

Minister should be red-faced over green schemes

Judith Sloan, The Australian, 12:00AM August 22, 2017

I'm just wondering whether Malcolm Turnbull regrets some of those things he said when he knifed Tony Abbott to become the Prime Minister. No, not the 30 Newspoll losses in a row (oops), but all that guff about governing through advocacy and not slogans.

I don't know what "jobs and growth" is other than a slogan. And now we have another one, no doubt workshopped in those endless focus groups that we taxpayers fund. "Economics and engineering, not ideology" is the slogan attached to the panicked and chaotic energy policy of the Turnbull government.

If sticking with the damaging renewable energy target and committing to a wildly excessive emissions reduction target under our commitment to the Paris climate agreement are not ideological, I'm a monkey's uncle.

And here's another bit of ideology — that "green schemes" contribute only 8 per cent to the cost of electricity, according to embattled Environment and Energy Minister Josh Frydenberg. Pull the other one, mate: the rise in the cost of electricity in Australia, doubling in just more than a decade, has been overwhelmingly caused by these "green schemes".

You only have to think about it for a moment to realise why this is the case. The main effect of the renewable energy target has been to drive out low-cost coal-fired plants, with the increasing proportion of intermittent energy being backed up by high-priced gas.

Let us not forget that the Northern Power Station in Port Augusta was relatively new, having been constructed in the mid-1980s. Notwithstanding an extraordinarily generous offer to the South Australian government by the owners to keep the plant going, Premier Jay Weatherill and his mates from the state conducting a reckless energy experiment (his words) declined. There was 520 megawatts, now blown up.

And when we look at the other coal-fired plants that have exited, there was very little attempt by their owners to revamp them for them to continue to operate. There is an element of Kelly's axe in all these plants, but the disincentive of the RET and other "green schemes" has meant that large slabs of low-cost electricity have simply disappeared.

But the impact of the "green schemes" doesn't end there. While it is common to blame the poles- and-wires companies for gaming the system — mind you, the government sets the rules — there is no doubt that much of the upgrading and extension of the transmission and distribution system can be attributed to renewable energy.

Because wind farms and the like are paid on the basis of postage stamp pricing — it doesn't matter where these farms are located — there is no incentive to locate them near centres of population or existing transmission or distribution links.

Add in their preferential access to dispatch — that is, when the wind is blowing or the sun shining — and the uniform clearing-price auction system, and it's easy to see why "green schemes" have imposed such a hefty slug on households and businesses. (This auction

system means the price of the marginal supplier is paid to all those who supply electricity during the specified period.)

Then there are much-loved small-scale solar panels that sit atop so many homes, including our own Prime Minister's. (I understand he has opted for the Rolls-Royce version, complete with a bank of batteries for backup.)

The combination of the excessive feed-in tariffs offered to the better-heeled who can afford these panels — low-income earners and renters be damned — and the loss of demand from the grid has meant that electricity prices are higher than they otherwise would be. That's right — because of the "green schemes".

Note that one-fifth of households have solar photovoltaics, meaning the other four-fifths are carrying the can. Is it any surprise that there are more than 100,000 households on formal hardship schemes because they cannot afford to pay their electricity bills? This is bound to get worse.

Then there is gas that is deemed to be the villain of the piece because gas is setting the price of electricity much more than was the case. In 2014, gas set the price 9 per cent of the time; the percentage is now 24 per cent.

But given the RET specifically excludes gas, was it any surprise that the gas companies would seek another market for their reserves? And it should not be forgotten that most of these new fields would never have been developed had it not been for the lure of export markets that a Coalition government is now doing its best to destroy. (Yes, that's right — a Coalition government.)

So don't give me all that codswallop about economics and engineering, not ideology. It's all ideology. Pumping water up a hill is the apotheosis of ideology.

When it comes to electricity, the Turnbull government's real message is this: you may not like our ideology but Labor's ideology is worse. We are targeting renewable energy of only 42 per cent by 2030, but Labor wants 50 per cent. Evidently, we should be really scared about 50 per cent, but 42 per cent is just fine and dandy.

The reality is that the energy market is heading for complete disaster notwithstanding all the desperate tinkering by this government. The giant Liddell coal-fired plant, all 2000MW, will close in 2022 as its owner continues to make huge profits by taking advantage of the system.

In the meantime, the proportion of intermittent energy continues to rise, including the preposterous proposed solar thermal plant in Port Augusta with a mere capacity of 150MW with scope to operate nine hours daily.

At a capital cost of \$650 million — you will be pleased to know we are handing over \$110m of free capital to the American owners — and a putative cost of delivery of \$78 a megawatt hour, something doesn't add up.

The broader point is that all these figures of dollars per megawatt hour attached to intermittent energy are completely misleading because they do not account for their inability to dispatch most of the time. We are not comparing apples with apples.

The bottom line is that countries with higher penetrations of renewable energy have higher electricity prices. It is a perfect fit. And while we may worry about the impact on households, the more important consideration is the future of businesses and the jobs they provide. It all comes down to those dastardly “green schemes”.