

Cheap renewable power is a costly myth



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AFR, 1 March, Alan Moran

Kane Thornton of the Clean Energy Council declared in these pages last week that renewable energy was the lowest-cost form of energy available. Such assertions are not new. Ever since the late 1980s, we have had authoritative politicians and economists declaring the impending victory of renewable energy over coal and gas.

And yet we still subsidise these renewables, this year in Australia to the tune of nearly \$5 billion, four-fifths of which is by Commonwealth programs. Surely if wind is now cheapest, subsidies are unnecessary, but the renewable lobby clamours for even greater support. In fact, wind and solar cost three times as much as coal and can survive only because of their subsidies. This has contributed to an outcome of BlueScope reporting that its Australian energy costs are 10 times those of the US.

The renewable requirements have a long and inglorious pedigree. In the 1997 statement by then prime minister John Howard, about \$64 million was set aside as Commonwealth support for wind and other low-emission generation. Not costed was another measure: the "2 per cent additional energy" to comprise electricity supply from wind and solar. That target is now 33,000 gigawatt hours by 2020, which with the addition of hydroelectricity means about 23 per cent of electricity will come from renewables. For wind, the 2016 level of 21,000 gigawatt hours will have to increase over the next three years by 50 per cent.

By forcing coal stations to close, subsidised renewables have led to a doubling of the wholesale electricity price. Moreover, the intermittent nature of renewable energy has brought unreliability, made clear in the collapse of the South Australian market in September 2016 and further difficulties last month.

Sting in the tail

Those events brought a recognition that any merits in wind and solar energy are accompanied by a paralysing sting in the tail. Replacing coal with wind not only raises prices but also means the air-conditioning, traffic lights and factories don't work.

The \$5 billion in subsidies to renewables is paid for by taxpayers and consumers. This means an impost of \$500 a year on the average Australian household, not the claimed one or two per cent on electricity bills.

Following the South Australian market meltdown, governments appointed a committee to advise it on electricity policy, headed by chief scientist Alan Finkel, a long-time supporter of novel green energy schemes.

The preliminary report of the Finkel committee falsely argues that it is "technology" and "consumers" driving change in the electricity market when it is clearly the government itself through regulations and subsidies. The Finkel report's focus is on pursuing, through the electricity industry, the 28 per cent reduction in greenhouse gas emissions Australia agreed to at the Paris Climate Change Conference in December 2015. The report seeks more regulation to force these costly technologies upon us and even greater oversight by governments of a market that oversight has wrecked.

But Donald Trump's rejection of the Paris agreement means serious abatement disciplines cover countries, including the EU and Australia, that are responsible for only 25 per cent of global emissions. This nullifies the agreement.

Since the turn of the century, Australian government policies have transformed this nation from being the lowest-cost energy supplier – with all that means in terms of enhancing the competitiveness of our mining, agriculture and manufacturing – into one of the highest-cost suppliers. We need to eliminate the energy subsidies that have brought this about.

Alan Moran is the author of the forthcoming book *Climate Change: Treaties and Policies in the Trump Era*.

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