

FLAT WHITE

The energy Grinch

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Just before Christmas, the CSIRO presented the government with an analysis in support of their beliefs that wind and solar are the cheapest electricity supply sources. The Australian Energy Market Operator (AEMO) also issued its latest Integrated Systems Plan (ISP), carrying a similar but more nuanced message.

Overlooking evidence that the higher the share of renewables the higher the electricity price, CSIRO's analysis (GenCost 2023-24) also

rejected concerns that the intermittent nature of renewables would translate to impossibly high costs.

Implicitly, the report endorsed the COP28 climate forum's communique that urges governments to further inch their economies away from coal, gas, and oil. As an added bonus for the government, the CSIRO report lambasted the Coalition's recent nuclear besottedness, saying this too is vastly more expensive than wind and solar.

Stung by criticism that its earlier cost confessions simply assumed the availability of transmission and other support for new, dispersed and irregular wind and solar, CSIRO this time claims to have added in these costs. And voila! Wind and solar are still the cheapest forms of power.

To arrive at that result, CSIRO plays down the cost and need for wind and solar backup. It overstates the cost of coal new plants by:

- understating its operational capability (its consultants, Aurecon, use a 93 per cent 'capacity factor' whereas CSIRO uses a maximum of 80 per cent)
- overstating the cost of fuel; and
- assuming a new coal plant would be located on a green field site with no existing infrastructure.

The government was delighted by the GenCost report. Tweedledee Chris Bowen opined, 'The latest GenCost report reiterates what we already know – renewable energy is the cheapest form of energy in Australia now and in 2030, even when accounting for storage and transmission costs.'

Tweedledum Ed Husic added, 'CSIRO's report also shows that renewables, particularly wind and solar, remain front-runners as Australia's cheapest and most effective options to deliver a reliable grid to continue to power Australian industry and households.'

A corollary of the report's 'findings' are that the government subsidies to renewables – [some \\$10 billion a year](#) – are superfluous and should be dispensed with! Neither ministers nor the CSIRO chose to recognise this.

The conviction of Australian ministers about renewables being lower cost is not shared by others. At COP28, India's Power Minister, R. K. Singh [stated](#), 'We are not going to compromise on availability of power for our growth, even if it requires that we add coal-based capacity.' India will soon have 80 gigawatts (GW) of coal-fuelled power generating capacity; Australia's diminishing coal capacity is 23 GW. Reporting on COP28, [Xinhua](#), the Chinese government's semi-official mouthpiece, using Commie-waffle said, 'China upholds the principle of common but differentiated responsibilities and respective capabilities in dealing with energy transition and consistently advocates for finding the greatest common denominator, setting each country's energy, food, and economic security as a precondition.' China is home to 53 per cent of the world's coal generation capacity and to 72 per cent of planned new capacity!

The Australian Energy Market Operator (AEMO) in its latest Integrated Systems Plan (ISP) was more guarded in its support for wind and solar. Unlike CSIRO, AEMO's executives know that its plans could go wrong, which would prove disastrous for their careers.

Originally, AEMO's ISPs were reports indicating where new capacity might be profitably located. They emerged from an over-resourced government entity looking for things to do. Market participants in

energy or other industries do not need a government agency to advise them where to invest. Profitable opportunities drove new power station development between 2001 and 2008, and even an entrepreneurial interconnect, Murraylink between SA and Victoria.

More recent years have seen an environmentalist take-over of the electricity market's administration. This has converted the ISP into an investment blueprint that specifies what facilities would be needed to operationalise the plans of energy ministers to replace coal and gas. A key parameter is the ministerial requirement of 82 per cent of electricity in the National Electricity Market be supplied from renewable sources by 2030. While swearing fealty to this 'energy transition', conscious that politicians will blame it for any failures, AEMO also warns replacing coal with wind and solar 'faces significant risks if market and policy settings, social licence and supply chain issues are not quickly addressed'.

Even with a very high share of wind and solar, though not with as much as 82 per cent, extensive blackouts are avoidable. This is because controls can match supply and demand (including by selectively shutting down particular large customers or geographic areas).

Nonetheless, AEMO recognises that closure of coal stations and reliance on renewables brings increasing risks. Hence its warning that facilitative investment is necessary. And it also supports the Commonwealth's Capacity Investment Scheme (CIS), which is to subsidise gas backup plant for a wind and solar-based system. At least one state, Victoria, is so hostile to gas that it is not participating in the CIS. This is despite it already subsidising the [Yallourn](#) coal plant, to

prevent its closure and the knock-on effect of shutting down the Portland aluminium smelter.

Irrational ideological fervour seems to be a requirement for Australia's current crop of energy politicians. They readily pile on ever-increasing subsidies for wind and solar to destroy coal and gas then subsidise coal and gas to prevent a collapse in the system they have created.

Regulations and taxes are forcing the replacement of Australia's low-cost electricity supplies. Together with a throttling of mining and agriculture – the two areas where Australia still has, for the time being, world competitiveness – energy policies are undermining living standards. An electorate insufficiently aware of the detrimental effects of current policies together with Institutional settings in the environmental courts and regulatory agencies make it difficult to see how we can reverse course.