

PM's power plan hits Labor states' block



Malcolm Turnbull in question time. Picture: Kym Smith

David Crowe, Simon Benson, The Australian
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Malcolm Turnbull has hit the first barrier in his bid to impose a new “guarantee” on electricity retailers to boost reliability and cut greenhouse gas emissions, as Labor premiers have threatened to block the reforms and demand more support for solar and wind power.

The Prime Minister unveiled the national energy guarantee with a vow to ease pressure on prices and moved in parliament to ramp up pressure on Bill Shorten, claiming Labor policies would cost \$66 billion over three decades in subsidies for renewables.

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But the government refused to guarantee a \$115 annual cut to household power bills forecast in its official advice, with the peak energy regulator saying it “expected” the gains while admitting it was yet to conduct detailed modelling.

Business leaders gave the plan a cautious welcome, with BlueScope chief executive Paul O’Malley saying it “turns the game around” with a fair approach to address the nation’s “bizarre and needless” energy crisis.

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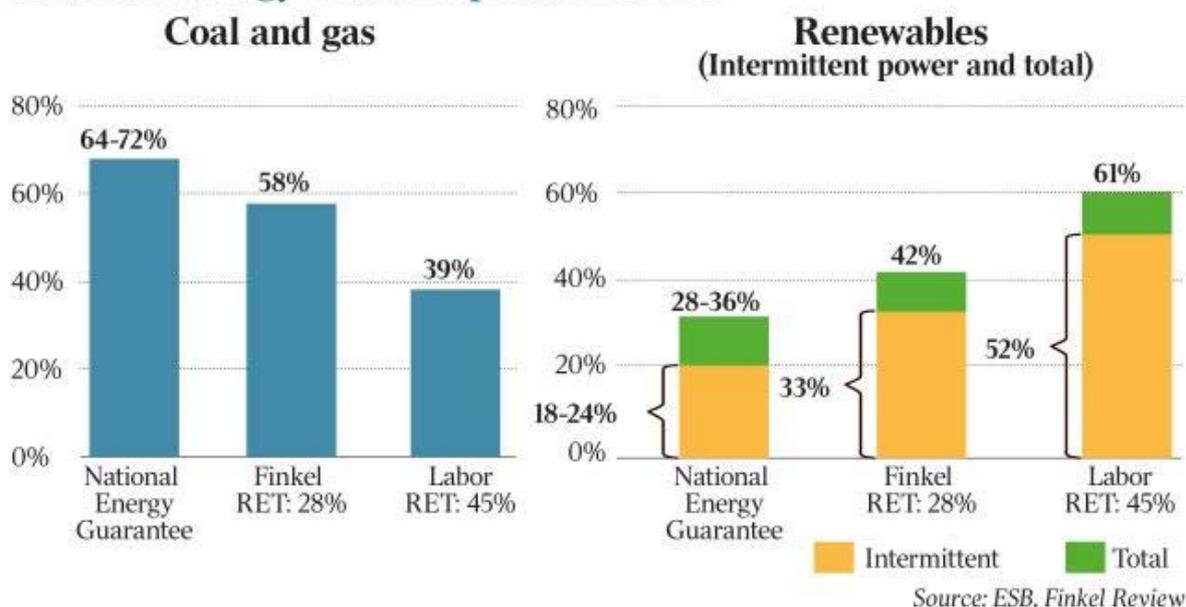
Peak industry groups urged a bipartisan approach to endorse the new plan, with the Business Council of Australia chief executive Jennifer Westacott calling on all sides to “engage in good faith” on the proposal, while Australian Industry Group chief Innes Willox said the “plausible” way forward needed more consideration.

EnergyAustralia chairman Graham Bradley said the idea of using “energy buying standards” to ensure reliability had worked overseas and deserved serious considering from political leaders, warning there was “no substitute” for stable and bipartisan policy.

Mr Turnbull secured overwhelming support from the Coalition partyroom to impose the direct intervention on the industry, but faced a stand-off with Tony Abbott as the former leader called for more emphasis on coal power.

The policy closes the Renewable Energy Target to new projects as scheduled in 2020 and halts any new subsidies to renewables after that date, rejecting the clean energy target proposed by Chief Scientist Alan Finkel and backed by Labor and the Greens.

