SPECTATOR Text AUSTRALIA

ScoMo's climate modelling is even dodgier than his climate policy

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14 November 2021

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The government went to Glasgow to sell its net zero emissions by 2050 policy to world leaders.

The policy was based on heroic assumptions like green hydrogen – at present not even a pistil hoping to be fertilised — becoming the cheapest source of electricity, and solar power, which presently costs $70 per MWh as long as suppliers dictate demand, falling to $15 per MWh. Its low credibility was recognised by the legion of green left loonies in Glasgow, who awarded Australia the “Colossal Fossil” for measures that least promote the undermining of current living standards.

Now we have the “modelling” ostensibly behind the policies the government took to Glasgow.

The alleged gains to Australia from adopting net zero are threefold.

The first encompasses benefits from avoiding an international pariah status, which notwithstanding the “Colossal Fossil” impugnation, is said by Treasury to be worth 1.5 per cent on the interest of all borrowings and without which investment would be 17 per cent lower and average annual incomes by 2050 would be $650 per year lower. This is highly implausible. While hydrocarbons are presently facing serious problems in obtaining finance, even if these problems prove to be enduring, it is hard to see that this would spillover into mining in general let alone the whole of the economy. After all, financial intermediaries are in the business of maximising profits and those willingly foregoing opportunities will fail to attract investable funds.

The other policy approaches cited by the modelling as benefitting the economy concern the deployment of advanced technologies and the development of cost-competitive hydrogen as a fuel for export and domestic use. These are said to be worth $1350 per head.

The increased income levels are pure conjecture involving a new array of “critical minerals” that will more than fill the anticipated gap in mining output and exports from a forecast halving of coal. These developments are said to be the result of a wise government gathering taxes and redistributing them to the gee whizz tech ventures that politicians and public servants are uniquely capable of foreseeing. On top of the conjectured gains from the new technology are further gains – perhaps they can be called ‘unknown unknowns’ – from technologies that are even more far-fetched than those identified.

The modelling assumes the beneficial redirections of income, largely comprising the tax and spend of $20 billion are equivalent to a carbon tax of $24 per tonne. This is astonishingly low and compounds the implausibility of blue-sky assumptions regarding new technology. Even the green-infused International Energy Agency puts the necessary tax for net zero at $US75 per tonne and more grounded estimates are in the hundreds of dollars.

In an attempt to offer additional acceptability to its policy, the Government gave McKinseys $6 million to present a bottom-up analysis based on its estimates of industry-specific "marginal abatement cost curves". Using this approach McKinseys managed to arrive at a similar outcome to that of the top-down modelling and thus to jointly badge the policies. For over 15 years McKinseys have sold dozens of clients their model of industries with low hanging fruit where carbon savings are available at a negative or low cost. In an earlier study, the firm estimated that requiring fully hybrid cars would bring net savings worth 30 euros per tonne of CO2. One notorious piece of policy advice concerned retrofitting ceiling insulation, which was estimated to save $30 per tonne but ended up costing $200 per tonne and four tragic deaths of contractors.

Aside from asserting that an Australia not adopting net zero would face a premium on global interest rates, Treasury took a back seat in the modelling. Many in the Treasury, including its Secretary Steven Kennedy, cut their teeth on garbage in, garbage out, eco-environmental studies conducted during the 2007-2012 Rudd Gillard years. These, like the current modelling forecasted income based on prices and technology futures that were pure guesses and could not be refuted until everyone has forgotten about them. Steven Kennedy himself was the prime author of the tax-and-spend Garnaut Review of 2011, which painted a rosy picture of an economy that placed additional taxes on hydrocarbons. But, perhaps now understanding how confidence in the institution itself can be emasculated by authoring fantasy agitprop reports, Treasury resisted taking a role in this year's debauchment of economics.

The modelling gives the government some political cover that however far fetched cannot be refuted. And the government will claim that its policies are better than those being incubated by the ALP. But we already are spending as a nation some $19 billion a year in taxes, regulatory impositions and investments made possible only by those taxes and regulations.

Our living standards are being seriously diminished by the drain on our production potentiality from policies actuated by a myth — a myth that insists that without them dangerous climate consequences will follow.