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Energy Policy and How to Fix it

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Many people have personal concerns about the pursuit of green energy by governments, federally and state. The visual intrusion, the land-hungry windfarms and solar panels and the extensive enlargement of the transmission network required to accommodate them have a marked effect on individuals' environments and livelihoods. But the more fundamental issue is the destruction of our economy and living standards from the policies being ruthlessly pursued by both Labor and – sad to say – Coalition parties and governments.

In pursuit of the myth that emissions of carbon dioxide from fossil fuels is bringing about a change in the global climate, throughout the Western world governments are spending inordinate amounts to damp down usage of coal, gas and oil, which are the cheapest means of generating electricity, the heartbeat of the modern economy.

Except to the most trivial degree, there has been no global warming or loss of coastlines. There is certainly no evidence of increased extreme events like cold, heat, fires, hurricanes or rain, despite what warmists and their shills would have you believe. And yet we have embarked upon measures that are squeezing our national living standards and, like a tourniquet, are constantly being further tightened.

These measures started small in Australia with John Howard's introduction of a renewable energy target 20 years ago. This required wind and solar to provide 2 per cent of additional electricity. At the time, those who claimed expertise in these matters were assuring us that within a few years there would be no penalty or additional costs accruing to the adoption of this new form of energy. They told us technology developments would make it much cheaper than any other energy, some even going so far as insists that, by 2020, all the subsidies would have expired, with the industry needing no further assistance to stand on its own two feet. The government, we were assured again and again, was just giving it a filip to accelerate the progress of a transition that was already in train.

Over the years, John Howard's small step has become a giant leap, with the attack on hydrocarbons bolstered by the continued denying of a place for nuclear, the one generation source that might match coal and gas in terms of price and reliability. Just one short-lived government – that of Tony Abbott – tried, with modest success to wind it back.

Prior to the Albanese government, we as a nation were spending \$9 billion every year in measures which do nothing other than reduce our living standards and increase our costs. The subsidies to wind and solar that this stupendous sum entails are driving coal stations into insolvency as they have to back-off in the face of unfairly favoured renewable “competitors” receiving support that includes \$40-plus per megawatt hour (about the same as the full total cost eight years ago before coal stations started to close) just for being able to operate. The programs fall within four types:

- 1/** About \$1.6 billion in grants and soft loans;
- 2/** Some \$4.8 billion in the cost of regulations requiring renewable energy be incorporated into electricity supplies, and the annualised costs of Snowy2 and for the expanded transmission system;
- 3/** Around \$1.4 billion in state schemes (which are a mix of grants and regulatory imposts)
- 4/** About \$1.2 billion in administrative costs of managing the system through the various regulators

The outcome has seen wholesale prices of electricity increasing threefold from \$40 per MWh. Every temporary dip is greeted as heralding a new low-cost future: when it emerged that prices in the December 2023 quarter were at *only* twice their historical levels, regulators, politicians and a supplicatory media hailed the “decline” as a

harbinger of the glorious green future. That triumph, such as it was, proved short-lived and prices in 2024 have again soared. Even industry figures, normally cowed by politicians, are acknowledging the great harm to their bottom lines and businesses and calling out the dangers of relying on inherently unreliable wind and solar.

But the Albanese government under the Svengali and serial ministerial failure, Chris Bowen, has turbocharged the carbon abatement programs crippling energy. It has

- ◆ Vastly increased direct and regulatory enforced expansion of the transmission lines in an attempt to allow wind and solar to work;
- ◆ Established measures to combat objections to intrusive wind farms and transmission lines;
- ◆ Refused to introduce requirements for the rectification of land and safe disposal of the materials used in wind and solar facilities;
- ◆ Introduced costly requirements on firms to identify the emissions of their own activities and of those of their suppliers and customers.

In addition, two new schemes have been introduced by the Albanese government. One is the Safeguard Mechanism whereby the top 215 companies must reduce their emissions by an additional 5 per cent per year to 2030. The annual costs of this depends on the price of the Australian Carbon Credit Units with which the targeted firms are presumed to buy in order to offset their liabilities. Some 200 million ACUs will need to be bought by 2030. In the unlikely event that their price will remain at its present \$37.75, the cost is \$906 million per annum.

