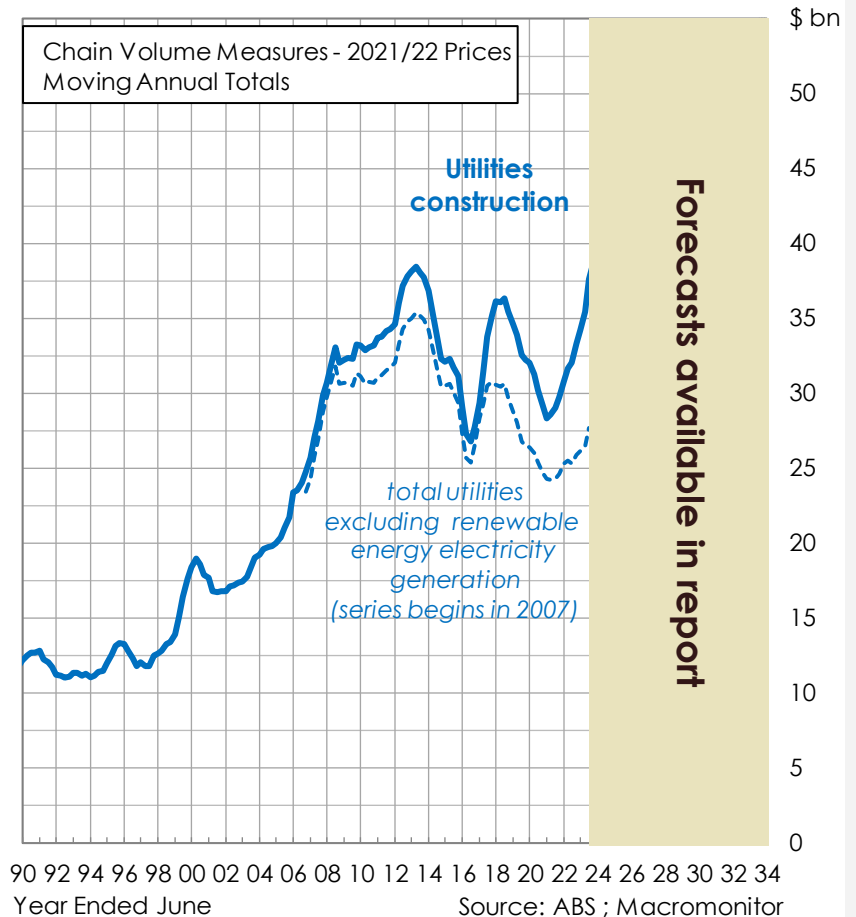
In addition to electricity, the ongoing upgrades and expansion of the National Broadband Network are driving construction activities in the telecommunication sector, with 5% rise in 2023/24.

Meanwhile, a renewed focus on water security, bolstered by initiatives such as the National Water Grid Fund, is expected to elevate water and wastewater construction to \$11.7 billion in 2024/25 (in constant 2021/22 prices). Construction activity in this sector is expected to remain around this level for the following three years.

The gas pipeline construction is set for an upswing, with a 33% increase anticipated between 2022/23 and 2025/26. This growth is being driven by major infrastructure projects aimed at boosting supply to the east coast gas market.

Third utilities boom underway driven by large wave of renewable energy infrastructure.

Utilities Construction - Australia



A Note on this Report

The objective of this report is to provide thorough market data covering construction activity in each of the renewable electricity sub-sectors.

Our work for this report has involved the collection of project information and other data and information on each segment of the market, undertaking analysis on the drivers and trends in the industry and making projections.

We have used a wide variety of sources to gather the information. The range of sources used has included:

- Australian Bureau of Statistics, and in particular the Engineering Construction Activity, Australia publication, Catalogue number 8762.0
- Submissions to regulators and other government bodies by energy businesses
- Company media releases, web sites and other published information
- Annual reports
- Government budget papers
- Reports of regulators and market operators (AER, IPART, ESC, QCA, ERAWA, ACCC, AEMO, IMO)
- Published project lists from a range of sources
- Media reporting of projects and investment plans

All of the information gathered has been compiled and formed into coherent market estimates and other market information. We have made estimates based on the information obtained, including an allowance for any missing information, based on overall estimates of the total industry from higher level data sources.

The renewable energy data item includes new power stations, hydro-electric generating plants, wind farms, utility-scale solar farms, and pumped hydro generation, as well as associated work to support generation assets. But it excludes rooftop photovoltaic solar systems, which are a notable portion of renewable energy generation.

