

Copying a failed state on power

Editorial, The Australian, 12:00AM October 19, 2016

Before the Palaszczuk government further depresses Queensland's sluggish economy by squandering the state's comparative advantage in cheap energy, it should undertake a cost-benefit analysis of its aggressive target of 50 per cent renewable energy by 2030. Too much is at stake in terms of jobs, living standards and the social wage to sacrifice cheap power for social media plaudits from environmental alarmists. As reported on yesterday's front page, the state's largest government-owned power generator, Stanwell Corporation, which operates 40 per cent of Queensland's coal-fired generation capacity, has raised the alarm about Australia moving from being one of the world's lowest cost electricity nations to one of the highest.

The Stanwell Corporation's warning, backed by EnergyAustralia chairman Graham Bradley and former Queensland Labor treasurer Keith De Lacy, casts serious doubt over the credibility of the so-called Credible Pathways report, the state's RET plan released last week by Queensland Energy Minister Mark Bailey. The minister spruiked it as a "groundbreaking" step towards "a cleaner, greener renewable energy future". Mr De Lacy's assessment was more pertinent. He warned that excessive RETs would result in jobs in energy-intensive industries being shifted offshore to nations more interested in economic growth than in "saving the world".

Unfortunately for those who rely on social media for news, the posts and tweets of climate activists pay little heed to economic reality and contain plenty of hype and oversimplifications. A recent Facebook post by the Climate Council (successor of the Climate Commission abolished by the Abbott government) blamed climate change for South Australia's recent once-in-50-years storm. Blaming renewables for the blackout, the council claimed, was "like blaming lifeboats for sinking the Titanic". Really? Wild storms have occurred for centuries. And in its initial report after the blackout, the Australian Energy Market Operator noted the debacle was caused by a dramatic loss of wind power generation, as well as by the storm.

South Australians pay Australia's highest electricity prices, an impost few other Australians — except, perhaps, Tim Flannery and his fellow climate councillors — want emulated across the nation. Nor do Australians want an 8 per cent renewables surcharge like that being imposed on Germans. Despite the higher prices, the vulnerability of South Australia's energy supply became crystal clear in July when the interconnector from Victoria was down, the wind was low and gas prices high. As a result, electricity prices spiked from an average \$100 per megawatt hour to almost \$14,000/MWh.

As Queensland follows its fellow Labor state down the renewables path, at indeterminate cost to consumers, the big-spending Palaszczuk government should do what it has never done before and prune spending. As dividends from coal-fired power generators drop, so will its revenue.