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Scomo, Albo, and their fantasy Net Zero policies

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Both the ALP and the Coalition have the same Net Zero goal for 2050, but that time frame is, at best, aspirational and is contingent upon technological breakthroughs many of which verge on the fantasy.

A 2030 time-horizon is a more realistic means of comparing the two sides of politics.

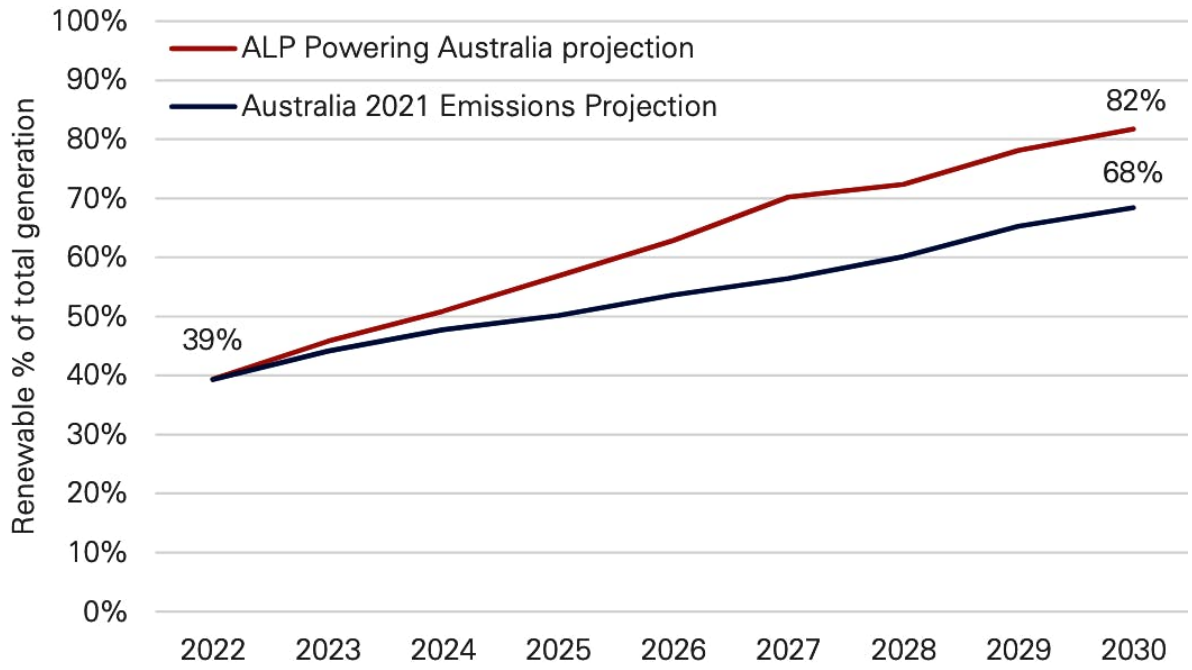
For 2030, the Coalition has a goal of a 26 per cent reduction in emissions compared to the base year of 2005 and hopes to achieve a 35 per cent reduction with its present policies.

The ALP is targeting a 43 per cent reduction on the 2005 base.

Both sides offer grossly understated costs that would be required to achieve their goals.

Even though electricity directly accounts for only one-third of emissions, it is the key policy focus. The government's projections see renewables (which are assumed to be emission-free) supplying 68 per cent of the market by 2030 and the ALP wants to lift this to 82 per cent. At present, renewables, including hydro, supply about 28 per cent.

Figure 8: Forecast penetration of renewable energy in the NEM



In 2019, the subsidies to renewable electricity both from the budget and through regulations were running at $7 billion a year.

The government says it will have spent $22 billion by 2030 to achieve its goals, a cost that is doubled with existing regulatory measures. These regulatory measures require electricity retailers to include increasing proportions of wind and solar within their supply mix. The subsidies those requirements entail provide renewable sources (at customers' expense) with twice the price that gas and coal electricity plants receive.

Subsidy-induced increases in the share of wind and solar within the energy mix has led to over-supply at certain times. As well as undermining the economics of coal and gas generators, this has also suppressed renewable sources' revenues; ironically, solar and wind plants respectively earn on average 26 and 12 per cent less than the average supply price because they are not as readily available to take advantage of demand peaks as are coal, oil and hydro facilities. In addition, wind turbines lose up to 20 per cent of their potential revenue because they usually need to locate away from established transmission grids. Helping to offset this (which is a further subsidy to renewables) is a large part of the foreshadowed government spending.

The ALP puts its budgetary spend at $24 billion, not much more than the Coalition's, but it also has a clutch of new regulatory policies and incentives. Among these is a weaponising of the current 'Safeguard Mechanism', ostensibly only a monitoring instrument, to provide what it describes as, 'a stronger signal'. This will require the top 215 emitting facilities to progressively reduce their emissions.

Although both the Coalition and the ALP claim their policies will cause prices to fall, only the most gullible would believe that. Price increases from government intervention against a coal plant in Australia and everywhere else has led to increased prices. After 30 years the promised land of cheap and reliable wind and solar remains a distant mirage.

A guide to existing policies' costs is provided by data compiled by the energy consultancy Global ROAM. This estimates the replacement of all the coal fire stations by wind or solar will require the equivalent of 25 Snowy 2 schemes for storage. The costs of this new plant and increased transmission would be some $600 billion for a system that would provide electricity at twice the current cost and with major breakdowns likely every few years.

Pro-rating this estimate to the 2030 renewables policy targets of Labor's 82 per cent market share and the Coalition's 68 per cent means respective price tags of $540 billion and $450 billion.

Although the ALP will more than match their spending, the Coalition places great store on technology changes with the conversion of water to hydrogen as the Next Big Thing. But if subsidy-free competitive wind and solar is a chimera, hydrogen as a low-cost energy source would require alchemy. Yet, anxious to placate those opposed to fossil fuels, both sides of politics have adopted it

Energy policy is surrealistic, as illustrated by the reaction of all politicians to the policies they make. Those policies are, as they are intended to do, forcing coal plant closures but, whenever this looks likely to happen, politicians panic and seek its deferral. Already the plant owners have to give three and a half years' notice of closure and Energy Minister Angus Taylor now wants to make this 5 years. Even the Victorian ALP government, with royalty tax and purchasing policies that have exacerbated those of the Commonwealth in disadvantaging coal generators, feels forced to subsidise the brown coal Yallourn power station, to prevent its closure and the collapse of the whole system.

The Ukraine war has been the catalyst for energy price increases stemming from a gas/coal investment drought. Will it bring new policy realism?