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In a move that can only work with state support, the government will use the rules that govern the national electricity market to require electricity retailers to source a percentage of their power from low-emission sources and a separate percentage from reliable generators such as coal, gas, biomass, hydro or renewables backed with batteries.

Energy Minister Josh Frydenberg briefed state counterparts on the plan last night in a telephone hook-up aimed at clearing the way for a deal as soon as next month, but state sources said they were yet to see enough detail on how the scheme would work.

South Australian Labor Premier Jay Weatherill blasted the new policy as a “subsidy to the coal industry” that would conflict with his government’s plans for more renewable power.

Queensland Labor Energy Minister Mark Bailey said it was a “pathetic outcome” that would make it harder for the state to achieve its target of 50 per cent renewable energy by 2030.

Victorian Labor Premier Daniel Andrews called the plan the work of Mr Abbott, given the former prime minister’s calls throughout this year to end subsidies for renewables. “It would seem that Professor Alan Finkel has been replaced as the chief scientist and we’ve now got professor Tony Abbott as the chief scientist,” Mr Andrews said.

NSW Liberal Energy Minister Don Harwin welcomed the package but said there was “still a bit more work to do”.

Central to the federal plan is the argument that subsidies are no longer needed for renewables, given solar and wind power advocates insist their costs are coming down, and that conflicting state targets for renewables will drive up prices and weaken reliability.

Mr Frydenberg will meet state ministers face to face late next month but the full details will take months to emerge after industry consultation, leading to a final decision by Mr Turnbull and state and territory leaders early next year. The clash with the states comes as Mr Turnbull and Mr Frydenberg avoid an immediate fight in the Senate on federal legislation to set the emission reduction target at the heart of the scheme. While the government intends to legislate a 26 per cent cut by 2030 based on 2005 levels, in line with its commitment at the Paris climate change talks, this will not need to be legislated until the new guarantees start in 2020.

The government has not said if it will bring this to parliament before the next election.

“The 26 per cent target for the electricity sector would be manifestly inadequate and mean other sectors of the economy, like agriculture, would be hit hard,” warned Australia Institute chief Ben Oquist.

While critics attacked Mr Turnbull and Mr Frydenberg for dropping the CET, Dr Finkel called the new plan a “credible approach” that would also reduce costs for households in the same range as the plan he issued in June.

Dr Finkel said the new plan could “absolutely” meet Australia’s stated emission reduction targets (a 26 to 28 per cent cut by 2030 on 2005 levels) and held only minor differences with other proposals including the CET.

“There’s always more than one way to skin a cat,” he said.

The new plan was put forward by the peak regulator, the Energy Security Board, which is chaired by business leader Kerry Schott and includes Australian Energy Market Commission chairman John Pierce, who yesterday backed the forecasts for reduced prices. Mr Pierce said the lower household prices, calculated over a decade, would flow from increased investment and energy supply due to policy certainty. “The second driver, or reason you’d expect prices to be lower is that the mechanism uses existing market processes, existing market contracts, so people have more options available to them about how they meet these obligations,” Mr Pierce said. “And thirdly, I would expect that the higher levels of contracting that this mechanism will bring about will lower barriers to entry and improve competition, both at the generation and the retail level.”

In a key meeting after years of Coalition division on energy policy, the partyroom cleared the new plan with only three out of about 100 MPs — Mr Abbott, George Christensen and Matt Canavan — expressing concern about the emissions guarantee. One Liberal said Mr Abbott was “clearly agitating” for another meeting to create the impression of uncertainty and chaos, but Mr Turnbull ended yesterday’s meeting with loud support from the gathering. Mr Abbott later accused Mr Turnbull of not honouring a promise to allow a discussion in the Coalition partyroom on the politics of the policy.

“It’s good that the government has finally accepted that the clean energy target was always a bad idea,” Mr Abbott said.

Asked on ABC TV last night if the outcome was a victory against Mr Abbott, Mr Frydenberg said it was a victory for Mr Turnbull.

Additional reporting: Andrew White, Sarah Elks, Andrew Clennell, Samantha Hutchinson