

## Energy prices: the new fault line in politics

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Energy has emerged as the clear new faultline in Australian politics. We see today Anthony Albanese is removing his fellow Left faction member Mark Butler from the environment portfolio in a bid to boost not just Labor's electability, but his chances of survival. Yet the issue is not just a matter for the ALP.

The Nationals are saying they want to see 800,000 new manufacturing jobs in the next 15 years. This is less ambitious than at first sight but it would mean over a fifth of new jobs being created in the sector that

has seen its share of jobs shrink from 15 to 7 per cent over the past 30 years.

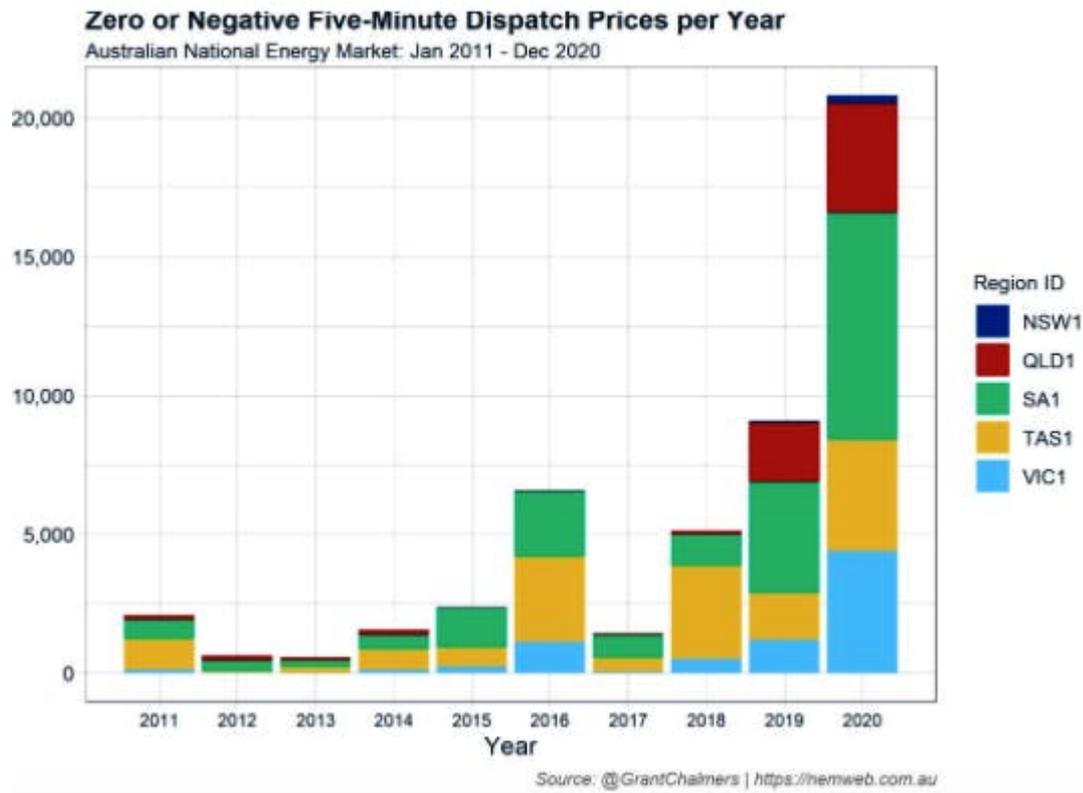
The idea is to leverage the jobs from our intrinsically low cost energy, which offers Australia the best prospects of wealth and value adding. It is unfortunate that the Nationals also see a need to buttress this goal with protectionist policies and, touchingly, with a new bureaucracy to promote manufacturing in the regions.

But low-cost coal-generated electricity is a natural advantage Australia has and one that could be compounded to the benefit of the economy via manufacturing as well as mineral and agricultural processing.

That said, to grasp this opportunity would take a remarkable political turnaround. For two decades politicians, under pressure from green and subsidy seeking businesses, have been battering down the competitiveness that our coal offers the nation.

Tracts are written that renewables are cheap and green. A gullible electorate and media lap these up unmindful that not one megawatt of wind and solar has ever been built without a subsidy. The subsidy, presently \$40 per MWh, is similar to and comes in addition to the current full COVID-affected price that unsubsidised power receives.

Those pursuing the mirage of low-cost green power are also oblivious to the costs this has caused, one symptom of which is negative electricity prices followed by high prices as nature causes renewable power to surge in and out. Such volatility of price and supply undermines the economics of coal (and gas) that still provide two thirds of electricity, forcing station closures and a subsequent higher price plateau. Almost unknown 20 years ago, negative prices prevailed 4 per cent of the time last year.



None of this would have been conceivable without it being fostered by government policies. While the Commonwealth started the subsidy ball rolling, all state governments are on a similar kick, doubling down with more support to shore up the subsidised wind and solar; such policies have brought renewables to comprise over 20 per cent of electricity supply.

Those who do not recognise the failure of wind and solar to prove competitive have slipped into a technological dream world.

Showing himself to be utterly unhinged from reality, the spokesman for the Liberal wets, Wentworth MP David Sharma, said Australia should look to become a “renewable energy superpower to make things like low-emissions steel, green aluminium, and hydrogen as a fuel”. But many politicians – even sometimes the Prime Minister – pay lip service to parts of this narrative. However, no promoter of

renewables would ever accept the corollary of their chimaera of low cost renewables and agree to cease all subsidies.

Moreover, the possibility of gas as a “transition fuel” to the renewables nirvana is foreclosed by both it being almost as equally vilified as coal and, as recent price volatility has shown, not even close to coal generation cost on the east coast of Australia.

What chance then is there for an energy policy that allows Australia’s low cost coal to power the economy?

The answer is less than was the case before the Biden inauguration. The US under Trump was the most determined nation seeking to overturn the economic destruction of energy subsidies – and gained a bonus in doing so as its consequent low energy prices acted as a magnet for footloose manufacturing.

The Biden Administration is now allying with the EU to develop and enforce anti-fossil fuel carbon emission reduction policies. These will likely involve carbon tariffs. This global context will make it diplomatically challenging for Australia to adopt the sort of policies advocated by the Nationals.

Internal Australian institutional arrangements are also not promising with most of the media and the schools in cacophonous support for “climate action”. Partly as a result, any major development can guarantee itself a posse of woke underemployed, sometimes juiced by interested parties’ funding, undertaking unwelcome demonstrations. Moreover, many courts, notably the NSW Land and Environment Court, have become dominated by judiciaries that have drunk deeply from the green fountain and

oppose proposals that they deem would increase greenhouse gas emissions.

In addition, financial institutions under UN control and many others, including the Bank of England, commercial banks and major investment vehicles like BlackRock are motivated, or intimidated, against investing in fossil fuels. Chinese institutions are among the few standing against the trend – unfortunately at the very time when Sino-Australian relations are tense.

All this said, the issue of energy policy/climate change is increasingly becoming the fault-line between different sides of politics. Barnaby Joyce and Matt Canavan have been at the forefront and though this doubtless is a factor in internal National Party politics, it represents a stake in the ground around which the right of centre can come together — and make a clear point of difference against Labor.

*Alan Moran has authored chapters on Australian energy in five international compendiums as well as the energy chapter in the recently released “Keeping Australia Right”. His latest book is “Climate Change: Treaties and Policies in the Trump Era”.*