

Tony Abbott's RET, emissions policies made energy policy a farce

[Judith Sloan](#), The Australian, 12:00AM August 12, 2017

Tony Abbott may have seen the light on energy policy since ceasing to be prime minister. But when he had the top job, he made two fatal mistakes.

The first was to agree to the renewable energy target being renegotiated rather than ditched or paused. The second was to agree to the emissions reduction targets of 26 per cent to 28 per cent on 2005 levels by 2030 as part of our commitment to the Paris climate agreement.

What was he thinking? He may claim he acted on the basis of dodgy advice — and there was an overabundance of it at the time (and still is) — but he was warned on both matters. He decided to go with the flow. Take the decision to lower the RET from the ludicrous target of 41,000 gigawatt hours to be sourced from renewable energy by 2020 (I'm just talking large-scale here) to 33,000GWh. This was complete madness given the costs that additional intermittency imposes on the entire system.

But sneaky modellers with an agenda to push were able to get away with the laughable prediction that wholesale energy prices would fall with this reworked RET, compared with its abolition.

To reach this absurd conclusion, the modellers assumed all the existing fossil-fuel generators would continue to operate until at least 2040. That is, there would be no retirement of reliable baseload electricity in that entire period.

Just think about it: the wholesale price of electricity was going to fall because of the increased supply of subsidised renewables but loss-making coal-fired power stations were just going to keep chugging along. Even a frazzled prime minister should have been able to see through this ruse, let alone an environment minister with more time on his hands.

And here's a bit of the folklore peddled by the rent-seeking renewables sector: that the cost of renewable energy has fallen so much that it is cheaper than coal. If that is true, the RET should be terminated immediately because the sector no longer needs the implicit subsidy of about \$80 a tonne of CO₂.

But again, think about it. Why is the cost of renewable energy falling so quickly? Is it because the cost of all that steel and engineering in those vast wind turbines is declining at a rapid rate? To be sure, the new turbines are getting bigger and more efficient but the strength of the objections to their location also is growing. This aspect of wind energy extension has to be taken into account when estimating the cost of renewables.

And while there may be more technology breakthroughs with large-scale solar, and all that cheap Chinese manufacturing helps, there is often an underestimate of the maintenance associated with solar — in particular, the need for the panels to be kept clean. The best estimates point to annual falls of 1 per cent and 3.5 per cent respectively in the cost of wind

and solar. But these figures do not take into account the cost of backup, which we are led to believe will be a required part of all new renewable energy offerings.

This condition will lead to a doubling or trebling of the cost of renewables, given that wind works only when the wind blows (and not too hard), and solar when the sun shines. Be aware that there is a lot of lobbying behind the scenes by the renewable energy sector to water down this requirement.

So, what has happened since the RET was renegotiated in 2015? The wholesale price of electricity has doubled from \$60 a megawatt hour to \$120. With the closure of the Northern and Hazelwood coal-fired power stations, high-priced gas is increasingly the marginal fuel that is setting the price.

Needless to say, the remaining coal-fired power stations are making thumping profits — the Queensland government-owned plants are swimming in dough as they game the system to return obscene dividends to the state government — as are the renewable energy players.

Is it any surprise that households and businesses are feeling the pressure from higher electricity prices? Note that electricity costs as a proportion of household budgets and business expenses have never been this high in Australia. South Australia has the highest retail electricity prices in the world, with some of the other states not far behind.

Rather than confront the real reasons behind this disaster, both present and impending, all the Turnbull government can do is faff around with marginal issues. Yes, it is a pity that so much gas is being exported. But under the RET, gas plays no part.

And does anyone really think that a ban on gas exports — imposed by a Coalition government, no less — will really put downward pressure on domestic gas prices in any timeframe other than the short term?

The message is: don't bother to explore and exploit because the government is intent on reducing gas prices. (Hey, maybe the government should put export bans on beef, wheat, wool, sugar, iron ore and so on — think of the lower domestic prices we could enjoy!)

Jawboning the states to remove their moratoriums on gas exploration has been completely ineffective, and bullying the electricity retailers will have a marginal effect at best. In fact, the loss of scope for retailers to hedge forward electricity prices, given the greater penetration of renewables, means the quality of retail offerings will deteriorate across time, irrespective of any regulatory action imposed by the government.

This brings me to the nonsensical decision of the Abbott government to promise an excessively high emissions reductions target as part of our Paris Agreement commitment. No doubt the internationalists at the Department of Foreign Affairs and Trade were telling the prime minister we had to do our bit and hold our head high in the UN community.

The trouble for Australia is that 26 per cent to 28 per cent emissions reduction is actually 50 per cent to 52 per cent in per capita terms. With our population growth being more than

three times higher than the average in developed countries, we voluntarily have agreed to putting a burdensome yoke around our collective neck.

And here's another thing: we tend to take these sorts of commitments seriously and accurately measure our emissions. Plenty of countries signed up to the Paris Agreement simply for the money. There is also evidence of widespread rorting of the measurement of emissions, including by Russia and China, both of which are substantial emitters.

To those who argue the solution to our energy problems is the clean energy target, my response is: you have to be joking. The CET is just the RET by another name.

And even if the emissions intensity benchmark is nominally set to include clean coal — note that 1600 clean coal electricity plants are being built around the world — the key parameter is the emissions reduction target.

There will be no private investment in clean coal in this country under a CET unless the emissions reduction target is scaled back. When Malcolm Turnbull points out that coal will feature in electricity generation for years to come, all he is saying is that existing plants will continue to operate and some may even reach their true physical end of life. But there will be no new investment in coal-fired electricity.

Let's face it: energy policy is a farce in this country. It makes other countries look like paragons of common sense. The US is swimming in cheap shale gas and has reduced its emissions without any intrusive government dictates, aside from some loony and ineffective measures by some of the states.

Germany is building a large brown-coal-fired electricity power plant and has deferred the withdrawal of brown coal to a later date. Denmark has gone cold on wind power, having recently cancelled a large offshore project. Britain is building a new nuclear power plant.

By contrast, Australia seems hellbent on sending all our energy-intensive industry broke as well as imposing ever higher energy bills on households. There has to be a better way.