Morrison energy pledge at risk from hung parliament

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The Morrison government has hit a new hurdle in its race to drive down energy prices as it struggles to legislate new powers to force big retailers to heed its demands before the federal election.

The government does not have a clear majority in either chamber of Parliament for its latest energy policy, amid industry warnings that the new measures will not deliver the price cuts it claims. As the voter backlash in the Wentworth byelection puts Prime Minister Scott Morrison on track for minority government, crossbench MPs told Fairfax Media they questioned the need for some of the new laws.

The government is also under fire for not doing more to cut emissions, with an alliance of business and community groups issuing a statement calling on the government to ensure "full participation" in the Paris agreement on climate change.

"Continuing bipartisan commitment to Paris sends a clear long-term signal to investors and contributes to the global solution needed to minimise climate change," says the alliance, which includes the Australian Industry Group, Business Council of Australia, Australian Aluminium Council, Australian Conservation Foundation, Australian Council of Social Service, Property Council of Australia and St Vincent de Paul Society and others.

["A major global transition towards lower emissions and ultimately net zero emissions is both necessary and inevitable, and in Australia’s electricity sector a low emissions transition is already under way."]

Energy Minister Angus Taylor has called on energy companies to drop their prices on January 1 as a "downpayment" on new rules to be put in place from July 1, alongside tougher regulations including the power to force companies to divest their assets.

The government has proposed a default energy price and a new financing mechanism for baseload power generation.

Mr Taylor is also working on Commonwealth guarantees or other finance measures to underwrite the construction of new power generators, which could include coal-fired power stations as well as wind, solar and battery projects.

The government will need nine out of 11 crossbench senators to legislate the "big stick" powers it wants to wield, as Labor and the Greens dismiss the new proposals and warn against taxpayer subsidies for coal.

[The government appears to have support for its proposal for a default price for electricity consumers, a way of setting a price range for standard offers, but does not have enough support for the divestment power or the underwriting scheme.]

South Australian independent Senator Tim Storer said he was sympathetic to the principle but questioned how the underwriting proposal would work.
"I am concerned it will simply force the public to pay for new coal fired generation, or extending the life of existing coal plants, when the market has made it clear it will not," he told Fairfax Media.
"The devil will be in the detail, but it must not become a stalking horse of dirty coal."

Senator Storer also opposed the divestment power on the grounds it could be used to "force the sale of dirty, old power stations" rather than encourage cleaner and cheaper energy.
["It is ironic that this is coming from the party of the free market," he said. "I am alarmed that there is no focus in this policy to help reduce our carbon emissions."]

[Liberal Democratic Party senator David Leyonhjelm said he "absolutely" supported bringing prices down but had not seen enough detail to comment further and had not heard from Mr Taylor lately.

Centre Alliance senator Rex Patrick backed the idea of divestment laws but the party’s South Australian MP, Rebekha Sharkie, questioned the need for underwriting new power generation given the industry had not been asking for this measure.]

The Centre Alliance is yet to make a decision on the policy, given the draft laws are yet to be put to Parliament, but South Australian senator Stirling Griff said his personal view was that utilities should be in public hands."Underwriting is not the answer. Nor is coal," he said.

[The government is expected to lose the Wentworth byelection, with independent candidate Kerryn Phelps keeping her lead in voting on Wednesday, and will have to govern with 75 members out of 150 seats in the House of Representatives. With Liberal MP Tony Smith sitting as the Speaker, the government will need at least two crossbenchers to secure legislation and see off any threats to its power.
Australian Energy Council chief executive Sarah McNamara played down the prospect of building new coal-fired power stations even if the government secured its underwriting plan, the details of which are yet to be developed.
"We don’t see any prospect for investment in coal-fired plants in Australia at all, there’s simply not a good commercial case to be made for it," Ms McNamara told the ABC.
"They’re very expensive plants to build, they take a long time to bring on line and they’re very long-life plants."

While the government has cited findings that customers could be paying up to $832 too much every year for electricity, the AEC cited estimates by the Australian Competition and Consumer Commission that the annual savings from the default price idea would range from $105 to $165. Ms McNamara, who represents big energy suppliers, also cautioned against the need for laws to extend the life of coal-fired power stations.]

"The real challenge with this particular aspect of the announcement is that it sends a signal to private investors that creates risks around projects that they would otherwise invest in," she said.
"And to be honest, if we had our policy settings right, government wouldn’t need to use taxpayer funds to invest in generation. We'd much prefer the market to resolve the generation issues that we have at the moment."