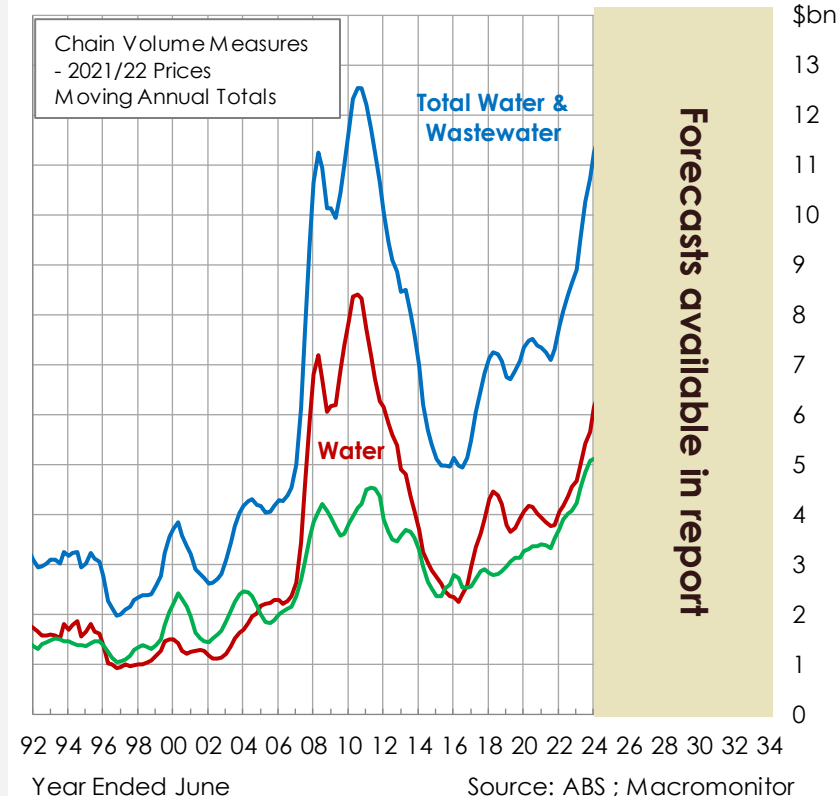
Other potential limitations to the data include under-coverage of renewable investment due to unidentified projects, units not selected or reporting incorrectly, data reported in commodities other than electricity, and small-scale utility renewable projects not identified for tracking.

Our forecasts are based on both sourced information regarding future work programs and projects, as well as our own judgment and modelling of the economic drivers of each market.

Water and Wastewater

Renewed focus on water security is driving the upturn, with \$11.7 billion of construction work in 2024/25.

Water & Wastewater Construction - Australia



Water and wastewater construction has been trending up strongly over the past five years, and should remain high, in an historical context, over the coming decade.

Water construction sky-rocketed during a period from 2007 to 2010, as a result of prolonged drought, but then fell sharply between 2010/11 and 2014/15. Despite activity rising strongly over the three years to 2017/18, construction levels remained 42% below the 2011 peak. Construction activity in total water and wastewater has since trended higher, with a growth rate of 5.6% in 2021/22, followed by sharp increases of 14.6% in 2022/23 and 26.4% in 2023/24. Overall, this represents a 67% rise from \$6.8 billion in 2018/19 to \$11.3 billion in 2023/24.

Construction activity is expected to rise by an additional 4.2% in 2024/25, reaching a peak of \$11.7 billion, approaching the previous high of \$12.2 billion in 2011. Following this peak, construction activity is expected to fluctuate between \$10 and \$11 billion over the three years to June 2027. Subsequently, there will be gradual decline, albeit maintaining a historically high level, with an average annual work done of \$8.9 billion from 2028/29 to 2033/34.

The elevated level of water and wastewater construction will be underpinned by steady levels of extensions and upgrading works, but also by a renewed focus on water security projects. The establishment of the National Water Infrastructure Development Fund (in October 2019) has secured \$3.5 billion over 10 years to fund public water infrastructure investments. This fund is used for the water security projects which form part of the National Water Grid, and includes dams, weirs, pipelines, water recycling plants and other projects.

