

South Australia's quixotic approach to energy



Still wind turbines at Snowtown. Picture: Kelly Barnes



Jay Weatherill at the Paris climate talks with then UN head Ban Ki-moon.

[Chris Kenny](#), The Australian, 12:00AM February 11, 2017

The free-settler state is determined to lead the nation, refusing to be enslaved by the carbon economy that dominates the former convict colonies. "In 2015 the state government and Adelaide City Council committed to a joint aspiration," says a South Australian government website, "for Adelaide to become the world's first carbon neutral city." They sure found a unique way to achieve it.

On September 28 last year during SA's first statewide blackout, it disappeared from the view of passing spacecraft, redolent of the famous images showing North Korea wallowing in the darkness of its socialist torpor. On that night the only emissions in SA came from the rear ends of cows and the expletive-laden curses of its citizens. The city designed by Colonel William Light was in the dark and carbon neutral, very much like it was before he arrived in 1836. Except this time people were stuck in traffic snarls without signals; and in lifts.

None of this has worked out quite the way Labor Premier Jay Weatherill intended — although it is exactly how many of us predicted. Weatherill expended a fistful of taxpayers' dollars and a truckload of carbon emissions taking a team to the Paris climate talks in 2015; he even took a video crew because there is not much point saving the planet unless someone records it. "We are running a big international experiment right now," Weatherill told the true believers in the City of Light, forgetting to tell his constituents back in Adelaide that he was using them as laboratory rats who could be plunged into darkness.

From websites for RenewablesSA and Carbon Neutral Adelaide to a range of videos, pamphlets and programs, the proselytising from the state's Labor Party is extraordinary. "2015 was an exciting year for our state on the topic of addressing global warming," preaches Weatherill's website (clueless about how exciting 2016 and 2017 would turn out to be).

The conceit is beyond parody. This is a state with a declining industrial base and the highest levels of unemployment in the nation. It has clean air, plenty of space and, in the main, a semi-arid climate. This year its grain farmers are experiencing record crops thanks to good seasonal rains and perhaps, some farmers dare to mention, higher levels of carbon dioxide in the atmosphere.

Yet Weatherill and his team seem convinced their state can be the butterfly that flaps its wings and saves the planet. The state accounts for about 0.15 per cent of global carbon dioxide emissions. If we shut down the state and evacuated it, the annual emissions saved would be eclipsed by China's emissions growth within a few weeks. Indeed we could desert the state forever, leaving it to become a future Angkor Wat, and it would make not the slightest difference to global climate trends.

Yet in order to claim some kind of climate virtue, justify the odd trip to Paris and delude themselves about leading the world, SA's policymakers have sacrificed their state's cost of living, undermined its struggling manufacturing base and enfeebled its energy security. South Australians have the most expensive electricity in the nation by an average of about 40 per cent, yet the power can go missing when they most need it — when especially hot or cold weather triggers high demand.

If you were doing this to actually save the planet you might grin and bear it. When you are doing it just to make an ass of yourselves it is a political crime.

To comprehend the absurdity of all this you have to trace Labor's actions since taking power in 2002. Electricity was already a central issue because the Olsen Liberal government (for which I worked in its final two years) had privatised the system. Labor came to power promising to build an interconnector to NSW to underpin supply and boost competition. Fifteen years later it has done no such thing; rather, it is talking about the idea once again.

In the interim, under Mike Rann and then Weatherill, SA plunged headlong down the path of renewables, first achieving a 33 per cent target and then doubling down by setting a 50 per cent target (it is well on track with the renewable share more than 40 per cent already).

Mainly supplied by wind farms, the renewable investment is made under the federal government's renewable energy target. This means the infrastructure is subsidised by other electricity suppliers, guaranteeing returns. The wind generators can often pump power into the system for extremely low prices — even for free — when the wind is blowing. This undercut the competitiveness — as intended — of carbon-based generation. Unable to turn a profit in the new environment, gas-fired generators have chosen to close or remain idle. The state's two main baseload generators were built in the 1960s and 80s at Port Augusta and fuelled by low-grade coal mined at Leigh Creek.

The older generator was mothballed in 2012 and the operator, Alinta, decommissioned the other last year. Before doing so, Alinta wrote to the Weatherill government seeking government support to reinvest and extend its operations in order to provide "long-term certainty" and additional retail competition.

This was rejected. On the one hand this is understandable — imagine the craziness of an electricity system that subsidises renewables in order to drive out carbon-based generation but then subsidises the carbon-based plants to remain operational for reliable back-up. But that shows the dilemma politicians have created. No doubt Weatherill, if he had his chance over, would have tried to keep the coal generators going. Certainly most of his constituents might think so.

The electricity market is extremely complex and volatile. Hence this week South Australia began load shedding when demand was high even though one major gas generator at Pelican Point was not being pressed into service. There will be claims of profit gouging from some but alternatively, consider if the operator, French giant Engie, fires up its plant and then the wind blows. It can be stuck with gas costs but no profit.

The core of the problem is straightforward. The RET system encourages wind investment but only undermines the business model of the baseload power needed for when the wind doesn't blow. It is the cost and complication of the renewable energy that is superfluous, not the other way around — unless you kid yourself that lower emissions in SA can change the global climate. This is an exercise in destructive futility — tilting at windmills.

The serious complication for Malcolm Turnbull is that while Weatherill's climate crusade is all his own doing and the political consequences for him ought to be dire, it has all occurred under a federal RET that has had bipartisan support. It is classic case of our muddled federation where we have different levels of government acting at cross-purposes. Setting a national RET at less than 25 per cent doesn't stop self-harming states using it to achieve their own unilateral targets of 50 per cent (Queensland is aiming for 50 per cent, Victoria 40 per cent and Western Australian Labor has been flirting with 50 per cent).

The states are responsible for their own foolhardiness. And the Turnbull government's RET ambitions seem eminently responsible compared to Bill Shorten's shapeless and uncoded plan to more than double the RET to 50 per cent by 2030. Yet Turnbull and his Environment and Energy Minister, Josh Frydenberg, need to deal with the reality that the current chaos is occurring under a RET to which they subscribe.

Remedial action is urgently needed to turn their political ascendancy on energy policy into a practical prescription.