

Cabinet to consider cleaner coal-fired power for target

[Simon Benson](#), The Australian, 12:00AM August 7, 2017

The Turnbull government is expected to take its revised energy policy to the Coalition partyroom early next month with a plan to make a significant investment in cleaner coal-fired power as a counterbalance to also adopting a clean energy target.

The Australian has learned that Malcolm Turnbull and Energy Minister Josh Frydenberg are working on a compromise deal on coal that would allow them to quell internal resistance to a CET.

However, it is unlikely to go before cabinet before early next month, with the government awaiting advice from the Australian Energy Market Operator on the baseload requirements to replace generation lost from the planned closures of a number of coal plants over the next five to 15 years.

The government will be buoyed by signs that gas spot prices have begun to fall across the national market following pressure on gas companies to increase domestic supply ahead of government-imposed export restrictions.

The political pressure brought to bear since the Prime Minister called in gas company chiefs over spiralling prices appears to have contributed to falls in spot prices for gas of up to 50 per cent in some states since February.

While the spot price market accounts for only about 10 per cent of the total market, with contracts responsible for the massive hikes in retail consumer prices, the government claims the falls show positive signs across the gas sector.

The analysis of AEMO pricing reports by the Department of Energy and the Environment also shows a fall in electricity network costs, which account for up to half of the average power bill, following reforms which changed how network revenue was set, as well as the lower cost of capital.

The price of certificates under the large-scale renewable energy target has also moderated this year, with significant amounts of renewable investment committed and coming online. The spot price of large-scale generation certificates has fallen from about \$90 last year to about \$85 today. The forward market is trading at \$73 for 2019 and \$48 for 2020.

The positive signs for the energy market come ahead of a meeting in Canberra on Wednesday between the government and energy retailers and generators, following demands by Mr Turnbull that the chief executives of the seven largest energy companies ease price pressures on consumers.

Mr Frydenberg said while Australian households and businesses were “doing it tough” due to rising energy prices, there were positive signs of downward pressure but a lot more had to be done by energy companies to ease the burden on household prices. “We are determined to get more gas into the domestic market, reduce the cost of gas transportation, prevent the energy networks gaming the system and ensure the energy

retailers put their customers on the best possible deal,” he said. “These actions, together with the pressure we are putting on the states to lift their mindless gas moratoriums, should put downward pressure on prices and support Australian families and jobs.”

Mr Frydenberg succeeded in securing 49 of the 50 recommendations of the Finkel review, which was handed to the government in May, through the Council of Australian Governments.

But there is strong resistance to the 50th recommendation, the CET, within the Coalition partyroom without significant investment for new cleaner coal-fired power plants.

Mr Frydenberg has also been ramping up pressure on state governments about lifting their restrictions on developing gas reserves, which would have a significant impact on lowering prices.