

Turnbull shaping to give voters clear energy choice

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We don't have details of the Turnbull government's energy policy but we are promised more before Christmas. Still, we heard encouraging noises yesterday from Environment and Energy Minister Josh Frydenberg and Malcolm Turnbull, who hinted the government might reject further renewable energy subsidies, eschewing a clean energy target in favour of power affordability and reliability. If the Prime Minister chooses to go down this path it will maximise his policy difference with Labor, prioritise electricity prices and supply, and generate another seismic shift in energy and climate policy. It will leave crucial economic and political questions hanging, and much will turn on how Mr Turnbull handles them.

The economics of energy are such that ruling out new renewable subsidies will do little to encourage investment in baseload power. The renewable energy target and risk of future carbon prices have made long-term investment in coal or even gas-fired generation a dubious proposition. Former prime minister Tony Abbott summed up the absurdity of the situation in London overnight. "A market that's driven by subsidies rather than by economics always fails," he said. "In Australia's case, having subsidised renewables, allegedly to save the planet, we're now faced with subsidising coal just to keep the lights on." Despite the growing realisation the RET has played a large role in creating our dilemma, it would be almost impossible to unwind the subsidised 23.5 per cent renewable share. And any pledge to cap it is only as good as the next election. This is why the industry wants a bipartisan agreement on a CET: certainty allows companies to plan and invest. But consumers should not accept bad policy or higher prices to deliver predictability.

Labor leader Bill Shorten restated his promise of a 50 per cent RET even though studies show it requires \$48 billion of investments by 2030 — an extra cost to be borne by consumers. The recklessness of this approach is hard to fathom, especially given we do not need to imagine the consequences; we have seen them already in South Australia, which has almost reached its 50 per cent renewable share and has weathered its first statewide blackout as well as some smaller brownouts. SA is spending \$550 million trying to retrofit diesel generators and battery storage to its grid in time for summer. That a federal government would consider taking the entire country down this route is difficult to imagine but the past decade has shown that anything is possible in energy policy.

For Mr Turnbull the political questions are whether he can devise a plan that provides more generation without more subsidies and whether, as the Coalition's leading climate evangelist, he can carry the public argument about elevating price and reliability decisively ahead of green aspirations. He will be accused daily of running Mr Abbott's agenda rather than his own. But if there is a clear choice at the next election between economic responsibility and green adventurism, then he will have given voters a worthwhile choice and the Coalition a fighting chance.