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FLAT WHITE

Another week, another renewable energy subsidy

Labor is putting their hand in your pocket to keep green energy alive

Alan Moran

Getty Images

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Another week, another subsidy for renewable energy and greenhouse gas abatement.

Recently, Climate Change and Energy Minister Bowen added an extension of the subsidy to rooftop solar installations to factories and farms and foreshadowed an intensification of the cost of the Safeguard Mechanism (which loads an additional cost onto the top 230 firms).

Then, the Commonwealth and NSW governments announced a $250 million per year subsidy to prevent the closure Rio's Tomago Aluminium smelter in Newcastle.

This follows a $200 million a year bailout for Queensland's Boyne Island smelter announced in March. Victoria's Alcoa-managed Portland smelter has a less opaque subsidy, usually put at about $60 million a year. In addition, starting 2028, the smelters are to receive $200 million a year from the federal green aluminium production credit scheme; that payment is contingent on them demonstrating new decarbonisation measures, which means it is yet another case of the Australian government pursuing its decarbonisation ideology down deeper and deeper rabbit holes, each move resulting in further costs.

The smelter subsidies add another $710 per year to what I approximate as $19 billion per year being spent on the dozens of schemes that have been introduced over the past 20 years.

Denied cheap coal by government policies, under which it previously prospered, the aluminium industry has been forced into penury.

With most of its green measures, the government trumpets the advantages to the beneficiaries (mainly wind and solar) but remains silent on who pays the costs. Indeed, it was 2011, when a government last identified the aggregate costs of its greenhouse gas abatement programs in its budget papers. Since then, the Commonwealth Government has often obscured the costs of individual programs; the Albanese government, for its centrepiece Capacity Investment Scheme, involving long-term contracts for green energy, refuses, unlike its UK counterpart, even to reveal the price we, the citizens, are paying.

Also last week, Commonwealth's Green Energy Bank, the Clean Energy Finance Corporation (CEFC), announced this year was a record year for new spending on green causes). Riffing off Benjamin Friedman's contention that government investments normally 'crowd out' otherwise profitable private sector ventures, the Bank's CEO has claimed that its concessional loans actually 'crowd-in' investment.

In the latest year, the CEFC reported committing a record $9.1 billion in discounted finance over the 2025-26 financial year, helping to drive a total transaction value of $19.6 billion.

It is my view that the $19.6 billion is money redirected from commercial activities to those that are not only non-commercial but are positively destructive in undermining previously profitable activities (in this case, coal and gas generators).

According to Grok, Australia is near the top of the pile in terms of subsidies to suppress CO2 emissions. Whereas the UK spends $US 850 per person per year, and Germany and Australia $US 480, Canada, South Korea, China, India and Sweden spend less than $US 100. The US itself is still investing heavily in green initiatives despite Donald Trump reversing as much of the Biden agenda as he can.

UK 850
Germany 480
Australia 480
Italy 300
USA 170
Japan 165
France 145
Canada 70
S. Korea 25
China 9
Sweden 5
India 3

It is no coincidence that the nations with the lowest wasteful spending on renewables and their associated infrastructure have the lowest power prices and, by and large, the more successful economies.

For Australia, Labor has shown no sign that it will draw back from its income-sapping green programs. And while One Nation and, to a lesser degree the Coalition are now hostile to the programs, they have not fully specified the measures: administrative, regulatory, and legislative that need to be taken.