

States must help solve Australia's energy crisis

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Like many international entrepreneurs, British industrialist Sanjeev Gupta says he did not fully appreciate the level of Australia's energy crisis until he was confronted by it in his role as head of the Liberty House Group, which has bought the struggling Whyalla steelworks. In the news pages and Business Review today, Mr Gupta tells Sarah-Jane Tasker of his ambitions to become a major power player. In a sector featherbedded by subsidies that enable governments to meet unrealistic renewable energy targets but drive up power prices, Mr Gupta's attitude is refreshing. In Britain, he said, instead of just complaining to government and asking for subsidies, he built his own power plants, which reduced his company's energy bills by up to 40 per cent.

The opportunities to generate power in Australia "were even greater", he said, because the system was "more broken" — an epithet for years of mismanagement by both sides of politics, in a nation so richly endowed with natural resources.

In confronting the energy crisis, Malcolm Turnbull made an interim breakthrough this week when Australia's three big gas exporters agreed to fix the "emergency" shortfall that threatens to send prices soaring and shut down factories. A formal agreement in the coming week with Santos, Origin Energy and Shell appears likely to avert dire shortages next year and in 2019. The deal will avoid the need for the government to impose drastic controls on overseas shipments. But AGL's determination to close its Liddell power station in NSW's Hunter Valley, despite pressure from the Prime Minister, leaves the prospect of a looming power shortage from 2022.

The states, which have exacerbated the crisis for years with unrealistic renewable energy targets of their own and bans on gas exploration and fracking, are not helping. As we reported this week, households and businesses in NSW and Victoria will pay between 5 per cent and 11 per cent more for power next year because of heavy haulage costs caused by their reliance on gas supplies sourced in Queensland. Unfortunately, NSW Premier Gladys Berejiklian has rejected Mr Turnbull's call for the state to increase the area open to gas production. Ms Berejiklian is correct when she says "we need a national approach". Releasing a national energy policy by year's end must be Mr Turnbull's main priority. It is overdue, and the question of a clean energy target must be resolved. Without the co-operation of the states over gas

production, however, consumers, business, investment, growth and jobs will continue to be disadvantaged.

As Australian Industry Group chief executive Innes Willox says, the difference in gas prices in Queensland and other eastern states shows why the Victorian and NSW governments should free up large amounts of local gas resources. In Queensland, however, future exploration in the southwest is under threat from a revival of anti-development Wild Rivers legislation. As Michael McKenna wrote yesterday, the issue is dividing the Palaszczuk government on the eve of the next election. The Liberal National Party must make energy an election issue.

The need for state co-operation over energy security also should be assisted by the idea that the Commonwealth Grants Commission should penalise states that fail to exploit coal-seam gas resources.

In our present predicament, pragmatic, commonsense solutions are vital, and the suggestion has merit. The national economic interest must outrank green sensibilities.