

ENERGY

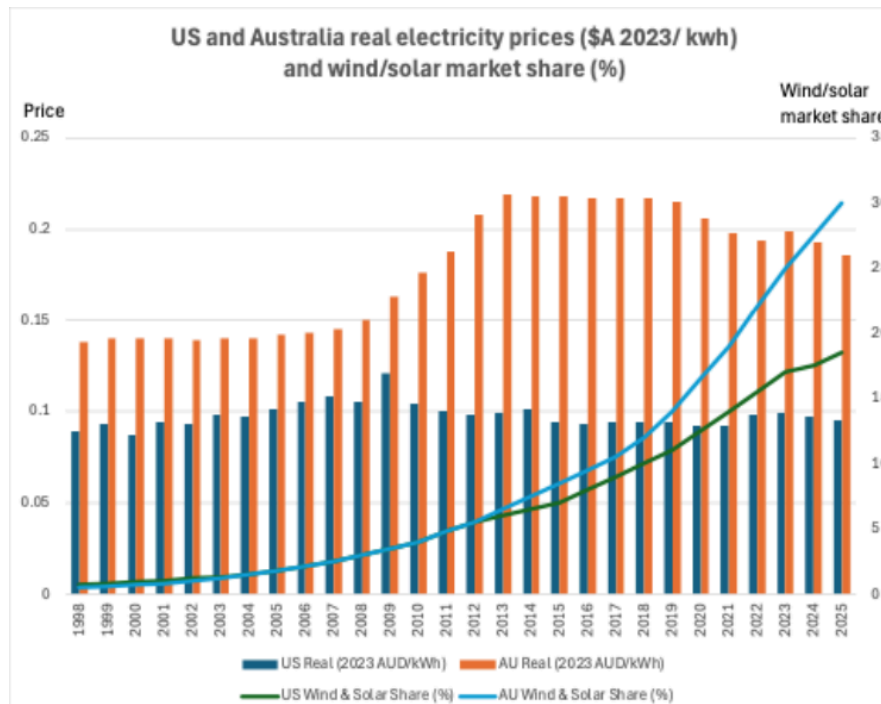
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Self-Harm as a National Priority

ALAN MORAN AUG 19 2025

Until twenty years ago Australian and the US electricity prices tracked closely together, with US prices on average about 30 per cent lower and the price differential gradually narrowing. But, starting 15 or so years ago, this changed alongside a faster growth in Australia's wind/solar market share. Subsidies brought increased installations of wind and solar energy in both nations with a rise in the market shares of renewables from insignificant levels to 30 per cent in the case of Australia and 18 per cent for the US.

In the US, the **Obama-Biden subsidies** eventually comprised two main elements. These were, first, a 30 per cent tax reduction to the owner on each solar/wind dollar of spending and, secondly, a \$US15 per MWh tax credit on production. With the average US wholesale price at about \$40 per MWh, this brought total support to a subsidy equivalent of some 45 per cent.



US support was blunted by the 2017-21 Trump administration and is now being eliminated by Congress's One Big Beautiful Bill, a foreshadowed ending of CO2 being considered environmentally dangerous, and by stricter conditions being specified.

Though new installation applications faced headwinds under the first Trump administration, the eventual Obama-Biden 45 per cent subsidy was comparable to that of Australia prior to the additional measures introduced by the Albanese government. Starting at a modest level, Australia's subsidy support was expanded considerably under the 2008-13 Rudd/Gillard governments. Tony Abbott was unable to reverse this, while between 2013 and 2022 Turnbull and Morrison introduced additional instruments.

Since 2022, the Albanese government has turbocharged the **subsidy measures**. It has increased taxpayer support; introduced the Safeguard Mechanism, requiring a 30% emission reduction from the top 215 companies by 2030, and launched direct government purchases of wind and solar under the Capacity Investment Scheme (CIS). While funding to wind and solar under the CIS has

recently been increased to \$7.2 billion the government refuses to disclose contracted supplies' prices. This prevents precise estimates of the current subsidy selected firms receive, though it would now be in excess of that formerly prevailing in the US.

Moreover, the pressure is on for a further amplification of subsidies. The Productivity Commission (PC), now having been re-engineered as an ALP institution, wants to see a doubling of the number of firms subject to a mandatory 30% reduction in CO2 emissions. The PC also recommends a carbon tax on top of the plethora of existing measures covering electricity, and extending the tax to additional sectors.

Whereas previously the PC had led energy reform, its energy concerns are now largely focussed upon reducing the abilities to contest new wind and solar and their associated transmission systems by those whose property rights are infringed.

Vaclav Smil has shown how civilisation is impossible without the innovations that have driven down the cost of energy. A nation cannot thrive if it sacrifices its abilities to harness its lowest-cost energy supplies. For its part, the government's **Nelson** review of the national electricity market recognises (p.39) that, in contrast to 15 years ago, no electricity facility now gets built without a significant subsidy.

In pursuing its tasked focus on decarbonising the economy, the Nelson review has little to say about the adverse effects Australia incurs from denying the domestic economy from accessing its low cost energy supplies. But those effects are already evident in the closure, or reliance upon ad hoc government financial support, that the energy-intensive smelting industries now require to compensate them for the costs of renewable subsidies measures like the Safeguard Mechanism. And it is inconceivable that Australia will win a significant place in hosting the booming Artificial Intelligence data centres without low cost, stable and reliable electricity that wind and solar are unable to provide.

By creating a fog of disinformation on energy – as well as in other areas suffocating under its regulatory blankets – the government has hidden the path

that would reverse falling levels of productivity. Lower productivity, now at over five per cent, guarantees a similar fall in living standards. Yet, to find and navigate the path to reversing this outcome would seem to require the government to jettison much of the state-socialist and greenhouse-focussed ideology that is meat and drink to its key support base.

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