

The energy hex Australia places on itself is madness

Chris Kenny, The Australian, 23 June 2018

If our worst enemies abroad were given one evil wish to destroy our economy they probably would look to curse perhaps our greatest natural advantage: access to almost unlimited cheap energy.

Yet, as if to prove that fact is stranger than even this madcap fiction, this is a hex we are visiting upon ourselves.

If a prosperous nation decided to burden its people with expensive and unreliable power, imposing hardships including job losses, costs on struggling families, reduced profits and missed investment opportunities, to create a more benign environment for all the people of the world, it would be truly altruistic. But if it were inflicting pain on its citizens and handicapping future generations for no discernible benefit, then it would be an act of sheer madness.

Yet here we are. We are in a self-imposed energy crisis. No one disputes the urgency — Coalition and Labor politicians, state and federal, agree prices are too high; they are spending on diesel generators, large-scale batteries and stored hydro to find a way through; companies are having power cut or being paid to reduce demand; consumers and industries fear dire consequences; regulators sound alarms about lack of supply; and policymakers float a raft of possible solutions.

Yet it is all our doing. By mandating renewable energy targets, committing to global carbon dioxide emissions-reduction goals, subsidising wind and solar generation including by domestic consumers, toying with emissions trading schemes and imposing (for a time) a carbon tax, we have up-ended our electricity market, forced out some of the cheapest and most reliable generation and made our power more expensive and less reliable. The lion's share of investment across a decade — upwards of \$30 billion — has gone into the sure bet of subsidised renewable energy that has a guaranteed market but that cannot be relied on to meet peak energy output at any given time. Billions more have been spent on government payments and grants. All this money is recouped in the end from consumers, who are paying enormous sums to go backwards.

Since 1999, average spot prices per megawatt hour have leapt from \$50 to \$110 in South Australia and from less than \$25 in NSW and Victoria to \$80 and \$95 respectively. Electricity costs for manufacturers have increased 79 per cent since 2010 and in that period there have been net job losses of about 140,000 in the sector. Price rises have squeezed family budgets, created hardship for pensioners and forced companies to cut jobs or shut down.

South Australia was plunged into darkness for hours and the Australian Energy Market Operator has warned that without remedial action, even in NSW where cheap and reliable coal-fired power has been abundant, there will be supply vulnerability in the coming years that could lead to 200,000 homes going without power during peak summer demand. The closure of NSW's Liddell coal-fired power station in a few years will make the situation worse.

This month AEMO warned again that the “unprecedented transformation” of our electricity system means Australia “does not have the energy reserves it once had to lean on” when we need it. This is deplorable.

We are the world's largest coal exporter. We will soon be the largest exporter of liquefied natural gas. We are the third largest exporter of uranium.

Australia powers the economic and manufacturing powerhouses of northeast Asia, and other parts of the world, with cost-effective and reliable energy supplies. But we decline to do the same for ourselves.

We may as well feed the people of the world with our wheat and sheep exports while our own people go hungry. Why are we doing this to ourselves? Politicians from both major parties and the Greens pretend — surely they are feigning because they must know the facts — that this is our contribution to global efforts to combat global warming. This is fraudulent.

We need to do what the climate activists constantly implore of us: back the science. All the facts tell us that, scientifically, Australia's climate action is doing nothing to improve the global environment. We are putting ourselves through extended economic pain, with deep social consequences, for nothing more than climate gestures. This is the hard edge of gesture politics: national virtue-signalling, with the poorest citizens and jobless paying the highest price.

Don't take my word for it; listen to Chief Scientist Alan Finkel, who the government tasked with revising policy. He confirmed before a Senate estimates committee hearing a year ago that Australia's carbon emissions amounted to 1.3 per cent of the global total (that proportion is shrinking as world emissions grow). Finkel was asked what difference it would make to climate change if all of our nation's emissions were cut — pretend 25 million of us left Australia idle — so that world emissions dropped by 1.3 per cent. "Virtually nothing," was his reply.

But wait. Our contribution is much less significant even than "virtually nothing" because we will not eliminate all our emissions. We aim to reduce them by 26 per cent — so our best impact may be a quarter of virtually nothing. Wait again; we become even more irrelevant. Global emissions are on the rise. Led by China (growing by up to 4 per cent so far this year) world CO2 emissions are increasing at close to 2 per cent. So, more science, more facts. China's annual emissions are about 30 times higher than ours and in any given year the increase alone in China's emissions can be more than double what we plan to cut by 2030. While global emissions rise our piddling cuts do zip. We are emitting into the wind. Our price rises, blackouts, job losses, investment droughts, subsidies and energy system dilemmas are all for nothing.

Anyone with a pulse must understand this. Why they persist with proposing or backing costly climate policies is the question. They want to display their commitment to the cause. They want to associate themselves with protecting the planet. It is earth motherhood, dictated by political fashion and a reluctance to go against the zeitgeist. What a sad indictment on our political/media class — indulging its progressive credentials for social and diplomatic acceptance at the expense of struggling families, jobless blue-collar workers and our economic competitiveness.

The Coalition is starting to tear itself apart again; led by Tony Abbott, those who understand mainstream concerns are rising up against those stuck in commercial, media and political orthodoxy. Malcolm Turnbull and Josh Frydenberg's national energy guarantee is a retrofit mechanism to encourage some investment in dispatchable electricity.

As they negotiate for a bipartisan position they could be left with a stark choice: satisfy Labor and its premiers or placate the Coalition partyroom. It may be impossible to do both — the

partyroom may at least demand a plan to extend the life of Liddell — and another political short-circuit may be in the offing.

The national energy system is so badly distorted by a decade of renewable subsidies and the threat of future carbon prices that there is no easy solution. All sides of the debate propose expensive government interventions. Investors in anything but renewables are wary.

If we had done nothing on climate action we might have had plentiful and cheap coal and gas power on the back of private investment. But we killed that goose. There is bound to be a reckoning; eventually we will reclaim the energy advantage we export to other nations. And if we ever need a zero-emissions future, we will embrace the silver bullet of nuclear energy. The only question is whether it takes us three years or three decades to come to our senses — and how many political careers will be hoist with this petard in the interim.