The second major initiative is the recently announced [Capacity Investment Scheme](#) (CIS). Introduced as an initiative to “firm-up” renewables with batteries and other emission-free support for wind and solar, most of the estimated \$68 billion spending targets additional renewables. Its aim is to “de-risk” investments by providers, ergo putting the financial risk on governments. Competing bids will be called for in a series of auctions for these government contracts (which will, by definition, be at above-market prices).

Estimating the costs of the CIS is even more difficult than is normally the case since the government refuses to release its budget, although it did indicate the program will bring additional spending on renewables and batteries to the tune of some \$68 billion over six years. Informed estimates suggest that this is likely to cost electricity consumers about 55 per cent of the annual \$10.3 billion per year to be spent — \$5.775 billion per year. A government webinar on the CIS cast no light on the implications for existing transmission users from new suppliers receiving even more generous subsidies than those of the present schemes for large scale wind and solar.

So, the \$9 billion a year in subsidies, going almost entirely to wind and solar, that the Albanese government inherited has now grown to at least \$15.6 billion. To

provide the batteries or pumped storage to firm-up intermittent wind/solar sources of energy would cost far more even than this. The renewables-sympathetic Global Roam consultancy, using highly optimistic assumptions, estimates battery back-up equivalent to 70,000 Hornsdale Tesla batteries. That would put the cost at \$6.3 trillion – or three-times GDP. On top of all this are other measures like support for EVs and consequent tax increases on petrol and diesel vehicles and bans on the exploration for and use of gas.

But, placed in context, the \$16 billion a year costs tower above the replacement cost of the existing coal capacity, which supplies 65 per cent of the generated electricity. At \$6,000 per kw, replacing existing coal capacity would cost some \$130 billion dollars. Furthermore, much of the existing coal-generated capacity remains highly reliable, cost-effective and need not be replaced for 20 years or more.

The measures drive price increases, with the presently observed doubling of wholesale prices just a down payment. Already we are seeing energy-intensive industries such as smelting, once the acme of Australia's secondary industry, surviving on life support with government subsidies that pick up the costs to these industries incurred by the subsidies to wind and solar. Such support will be needed in an increasing range of productive activities that are subject to international competition.

The measures have been put in place by politicians with no knowledge of the energy sector's costs and how it works. Politicians have been pressed in this direction by so-called experts, supported by and bankrolled by subsidy-seekers, who see the global warming con as a means to promote particular forms of energy and their preferred governing system.

The \$16 billion a year in subsidies through regulations forcing the use of wind and solar and direct spending of taxpayer money is unlike other wasteful government spending. It is spending aimed at poisoning the once highly competitive low-cost electricity supply industry. It is akin to government forcing the nation to manufacture bombs to be dropped on the people financing them.

Should we ever elect a government that recognises the folly of these policies, its attempts to wind them back will confront considerable obstacles. Among these are the ideologists and vested interests in maintaining the existing policies. Renewable energy outfits, traders and those geared up to install batteries and transmission lines will campaign against them. So too will those who have extracted lengthy contracts from or with the assurances of governments. The union-controlled superannuation funds are heavily invested in renewables carrying "certain" (i.e. government guaranteed) returns and will exercise immense pressure.

Any Australian government that seeks resolute action to correct today's disastrous course would only be able to resist these pressures if developments present clear and obvious pictures of the outcomes of these mistaken policies. One such outcome would likely involve a severe economic downturn and/or external pressures on sovereignty. But even this would be preferable to a long, slow decline that has

confronted countries like Argentina, which regressed from a wealthy nation into a Third World economy due to progressively more harmful regulatory and redistributive policies from which the benighted nation could not extricate it. Is that really the future we seek for Australia?

Alan Moran, of Regulation Economics, wrote the chapter “Current trends and perspectives in Australia” in [Local Energy Markets](#) edited by Tiago Pinto et al and published in 2022 by Elsevier. The above is the slightly edited text of a recent address to Melbourne’s Turks Head group