

## Scale back Paris emissions commitment: Banks, Hilmer



Professor Gary Banks (left), the inaugural Productivity Commission chairman, meets with Keating government adviser Fred Hilmer (centre) and Infrastructure Partnerships Australia CEO Brendan Lyon. Photo: James Croucher

Adam Creighton, The Australian, 12:00AM October 11, 2017

Two of Australia's most respected economic reformers have urged the government to scale back its commitment to the Paris emissions-reduction agreement and revive a market-based mechanism to curb greenhouse gases, suggesting the renewable energy target is damaging the country's competitiveness.

Lamenting at least a decade of reform paralysis, Keating government adviser Fred Hilmer and Gary Banks, the inaugural Productivity Commission chairman, said they had all but given up on rational reform in the energy market. They were now left to hope that blackouts in Sydney and Melbourne this summer inject sense into what they saw as an increasingly dishonest policy debate.

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Professor Banks sympathised with Australians who were "bemused" about rising power bills amid claims of a low-cost, renewable-energy future "The

notion that there's a trade-off, that we can't have it all, that there's no free lunch, that's not been made clear to the public," Professor Banks said. "In fact when you look at it, we've ruled out all the least-cost ways of transitioning to a low-emission economy ... we've ruled out nuclear and essentially ruled out gas too.

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"I had a feeling under the last Labor government that there were tentative moves in the nuclear direction but then we had Fukushima, and that was it." Australia is the only G20 country with a legislative prohibition on nuclear energy.

Professor Hilmer, whose report for the Keating government unleashed a wave of pro-competition reforms in the 1990s, including helping to form the national electricity market, said blackouts this summer "would be great" to refocus the energy debate.

He and Professor Banks are both frustrated with state bans on gas exploration. "I can't believe the problems (with fracking) are all that real; otherwise the US would be committing suicide," Professor Hilmer said.

He suggested claims about the capacity of new batteries to store renewable energy had been exaggerated. "We need a blackout in South Australia when the new battery is going," he said. "You can look at the sun shining and say renewable energy is cheap but it doesn't solve storage. These huge batteries — half an hour's power for Adelaide, or not even." In an allusion to South African billionaire Elon Musk's plan to build the world's largest battery in South Australia, Professor Hilmer said: "To say you have cheap power 'most of the time' is a disaster."

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Professor Banks, now a professorial fellow at the Melbourne Institute after 15 years leading the Productivity Commission, said Australia was getting ahead of other countries, notably the US, in pursuing low-emissions targets, to its economic detriment.

“We have to go back to start to look at whether we’ve signed up to something that for our economy is too tough,” Professor Banks said. “Not only are we choosing to transition to low emissions at a high cost, which is the RET or RET Mark II, we’re doing it over a compressed timeframe.”

In June the Turnbull government reaffirmed Australia’s commitment along with more than 100 countries to reduce emissions by at least 26 per cent by 2030 from 2005 levels.

Brendan Lyon, head of Infrastructure Partnerships Australia, which hosted the discussion with The Australian this week, said: “Paris is the hair shirt and we’ve popped on a straitjacket too.”

The comments will increase pressure on the Turnbull government, which has appeared divided on energy policy since the wake of blackouts in South Australia last year, to reject chief scientist Alan Finkel’s recommendation in June to introduce a clean energy target that would mandate a rising share of low-emissions energy provision after 2020.

Professor Hilmer and Professor Banks said the quality of analysis and modelling of energy policy, including in the Finkel review, had not been transparent, rigorous or comprehensive enough. “We’ve been cursed with multiple objectives,” Professor Hilmer said.

Professor Banks suggested the Productivity Commission should and could have made “a much bigger contribution” to the development of energy policy.

On Monday Energy Minister Josh Frydenberg hinted the government might not replace the Renewable Energy Target, which will require 33 terawatts of renewable energy generation by 2020, arguing wind and solar power were increasingly viable without support. The prospect of further blackouts when AGL’s Liddell coal-fired power station in NSW closes in 2020 has increased attention on national energy policy.

Professor Banks said Australia had ignored a 1991 report — the first of its kind for a developed country — by the Productivity Commission’s forerunner, the Industry Commission, which had laid out the best way to wean the economy off fossil fuels. “It was clear: it had to be an economy-wide (approach), not fixated on particular greenhouse gases, and use market instruments to ensure

least cost abatement occurs,” he said. “Here we are 25 or 26 year later and we haven’t done any of those things.”

Professor Hilmer, who was a vice-chancellor of the University of NSW and Fairfax chief executive, questioned whether a government would be “brave enough to (tell voters): actually let’s stop and start again because we’re hurting this country by making it high cost”. Reform was easier in the 1990s, he said. “We had a ‘burning platform’, now there’s complacency,” he said. “Second, we had bipartisanship; now we don’t even use the word. Third, we had strong leadership by prime ministers.”

The Turnbull government has struggled to implement the successor to Professor Hilmer’s 1993 National Competition Policy: Ian Harper’s competition review, released in 2015 under Tony Abbott.