



ENERGY POLITICS

australia scrap heap

Decline is a Choice

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Under its Net Zero carbon emissions policies, Australia has several dozen different schemes designed to replace coal and gas in electricity generation. The major ones are Commonwealth programs, which include:

- ◆ the “Capacity Investment Scheme”, costing over \$7 billion a year in contracts for wind, solar, and batteries;
- ◆ Snowy 2, now a \$40 billion scheme with an annual cost of some \$2.8 billion; and

◆ Commonwealth subsidies for grid-based and rooftop solar, and for wind (about \$1.6 billion a year).

In addition, state and territory government subsidies for renewables are about \$7 billion a year or about \$270 per head. Mike Newman, head of One Nation in New South Wales, has pledged to eradicate all the state's Net Zero policies. That would bring \$1.8 billion a year (\$537 per household) reduction in the State's spending, which, unlike the Albanese-promised saving of \$275 per household from adopting his green policies, is actually identifiable and would almost certainly have a compounding effect as a result of reducing costs to business.

Overall, Australian government subsidies designed to displace coal and gas from electricity generation are about \$26 billion per year. That amounts to some \$1,000 per head, equivalent to doubling the price of electricity. Significant though this is, such a measure seriously understates the full costs of the policies.

It excludes subsidies for electric vehicles, which total about \$1.4 billion annually. It also excludes the annual costs, first imposed by the Howard government 20 years ago, of meeting greenhouse gas emission targets by locking up land from development. Of Australia's claimed total reduction in greenhouse gas emissions, 94% comes from land-use restraints, costing landowners over \$100 billion. Also excluded are subsidies (over \$700 million per year) to aluminium and other energy-intensive operations, which have been made uncompetitive by Net Zero policies.

Beyond their observable costs, Net Zero emissions policies – as intended – replace low-cost, reliable electricity from coal and gas with wind and solar. Although the government rarely tires of telling us that renewables are the lowest-cost energy source, the fact that they cannot operate without subsidies destroys that claim. The nations with the highest electricity prices, the UK, Germany and Spain, have the highest renewable energy subsidies. Those nations with the lowest electricity prices – the US, China and India – have the lowest subsidies.

More important than the direct costs to consumers of electricity from Australian government policies is the effect on competitiveness. By raising energy costs, the Net Zero emissions policy has hollowed out the nation's industrial capacity.

Over millions of years, plants have extracted carbon dioxide from the atmosphere to form today's coal gas and oil deposits. Net Zero policies are designed to prevent human emissions from returning any of that carbon to the atmosphere. It is claimed such a restoration will cause climate change, but even if that were true, the change is trivial – and not necessarily disadvantageous since increased atmospheric carbon dioxide means increased food production.

Moreover, reducing carbon dioxide emissions requires all countries to adopt the same policies. But nations responsible for most emissions – including China, India and the US – are not taking any meaningful abatement measures.

Net Zero policies seek to replace high energy-density fossil fuels with wind and solar. As a result, they are reversing the economic progress that has been driven by technology that has reduced energy costs. Human progress has always been underpinned by technologies that brought lower energy costs. As well as being independent of the weather, coal is between 20 and 100 times more energy-intensive than wind and solar. Oil and gas rate even higher, while uranium is over 1000 times as energy-intensive as coal, though it requires high containment costs.

Australian governments have set a course hostile to coal, despite our reserves being among the world's cheapest, and are ambivalent to gas. Nuclear remains banned, though it would be unlikely to be competitive with coal in the eastern states.

The nation is paying the price. Government hostility to fossil fuels, impediments to all mining developments, labour market regulations, and excessive welfare have, over the past decade, caused living standards to fall from parity with the US to 40% lower.

If that decline isn't enough to prompt long overdue, reality-based energy policies, God help Australia.

