

The state have hijacked power policy – and activists are coming for the sceptic’s seats

Alan Moran



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State governments have now taken control of electricity policy from the Commonwealth. Although state control potentially allows alternative approaches to be tested and compared, all states currently have similar policies. They are signing purchasing agreements with renewable suppliers and requiring customers to fund the associated transmission, batteries and pumped hydro, which is needed to shore up the intrinsically erratic supply that wind and solar generation

entails. Energy Ministers Matt Kean in New South Wales and Lily D'Ambrosio in Victoria are now doubling down on the renewable energy-oriented policies pioneered by South Australia, policies that delivered crippling outcomes in terms of price and reliability.

The Commonwealth has become little more than a paymaster supporting state measures, with a fire-fighting role to avert or delay the closure of energy-intensive facilities made particularly vulnerable by government energy policies. Aluminium smelters and oil refineries are the current weak links.

New state government support to wind and solar build upon existing Commonwealth and state subsidies from regulations, grants and soft loans. Comprising to \$7 billion last year, these subsidies impacted upon coal stations' revenues, forcing some to close and making new ones unprofitable. As a result, wholesale electricity prices doubled in 2018. Overall, the direct cost to households is \$13 billion a year and the national costs considerably more.

In 2020, lower demand due to COVID returned electricity prices to pre-2015 levels. The latest CSIRO [report](#) says this can be sustained by wind/solar replacing coal. CSIRO maintains that this is true even including the costs of batteries, gas and pumped hydro that is necessary to enable wind/solar's variable output to match demand. Of course, if this were true there would be no case for a continuation of the subsidies, still less for an additional carbon tax envisaged by CSIRO and others.

To date, Australia has seen 27,000 MW of wind, grid solar and rooftop solar installed – that's more capacity than coal, which provides 65 per

cent of electricity (solar and wind provide 15 per cent). Every wind and solar installation has been subsidized in total contrast to every coal (or gas) facility. One Commonwealth subsidy program for wind and grid solar (the Renewable Energy Target) is winding down, but even now this still provides support that doubles the price these facilities receive.

The main program supporting new roof-top solar installations is envisaged to continue indefinitely.

Future options are to:

- Intensify subsidies to renewables, and expenditures on new transmission and on other measures that offset the variable nature of wind and solar. This position is favoured by State Governments, and in Canberra by much of the Coalition, most of the ALP and the Greens. Strictures from the UK, Japan and the (presumably) in-coming Biden administration add weight to it and Bob Carr is not alone in suggesting international pressures will force Australia to introduce further subsidies to renewables.
- Support gas generation and pumped hydro to prevent market collapse, while fostering hydrogen in the hope that this will leapfrog wind/solar and be equally acceptable to climate zealots and subsidy seekers.

NSW Energy Minister Matt Kean also anticipates a politically acceptable new form of nuclear plant.

- A system that prevailed prior to the distortion stemming from government subsidies, based on coal, with more flexible gas and hydro providing around 15 per cent of supply.

The third option offers the cheapest and most reliable electricity supply. It is being pursued by all fast-growing developing countries, none of which have coal at Australia low cost and some actually use

Australian coal. This is the only means of restoring Australia's former advantage in the world's lowest cost electricity. It is the only path to arresting and reversing the de-industrialisation that energy policies are causing.

Yet, outside of One Nation and perhaps half a dozen Coalition backbenchers, this option lacks political support. One reason is that energy supply is complex. Each government intervention has ramifications that are difficult to predict, particularly in electricity where supply and demand must be precisely and instantaneously balanced every second.

Energy minister Angus Taylor supports subsidies to "blue sky" technologies like hydrogen and carbon sequestration in the soil, as well as roof-top installations. He also feels compelled to selectively subsidise energy intensive industries (aluminum smelting, oil refining) that are failing as a result of government energy policies, and he seeks to prevent coal generators closing before new controllable facilities can be put in place. As a minister with energy sector experience prior to politics he would know this mélange is grossly sub-optimal but doubtless thinks he must play the hand he has been dealt.

Other politicians see energy policy as a chance to "make a difference" by overriding market outcomes which they see as inadequately recognising negative climate impacts from carbon dioxide emissions. Many of this view envisage falling wind and solar cost as bolstering their favoured policy.

Some politicians would have such views reinforced by the prospect of losing their seat to a Green or green activists group supported

independent. The risks of this are especially strong in the inner suburbs but also evident in rural Australia, as seen in the loss of the previously safe Victorian Coalition seat of Indi.

Some in the Coalition would be threatened by funding and influence from interests, like those headed by Michael Photios, who lobbies for climate change measures through consultancies like PremierState and the activist Blueprint Institute. The latter has a Turnbull association as well as several former government ministers on its strategic council.

Moves by such interests to replace climate sceptic Craig Kelly in outer Sydney, the salutary effect of Zali Steggall winning Tony Abbott's seat, and frights given to inner-city Liberals in Melbourne would tend to dissuade politicians raising their heads rising above the parapet — as would the threat from a small but significantly wealthy and well-connected, high profile group of climate activists.

So, we have a combination of views conditioned by agitprop from environmental zealots and subsidy seeking businesses driving us towards an energy supply that will become progressively higher cost and less reliable. It is difficult to see a pathway to changing this in the near term.