Climate follies: more than half a billion new spending to keep Joe Biden off our backs

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The Government is desperate to appear to be doing more in the run-up to Joe Biden’s Climate Summit for Thursday US time. While professing support for decarbonisation, the Prime Minister is looking to spend money in ways that do as little damage as possible to the economy. Commendably, Scott Morrison has said Australia would not, “look to reduce our own emissions by shutting down our existing export industries like agriculture, aluminium, coal and gas”.

Per capita, Australia is already the world’s biggest spender on wind and solar, two expensive electricity sources that have negative value because,
supported by subsidies, they drive out lower-cost coal and gas. Our subsidy-supported national spending on wind and solar is twice that of Japan and the US, three times that of Germany and six times as much as China. Our $7 billion a year in subsidies to renewables represents a quarter of the spending on electricity.

But buffeted by subsidy seekers and alarmists at home and nervous about international perceptions about our coal-based electricity system, in the run-up to the Biden Climate Summit, the government has announced even more spending.

It has announced some $276 million additional spending for carbon capture and storage (CCS) and $264 million on four additional “clean hydrogen hubs”, on top of $70 million already allocated for one such hub.

CCS is based on the theory that power plants will be able to strip out and bury the carbon dioxide that is the by-product of energy production from burning coal and oil. As a recipient of government funding, it has a notorious spending pedigree. Fourteen years ago, Kevin Rudd, always a sucker for a new green tech spend, gifted $315 million to finance the so-called Global Carbon Capture and Storage Institute (GCCS). This Australian agency creates glossy agitprop, has set up some international offices and has recruited foreign worthies to its board; it has never published its accounts. Having promised to develop four CCS commercial plants, GCCS has achieved nothing, as has another such Australian institution, the CO2CRC. This is hardly surprising since the CO2CRC, with remarkable candour, put the cost of a CCS coal plant at $150-$250 per megawatt-hour – treble the costs of a plant without CCS. There is no case anywhere in the world of a successful coal-based CCS operation. A great hope, the US Petra Nova plant went bankrupt.
Now the Prime Minister is to throw a further $264 million down that particular drain. In support, Energy Minister Angus Taylor, coins a new euphemism for subsidies in arguing the funding will “break down commercial barriers”. Somehow subsidising uncompetitive energy supplies is now seen as a means of growing jobs!

The other arm of the government’s “emissions reduction projects”, hydrogen has commercial applications, for example for making ammonia, welding and as rocket fuel. But the initiative is based on breaking down hydrogen from water (H₂O) to produce a competitive energy source. This is about as feasible as realising the alchemists’ dream of turning lead into gold. The government’s “stretch goal” is to get hydrogen costs down to $2 per kilogram. Even that, which is twice the current lowest estimated cost, is twice the cost of electricity from coal.

Unfortunately, the damage done by these wasteful expenditures is compounded by them sucking private investment capital into the activities, thereby diverting it from productivity-driving venues. In Taylor’s words, “The government is seeking to leverage $3-$5 of co-investment for every dollar invested through “practical, project-based” partnerships to accelerate energy technologies, drive down costs and create up to 2500 jobs.” He claims, “There is a strong appetite from business for the new emissions reduction technologies”.

Our politicians seem to have forgotten that resources – public and private – are limited and diverting them from market-based pursuit of profitable opportunities dilutes their productive capabilities. And it is small comfort that the proposals by the opposition to spend $15 billion extra in support of green energy are even more economically damaging than those of the government.