Some of the key projects included in our forecast are:

- Greater Sydney Water Strategy (GSWS) in NSW (\$3 billion)
- Alkimos Seawater Desalination Plant in WA (\$2.7 billion)
- Paradise Dam in QLD (\$1.2 billion),
- Burdekin Falls Dam raising project in QLD (\$1 billion)
- Northwest Treatment Hub in NSW (\$890 million),
- Greater Parramatta and Olympic Park Integrated Water in NSW (\$500 million),

- Lower Molongo Water Centre in ACT (\$350 million), and
- A number of irrigation projects, aimed at increasing reliability and access to water and grow the agricultural sector, include \$300 million Hughenden Irrigation Scheme in Queensland, and the \$200 million Northern Adelaide Irrigation Scheme in South Australia,

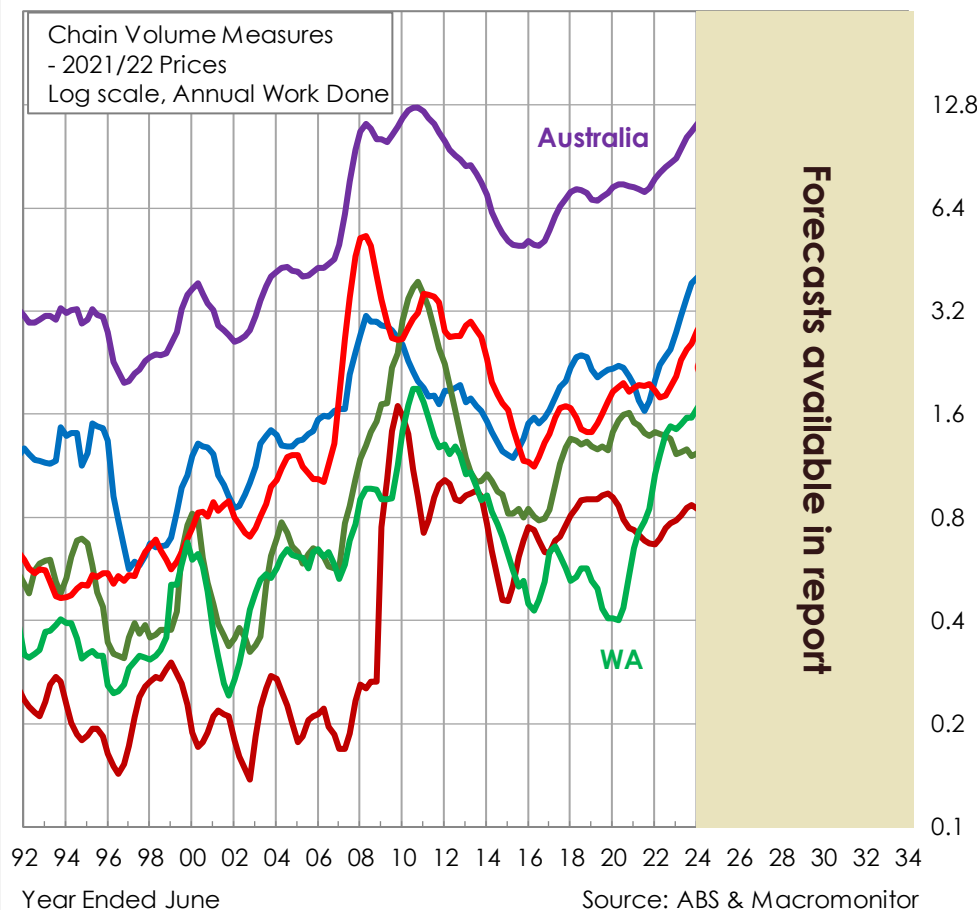
Over the past few years, wastewater construction (which includes water recycling) has also accelerated. This growth is being driven by a number of large major projects. In particular, North West Treatment Hub Growth work (\$1 billion), the Upper South Creek Treatment Plant in NSW (\$1 billion), the St Marys and Quakers Hill Wastewater Treatment Plant Renewal (\$320 million), and Woodman Point Wastewater Treatment Plant Interim Upgrade (\$285 million).

Wastewater is forecast to remain at a high level throughout the forecast period. Key drivers of this prolonged period of high construction activity include significant projects such as the \$1.2 billion Greater Sydney Water Strategy (wastewater component) and the \$1 billion Upper South Creek Treatment Plant, which is being built to service the growing population of Western Sydney, particular around the new Western Sydney International Airport.

