

Turnbull keeps coal door open in bid to ease Coalition angst



Prime Minister Malcolm Turnbull has told MPs there is nothing in the clean energy proposal to punish power generators using fossil fuels.

[David Crowe](#), The Australian, 12:00AM June 13, 2017

Malcolm Turnbull has moved to quell unrest over plans for a clean energy target by assuring Coalition MPs he will not slam the door on coal power, sending the signal to colleagues amid fears of an internal clash over climate change.

The Prime Minister has told MPs there is nothing in the clean energy proposal to punish power generators using fossil fuels, as Tony Abbott warns that the idea could become a “tax on coal” by increasing costs for households.

Energy Minister Josh Frydenberg has also called Liberals and Nationals MPs ahead of a partyroom meeting today to assure them there is no threat to coal power from the energy reform plan issued by Australia’s Chief Scientist, Alan Finkel.

The government’s analysis of the Finkel report concludes it will keep coal power stations operating longer than otherwise, while leaving room to support the construction of new coal-fired generators in Queensland and NSW using “high-energy, low-emissions” technology.

Wary of a revolt over electricity price hikes, the government has not endorsed Dr Finkel’s blueprint and is waiting for meetings with the states before deciding its policy, including the benchmarks it would set to reward cleaner energy. Key decisions include the “reliability obligation” to be imposed on new wind and solar projects to force them to spend more

money on back-up power, as well as the emissions intensity threshold to set the incentives for “clean” energy.

Mr Frydenberg will brief the partyroom today with a presentation that will emphasise the role of high global gas prices on household costs, as gas power sets the price across the electricity market.

The government is likely to move within weeks to establish an Australian domestic gas security mechanism to limit exports when prices are too high, while stepping up pressure on states and territories to allow more gas production to boost local supplies.

The chairman of the Coalition’s backbench energy committee, Liberal MP Craig Kelly, said he feared the price pressures outlined in the Finkel report would hit households despite claims. “At best, it locks in one of the highest household electricity prices in the world,” Mr Kelly said. “It also locks in subsidies that could lead to a capital spend of \$30 billion or \$40bn on solar panels from China. I don’t see how that’s going to decrease electricity prices.”

The Finkel report relies on forecasts showing rooftop and industrial solar will rise from 16 per cent of electricity generation in 2020 to 27 per cent by 2030 under a clean energy target, while leaving existing rules in place would see solar grow to 23 per cent.

Coal power is estimated to make up 66 per cent of the national electricity market in 2020 and will fall to 53 per cent by 2030 under a clean energy target, compared with 57 per cent under business as usual.

In a key scenario that spells out the risk of “business as usual” without reform, the Finkel report finds that the lack of certainty over investment would see coal fall to 19 per cent of generation by 2050, forcing a much heavier reliance on gas power and a greater exposure to high gas prices. Under a clean energy target, however, coal power would make up 24 per cent of the market by 2050.

Mr Kelly has called for the government to monitor the Paris Agreement on climate change, given US President Donald Trump’s decision to withdraw from the commitment to cut carbon emissions.

Queensland Liberal senator Ian Macdonald said yesterday that Australia was a small contributor to global emissions and should not go too far to shift to renewables. “The Greens’ over-the-top commentary about what Australia must do to get back to zero temperature increases is just unreal,” he said. “I just want to keep emphasising what a small player Australia is and how in spite of the fact that we think we are important, to the rest of the world we are only important in the international green conspiracy to get rid of Conservative governments everywhere.”

Other Liberal backbenchers do not support withdrawing from the Paris Agreement or abandoning other measures that favour renewable energy, leaving Mr Turnbull and Mr Frydenberg confident they can develop a policy that satisfies the backbench.

Mr Abbott expressed anxiety yesterday that the new approach could be a “magic pudding” by promising a reward for low-emission fuels while not punishing high emission fuels, although he said this was based on “reports of the report” rather than the document itself. “We all know there’s no such thing as a magic pudding,” he told Sydney radio 2GB. “If you are rewarding one type of energy, inevitably that money’s got to come from somewhere, either from consumers or taxpayers. “If it’s from consumers, well, it’s effectively a tax on coal and that’s the last thing we want.” But Mr Frydenberg last night rejected that, telling the ABC’s Q&A program he had addressed that issue during a “very constructive conversation” with Mr Abbott.

Dr Finkel told Q&A: “You’re putting an incentive on low emissions and you can interpret it however you wish. So you really need to not break up a mechanism and look at the details. You need to look at what the outcome is.”

Minerals Council of Australia chief Brendan Pearson told Sky News it was not right to call the plan a tax on coal, while Frontier Economics chief Danny Price said it could not be considered a tax on coal in the way Mr Abbott said. “The way that Alan Finkel has modelled his scheme, it would be rightly thought of as an expanded renewable energy target but it wouldn’t rightly be seen as a tax on coal,” Mr Price said.

Mr Abbott’s former chief of staff, Peta Credlin, said the new plan was really a “renewable energy target by another name” because of the way it favoured solar and wind power.

Dr Finkel told The Australian on Sunday his policy did not “knock out” coal or gas but he noted the investment required for a new coal-fired power station had a much higher risk premium. The government is still considering whether to support a coal-fired power station.