

## Nice try, but Turnbull's National Energy Guarantee fails the test

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Malcolm Turnbull's energy "game changer" is a technically clever commercial compromise that we might have expected but betrays a familiar inability to reject climate gestures and grasp a political opportunity. Labor must be sorely tempted to adopt the Prime Minister's plan to rob him of product differentiation and avoid power price attacks at the next election.

If Labor does this the National Energy Guarantee will become an incongruous acronym for a positive example of bipartisanship. The question is whether Labor's left, including South Australian and Victorian premiers Jay Weatherill and Daniel Andrews, will allow such a move to undercut their climate alarmist credentials. The Greens would scream blue murder.

To give praise where it is due, that Labor could even consider this plan is testament to the deftness of what Turnbull and his Environment and Energy Minister Josh Frydenberg have devised. The NEG has won broad praise from industry. It is a neat intervention to remediate the damage caused by earlier government interventions.

The nation has dabbled with emissions trading schemes, carbon taxes, renewable energy targets, emissions intensity schemes, direct action and clean energy targets when, all along, it might have been better to go with this sort of regulated approach. The NEG forces retailers to buy a set amount of low-emissions energy at the same time it mandates the purchase of minimum amounts of dispatchable or baseload power. So it promotes a cross-subsidy of renewable generation but builds in more certainty for baseload power.

If Labor adopts this system, it can always dial up the settings to increase the low-emissions share. This points to the fundamental weakness of the scheme. It is yet another tool to cut emissions and make electricity more expensive than it need be — it just promises to do it more efficiently than the mechanisms it replaces.

Turnbull's plan may salute the art of the possible: deliver investment certainty, remove a barnacle from national debate and let the Coalition muddle along in search of an agenda. But it does so by enshrining sub-optimal policy. Is our national debate so contorted that the only way to proceed is to cobble

bipartisan agreement on bad policy such as the National Broadband Network, Gonski, the National Disability Insurance Scheme and emissions reductions?

Climate and energy policy, in my view, is an area where the major parties, bureaucracy, media and even most industry groups are out of step with the practical concerns and common sense of the mainstream. Here are the politically correct, morally vain views of the so-called elites coalescing around post-material goals that can only damage the national interest.

According to all of the science and the data, the emissions reductions policies of this nation can have no impact on the global environment. We are putting ourselves through enormous economic and energy pain to reduce our emissions by about 130 million tonnes a year by 2030 when, in that same period, India and China will each increase their annual emissions by about 1500 million tonnes or more (based on Climate Action Tracker presentations).

Australia accounts for only 1.3 per cent of global CO<sub>2</sub>, so just the emissions growth in those two countries alone will add six times our national emissions to the atmosphere and replace our planned cuts more than 20 times over. This, when the US has pulled out of the Paris Agreement and most other countries have failed to meet previous reduction targets.

So we are left to ask, in what kind of rarefied atmosphere, divorced from reality and disconnected from workaday concerns, would politicians visit economic hardship on citizens in order to be a global exemplar of futile climate gestures?

The answer would be Canberra. Consumers struggle to pay escalating bills rapidly making our electricity some of the most expensive in the developed world. They are seeing their tax dollars spent on hydro schemes, emergency generators and funnelled into the pockets of battery billionaire Elon Musk.

And politicians from both major parties seem concerned more about appearing to meet ineffectual green targets than with caring for the needs of their constituents. This is what Tony Abbott meant when he referred to sacrificing goats to appease the gods. When you get your power bill, you are the goat.

Turnbull was given a chance to walk away from all this, the same way Abbott did when he opposed the ETS and carbon tax. The political class squealed but voters cheered. The Coalition could have said that all this energy pain was not

worth the gain — not a difficult calculation to make when the pain is evident in power bills and electricity shortages, and the gains, self-evidently, are non-existent.

This is not a debate about the severity of the climate challenge: if global warming is not as bad as the alarmists say, all the more reason to proceed cautiously; and if it is as cataclysmic as they put it, then these cuts just shift the deck chairs when it would be better to prepare the lifeboats.

SA is our canary in the coalmine, showing what happens to price and reliability when you chase artificial renewables goals. And Australia provides a warning to the rest of the world: here is how an energy-rich nation can turn an economic advantage into a severe competitive disadvantage through policy sanctimony.

All those factories closed, all the strains on household budgets and all those blackouts; yet all we got was a lousy standing ovation when Kevin Rudd ratified Kyoto.

This trajectory has long been clear but has come into sharp focus since SA's statewide blackout in September last year. In February, this column urged Turnbull to pick a fight with Labor on the issue: "Why should Australia do itself economic self-harm while global emissions continue to rise anyway?"

Contrary to his spin, Turnbull's energy "trilemma" cannot be resolved. Affordability and reliability must be compromised by the so-called responsibility of emissions reductions. Likewise his political trilemma of needing to appease the parliament, the punters and the Paris Agreement.

The Coalition needed to choose the punters. Nothing matters in this debate more than making power available and affordable. Making inconsequential emissions cuts only works against those goals.

"Renewables sound attractive and are popular when they work," this column said in July. "But governments who allow high power prices to reduce living standards or fail to keep the lights on will not have their mandates renewed." Despite the neatness of the Turnbull-Frydenberg NEG plan, and the endorsements it has won from industry, it fails the test.

Finding a middle road is alluring because it can bring investor certainty. But consumers should not be penalised and the economy harmed for the long term just to find the fashionable bipartisanship of the moment.

If Labor supports the NEG, Turnbull will win some kudos for solving the climate policy impasse but he will own the energy crisis. He won't be able to attack the reckless power plans Labor will have left behind. If Labor somehow blocks the NEG, the nation will be left in the shambles of an energy crisis with no energy policy. The government and opposition then will debate competing plans pretending to save the planet but making electricity more expensive than it otherwise would be. To be sure, Labor's plans will be substantially worse but the argument will be only about degree. The minor parties of the conservative right will benefit. And the final denouement on prices will hurt Turnbull and all those who follow on this path.