



ENERGY DOOMED PLANET

pigs will fly

They Would Say That

ALAN MORAN DEC 22 2025

It is of course clear to everybody that independent inquiries called by the government are headed and staffed by people selected to provide recommendations which the government itself favours. To buttress this, they normally have terms of reference that direct the recommendations along the desired path.

Occasionally, though, an appointed commissioner delivers a report that goes off the reservation. This was clearly the case with Jillian Segal, whose recommendations addressing anti-Semitism in Australia collided head-on with Labor's vital Islamic constituency. As soon as she presented her report a

concerted chorus of vilification sought to discredit her, and thus the report remained unanswered for six months – until it became clear that gains from placating one constituency was engulfed by losses from others following the Hanukkah massacre.

Over a long period, the Productivity Commission (PC) (and its predecessors) has been the prime independent body advising on tariffs and other forms of protection. It developed a laissez-faire, small government philosophy and applied that to all of the tasks to which it was assigned. Governments weren't always comfortable with this. Until 40 years ago, most Liberals favoured government support for industries like motor vehicles and clothing, while the Nationals sought benefits for farmers. Governments tried to influence the PC with their appointments but with little actual impact. In the case of Labor, the industry minister in the Hawke government, John Button, favoured a corporatist approach to industry development. In addition, Labor wanted to see a place in the sun for the trade unions. People were appointed to the PC to reflect these views but the Commission itself was so heavily imbued with its laissez-faire philosophy that they seldom achieved any sort of priority.

The PC has been more thoroughly defenestrated under the present ALP government than in any of its previous incarnations. The PC chair and several within the commission have been handpicked to provide Labor with the sort of recommendations it wants to see, especially in the decarbonisation stakes. Worth noting in passing is that the government appointed Michele Bullock as the Reserve Bank Governor only after she also demonstrated an obeisance to **decarbonisation**.

Even so, the PC was not trusted by Australia's eight state and federal energy ministers (Chaired by Chris Bowen) to provide the answers it wanted regarding future policy settings for electricity supply. Instead, they appointed an "independent" panel to inquire into the national electricity market wholesale market settings. Chaired by renewable energy specialist **Tim Nelson**, its other members were **Ava Hancock**, an activist lawyer **with family ties to renewable energy interests**; **Paula Conboy**, who had previously headed the Australian Energy Commission and was **later on the board of renewables firm, Zen Energy**; and consultant **Phil Hirschhorn**, much of whose work addresses the outcomes of the shift to renewables and how slower adopting nations can

learn from that experience. This month, December 2025, the panel issued its final report of 455 pages which was based on:

interactions with the NEM reliability framework, governments' renewable energy targets and policies, and the importance of decarbonising Australia's electricity system, to help achieve the Australian Government's legislated commitment to a 43% reduction in emissions on 2005 levels by 2030 and net zero emissions by 2050.

Explicitly excluded from the scope of the review were options that entail government support for new fossil fuel generation.

This framework is diametrically at odds with that of the November 2025 **US National Security Policy**, which rejects “the disastrous climate change” and “Net Zero ideologies that have so greatly harmed Europe, threaten the United States, and subsidize our adversaries.” Not that such a policy approach would influence the panel’s four safe pairs of hands and its departmental supporting staff.

The panel’s final report bumbled about “visibility” of resources available, need for more hedging contracts, vertical concentration and features needed by suppliers and consumers. But it had only one recommendation of note. That involves replacing the major policy tool presently used to mould the energy market – the Capacity Investment Scheme (CIS). Under the CIS the government contracts wind/solar and storage facilities by offering guaranteed prices for three to seven years. This is seen as insufficient by the Panel which proposes a new Electricity Services Entry Mechanism (ESEM) that will offer contracts (not, of course to coal or gas generation) for up to all of 30 years.

The panel’s reasoning is that a market involving high levels of sunk capital cannot exist unless customers for its output commit in advance. The panel seemed to be unaware that mines, motor vehicle plant, shopping centres and a galaxy of other assets are built with hardly a customer beyond a couple of years – some even have no pre-ordered sales. Nor was it aware that transferring the risk of failure to government does *not* mean the risk disappears. It just means the risk falls on the customers being obliged to pay

excessive prices, or taxpayers bailing out investments that have proven to be non-commercial.

The panel is calling for the restoration of the socialised electricity system that was replaced by a competitive supply in the 1990s by the Hawke/Keating and Howard governments. Those changes meant decisions driven by the pursuit of profitable opportunities rather than selected by politicians/bureaucrats with no skin in the game but plenty of opinions on how to spend other people's money. The 1990's reforms delivered cost reductions of 30-50% in electricity, and timely appearance of new assets in response to commercial assessments of their need. In addition, they delivered huge capital gains to state governments who sold power stations and other assets to commercial concerns with expertise on running the plant more efficiently.

In advising governments on how to replace this, the Nelson Review, perhaps inadvertently, points to a future market approach that has some inevitability. Without some variation of the proposed measures, supply of new wind solar generation will fall short (indeed it already has) even in supplying the constrained demand that its higher cost makes inescapable.

In addition, the inevitable frailties of an intermittent renewable energy supply aside, it is probably now unavoidable that a future electricity supply will require greater political intervention than the original National Electricity Market envisaged.

This is because the subsidy of about 50 per cent to uncommercial renewables has been at the expense of coal and to a lesser degree gas. New plant must be controllable and batteries/pumped storage will not do the trick of firming intermittent wind/solar plant. But even if new subsidies to intermittent plant were to end, they will leave their legacies. These include the need for new coal (or nuclear or gas) plant to operate sub-optimally in a market dominated by renewable plant with sunk costs. Compounding this is the political risk for investors that a future government may re-introduce the sort of discriminatory policies that have forced fossil fuel plants to operate unprofitably.

The Nelson Review itself is a dead-end but, unless existing wind and solar installations are to be destroyed, new thinking is needed to develop policies on

how new controllable plant can be introduced.