

OPINION

Heat is on Labor to explain its energy policy as temperatures rise

Josh Frydenberg, The Australian, 12:00AM January 8, 2018

As the mercury soared above 40C in the eastern states on Saturday afternoon, I clicked on to the Australian Energy Market Operator website. The good news is that the grid was stable and wholesale prices were hovering about \$100 a megawatt hour, which is not unreasonable for high-demand days. It wasn't the first and it certainly won't be the last time our energy system is tested this summer.

While nobody has a crystal ball to tell you exactly how things will play out over the next few months, we do know that the market operator is doing everything in its power to ensure security of supply.

Previously mothballed gas-fired generators in South Australia, Queensland and Tasmania are now operating. The Turnbull government has secured commitment from gas suppliers and pipeline operators to ensure there will be no shortage of supply. Experts from the Bureau of Meteorology have been embedded in the control rooms of AEMO to facilitate real-time information flows and enhance hot-day preparedness. Maintenance schedules for power stations have been co-ordinated and, where necessary, brought forward, and new arrangements with key energy users have been entered into to better manage demand.

In all, AEMO has procured for this summer an extra 2000MW of supply, which is significantly larger than what used to be generated by Hazelwood in Victoria.

The situation is challenging, complex and far from optimal, but when it comes to energy markets, we are living in a brave new world. The electricity grid is undergoing a once-in-a-century transition as several key developments simultaneously take place.

Ten coal-fired power stations have closed in less than a decade for which there has been on average less than a year's notice. A total of 1.7 million premises has solar panels reducing their reliance on the grid and making AEMO's task of managing system supply and demand that much more difficult. There has been a greater penetration of intermittent renewables, particularly wind and solar, while at the same time, in the words of the Energy Security Board, "very few

megawatts of power that can always be dispatched has been added". And when it comes to energy storage and backup, there has been a complete blind spot, particularly in South Australia and Victoria, where they've been forced to rush in expensive, polluting diesel generators that use up to 80,000 litres an hour just to keep the lights on.

All this being said, we now have the opportunity with the National Energy Guarantee to turn a page and create a system that will deliver more affordable and reliable power. Recommended by the experts, energy users and energy producers alike are behind the guarantee, recognising that it represents the best opportunity to break a decade-long impasse.

Paul O'Malley, the chief executive of Australia's biggest manufacturer, BlueScope Steel, says of the guarantee that this is "the first time I've seen a sensible strategy that addresses the transition to a clean energy future". Bloomberg New Energy Finance calls it "innovative and elegant", and the Business Council of Australia says it's the "most practical workable thing they have seen in business for quite some time".

Even the Labor states have started to change their tune around the COAG table, with Victoria voting against South Australia's desperate attempt at the most recent Energy Council meeting to breathe life into the clean energy target and an emissions intensity scheme. The National Energy Guarantee is now the only game in town, with Queensland's new energy minister - acknowledging just before Christmas that the guarantee provides needed "certainty".

With the Energy Security Board now doing detailed design work on the guarantee ahead of the next Energy Council meeting in April, the question becomes what is Bill Shorten's position? Will Labor play the role of the spoiler, while continuing to pursue uncoded, ideological positions merely to assuage its green left flank? Or is it prepared to listen to the experts, back the guarantee and act in the national interest?

At this point, nobody in Labor, let alone the rest of us, knows what its energy policy is. Labor went to the past federal election promising an emissions intensity scheme with a legislated 50 per cent renewables target for the energy sector and a 45 per cent emissions reduction target and an emissions trading scheme for the rest of the economy. The design of its schemes and their costings were promised but never revealed. Since that time, Labor has been on

the back foot, unsure as to whether its renewables target was an “ambition”, “objective”, “goal” or “framework”. In the end, it tried to lance the boil by abandoning a legislated target altogether, which only confirmed that Labor’s position was politically convenient and not based on any conviction.

So, too, when it comes to its emissions trading scheme, Labor’s position is unclear. Mark Butler says “it’s an ETS without a carbon price”, while Shorten said: “I do support a market-based system to set a price.” Shorten has also publicly endorsed the clean energy target, saying he would implement all of Alan Finkel’s 50 recommendations, but weeks later deputy Tanya Plibersek told the ABC an “emissions intensity scheme is our preferred model”. A policy that, it’s worth noting, Penny Wong described when climate change minister as “a mongrel”, “a smokescreen” and “not a credible alternative”. As for Labor frontbencher Joel Fitzgibbon, he’s not really focused on what the party’s policies are called at all, saying “you can call it a tax if you like”.

But even some tough talking from Labor’s fellow travellers doesn’t seem to get through. Graham Richardson said of Labor’s emission and renewable targets, the “farce of this policy has become obvious to all, Labor has no plans as to how this target would be reached. Sadly, Labor is playing games with people’s lives.”

On the issue of coal-fired power, Labor is also disingenuous, trying to walk both sides of the street. Shorten says “I’m not a rampant greenie”, “coal has a future in Australia” and, after the victory of Donald Trump, is quick to say we need to “heed the lessons from the mines and mills and the factories of Detroit”. But at the same time he and his party are happy to support Senate motions to “encourage the retirement of coal-fired power stations” and which state explicitly “coal has no long-term future in Australia”.

In his book last year, *The Climate Wars*, Butler admits that when it comes to climate and energy policy, “we in Labor have sent too many mixed signals”. But with the National Energy Guarantee, Labor is presented with a chance to redeem itself. No new taxes, trading schemes or subsidies; a mechanism recommended by the experts; widespread industry support and independent modelling confirming households will save \$400 a year and businesses a lot more. To coin a phrase, it’s time for Labor to get on board.

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