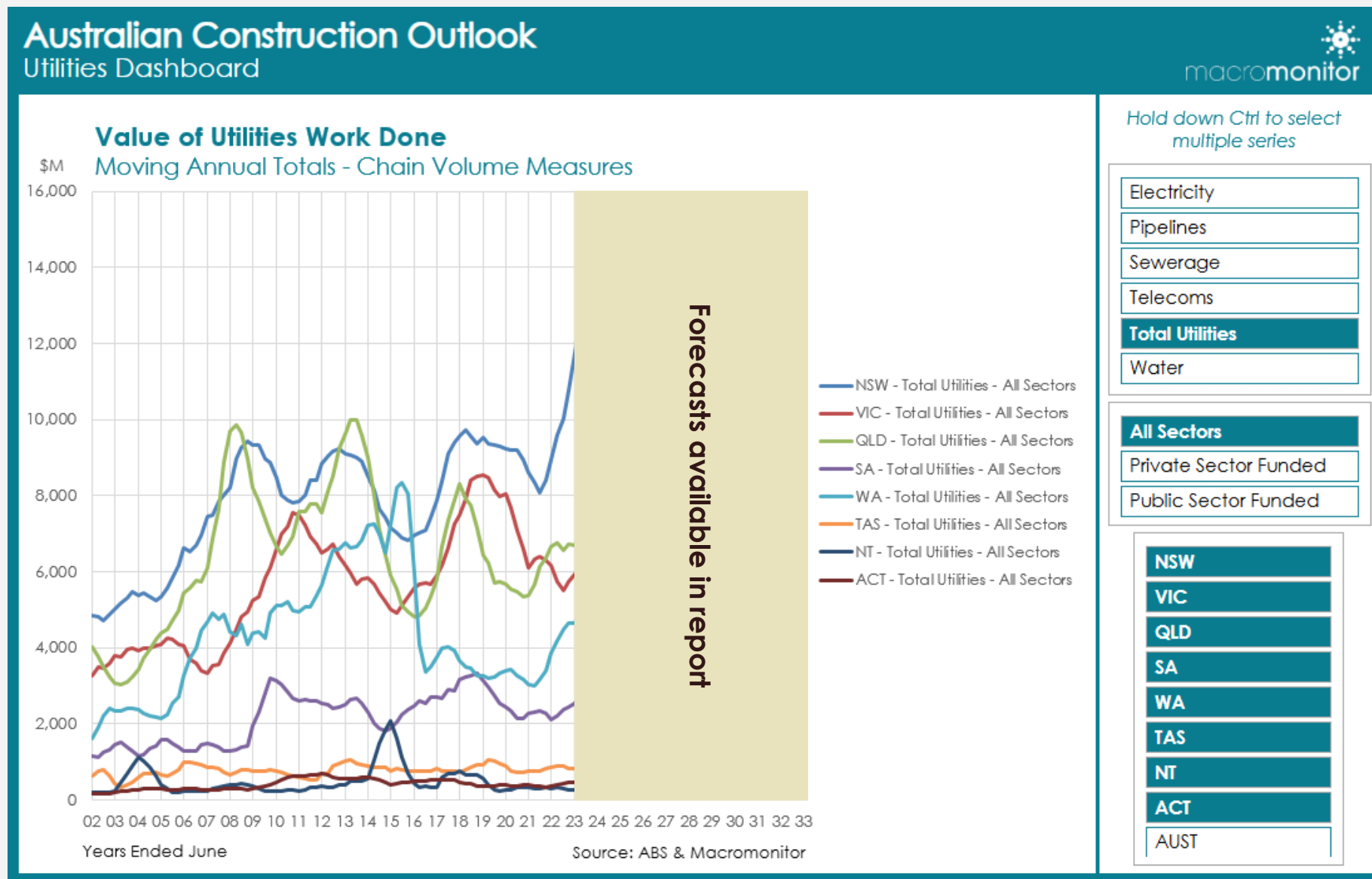
Water security concerns have emerged as priority for many states, particularly those experiencing population growth such as NSW, QLD and WA. Desalination projects have become increasingly viable solution to meet the increasing water demand while ensuring environmental sustainability. For instance, Cook Labor Government committed \$2.8 billion (in December 2023) to build Alkimos Seawater Desalination Plant in Perth. Similarly, Queensland will likely invest billions in building and expanding desalination plants to address the anticipated water demand over the next 30 years. In NSW, efforts are underway to double the capacity of Sydney's Desalination plant, to bolster drought resilience and support population growth.

Growing population in NSW and QLD contributing to high levels of water construction

Water & Wastewater Construction - Large States



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