

Cut through complexity, PM, and get real about energy policy

Judith Sloan, The Australian, 12:00AM October 14, 2017

For a man who seems to love a slogan — jobs and growth, economics and engineering — it was more than passing strange that Malcolm Turnbull would complain “there has been too much sloganising (sic), too much politics, too much ideology and, frankly, too much idiocy” when it comes to energy policy.

But maybe he was talking about his own approach to energy policy: too many slogans, too much politics, too much ideology and definitely too much idiocy. I would add too much procrastination. Sure, he defends the delay because he is “working through this very complex area very carefully”. But at this rate, the lights will be out, we will be shivering in the winter and sweltering in the summer and industry will have shut down.

The Prime Minister and his Energy Minister, Josh Frydenberg, are selling us a pup by suggesting the three objectives of energy policy — affordability, reliability and meeting our emissions target — can be achieved simultaneously. They know the Australian government was mad to sign up to the Paris Agreement commitment of between 26 per cent and 28 per cent reduction by 2030 over 2005.

You can just imagine the advice given to the cabinet. Then environment minister Greg Hunt, with his renewable energy obsessed advisers egging him on, would have told his colleagues these targets were completely achievable at virtually no economic cost. (After all, he had supported the reduced renewable energy target.) The luvvies from Foreign Affairs and Trade would have been making the point that anything less would have made Australia an “international pariah”; we need to do our bit. Whatever, I say.

Just why the members of cabinet, including Tony Abbott, the prime minister at the time, and who by rights should have known better, didn't object is anyone's guess. After all, Australia has one of the highest population growth rates — and the government seems incapable of reducing the immigration intake — which makes our per capita emissions reduction targets close to the highest in the world.

Does this make any sense for a (previously) energy-intensive economy with ample supplies of coal, gas and uranium? Will our economic suicide note make any difference to global emissions?

Why would the next prime minister, Turnbull, confirm our Paris commitment on the day Donald Trump was elected US president, knowing full well Trump had made a pledge to pull the US out of the Paris Agreement (which he has done)? (Yes, a very good example of “too much idiocy”.)

And let us not forget that China, India, Russia (which has deferred its signing up) and now the US are not part of the deal to restrict the growth of emissions. What this means is that any effort we make will be eclipsed in a matter of weeks by these behemoths.

And if you think it is just me saying these things, this week eminent — no, top of the trees — economists Gary Banks and Fred Hilmer made the same point: that Australia’s emissions reduction targets are too high and should be ditched or delayed. The priority must be reliability and affordability. Don’t even think about the clean energy target. As these two genuine experts note, the RET and RET Mark II (the CET) are among the highest cost means of abating carbon dioxide emissions and should never have been considered as appropriate policy options in the first place.

So where does this leave energy policy as the Prime Minister works through this very complex area? Can someone wake me up when he has something substantive to announce other than lunatic schemes to pay people — with movie tickets and hamburger vouchers — not to use electricity, bullying energy companies and jawboning states to lift their bans on gas developments?

Evidently, doing something about the increasing penetration of renewable energy is just too difficult, even though the Prime Minister is fond of slugging off at the home of renewable energy, South Australia. Why not try to suspend the RET? The Senate may knock this back but it’s worth a try.

Just look at the figures. In the past five years, 92 per cent of the new supply of electricity generation has been renewable energy. In the meantime, there has been the exit of major coal-fired facilities, including the Northern power station and Hazelwood, plus the suspension of some gas-fired ones.

But we are being told — by the rent-seekers — that there is a veritable gold rush going on in terms of large-scale solar farms and nothing should stand in its way. (We all know who made money from the gold rush: not the miners but the merchants selling the equipment.)

But here’s the thing about renewable energy: most of the installations won’t last more than 20 years and their effectiveness in generating electricity falls from day one. Solar panels, for instance, deteriorate and need to be washed. But here’s another thing: many of these solar farms are located in very dry regions where there is little water.

And what happens to these installations when they conk out? Will the rent-seekers be around to replace them, particularly as hopefully the RET will be an acronym that is just a distant memory? And what happens when these renewable energy installations don't even last as long as expected — a common occurrence overseas?

But, Judith, you say, you're not getting with the program. Battery backups will turn renewable energy into a form of cheap, reliable electricity generation. While it is true batteries may help stabilise the grid, there are many issues associated with battery technology including the cost, the use of toxic materials in their construction and their ultimate disposal (they are not recyclable).

But the key at this stage is their limited scope to prevent blackouts — to a few hours for, say, 30,000 households or a few minutes for a state the size of South Australia. In other words, nice but no cigar.

You're ignoring Snowy 2.0, Judith, a particular favourite of the Prime Minister. His view is that this is the dream combination of economics and engineering. Hopefully, the engineering challenge can be met, but given Australia's appalling track record of building large-scale infrastructure — over budget and well beyond deadline — it's almost certain the economics won't stake up. At a minimum cost of \$150 a megawatt hour, Snowy 2.0 is a very expensive form of generation, even if it's used only as backup. And if you ask any engineer — yes, economics and engineering — they will tell you that pumped hydro uses nearly as much energy pushing the water uphill as is generated when it is released.

The critical challenge now is to create incentives for the building of new baseload electricity plants (probably on the sites of existing plants) and to inject more competition into the generation space. The gaming that is going on in the system is probably adding close to 30 per cent to the wholesale electricity price and will only get worse with more renewable energy.

If we care about manufacturing and minerals processing, there is no alternative. (Of course, the Greens and Labor don't seem to worry about the closure of these plants as long as we're "saving the planet", which we aren't.) So stop faffing around, Messrs Turnbull and Frydenberg. Stop being diverted by silly ideas such as demand management, smart meters and behind-the-grid tricks (households account for only a quarter of demand).

Stand up for what's best for the country as a whole.