

SPECTATOR | AUSTRALIA

Higher prices, lower competitiveness as Daniel Andrews goes it alone on emissions

Alan Moran



Getty Images

Victoria has announced its intent to go much further than the federal government in requiring the substitution of renewable energy for the much cheaper and more secure energy that is provided from its endless supplies of high-quality brown coal. Compared with the national policy of reducing emissions by 26 to 28% by 2030, Victoria is opting for a 45 to 50% reduction. Not only does this introduce another variation on what should be a national energy policy but it consigns Victoria to further losses of industrial competitiveness and households to higher energy costs.

Victoria's intervention in the energy markets is long-standing. The state's brown coal reserves have formed the basis for its electricity

generation for 60 years. Gradually that generation became to be seen as a means of providing jobs and the union-controlled power stations degenerated into overmanned and unreliable sources of electricity. Costs to the consumer were high.

To its credit, the socialist Kirner government in the late 1980s recognised something was wrong, perhaps forced to do so in the context of an economic crisis. That government went about downsizing the staffing of the generators and employment in the generators was reduced by about 12,000 from the previous levels of 25,000. Strapped for funding the Kirner Government also brought in private ownership for a new generator (Loy Yang B).

But it took the Kennett government to finish the job in privatising the industry and reducing employment to a lean 2,500 strong workforce, a reduction that also brought about vast improvements and reliability of the plants. A similar situation was seen with gas where the government's Gas and Fuel corporation was massively overmanned and the unions effectively controlled the business. This also was reformed and privatised by the Kennett government of the 1990s.

But with ALP governments under Steve Bracks, John Brumby and Dan Andrews ruling over most of the past 22 years, the system has again become high cost. Whereas Victorians should, as they once were, be enjoying the lowest electricity prices in the world, prices are among the highest.

Retail electricity prices of NEM states, including taxes, compared to selected countries (¢ per kWh)



SOURCE: MARKINTELL, US ENERGY INFORMATION ADMINISTRATION

The latest government measures are billed as leading the rest of the country. They continue the Victorian ALP tradition of the past 20 years with attacks on brown coal and subsidies to renewables. These have included:

- Funding campaigns to prevent new coal seams being used

- Introducing with the Victorian Renewable Energy Target an additional subsidy to those offered by the Commonwealth for wind and solar
- Subsidising the building of wind turbine factories that promptly went bankrupt
- Dan Andrews tripling the coal royalty, an event that may have been the straw breaking the back of the Hazelwood Power Station which closed in 2016, amidst assurances from the Premier that there would be a negligible price effect (wholesale prices thereupon doubled!)
- Purchasing agreements by the state for additional supplies of renewable power.

Not only do these measures adversely impact the profitability of brown coal stations but they have also meant substituting the more reliable power that coal brings. Exchanging this for wind/solar means additional expenditures to manage these variable supplies and new spending on transmission lines to gather their more dispersed generation sources. All of these additional costs are paid by the Australian electricity consumer and the taxpayer. The costs are also driving out major industrial users, with the pride of the state's industry, the aluminium smelter at Portland, only being kept afloat by subsidies to counter the costs that other subsidies are bringing.

The amount of wind and solar in the system is even requiring the market managers to force roof-top facilities – all of which were built with subsidies – to be turned off at the increasingly frequent times when their supply threatens to bring down the whole electricity supply system. Just another piece in the crazy jigsaw governments have created in their energy policies.

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