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Australian taxpayers are funding pointless and costly efforts to change the climate

ALAN MORAN

The global warming scare has fathered many government policies that have penalised taxpayers and consumers. The energy and climate space is dominated by regulatory-oriented entrepreneurs seeking government funding or measures to distort markets in their favour. The Copenhagen Consensus Centre's Bjorn Lomborg puts the global cost at $230 billion a year.

For Australia, Energy and Emissions Reduction Minister Angus Taylor is trying to bring an erosion of these costs through "masterful inactivity" — letting the programs expire. But it will take at least a decade to eliminate the $5bn a year impost paid by Australians through the subsidies and regulatory-induced costs that are undermining low-cost energy supply.

Meanwhile, extra spending is being proposed, the latest being an additional subsidy for poles and wires to allow the already subsidised rooftop solar panels to work more effectively. New fads keep emerging — the latest extracting hydrogen from fossil fuels which, in a familiar refrain, will be a future bonanza if only governments come to the party with funding.

One longstanding solution that refuses to die is carbon capture and storage. It involves stripping out the carbon dioxide from coal (and gas) generation and burying it where, it is hoped, it will stay.

In Australia, finance for this was a part of the suite of measures introduced by Kevin Rudd as prime minister. That was in 2009 when he was planning to take the world by storm as the lead player in the extravaganza of that year's Copenhagen climate change conference. He created six quangos to foster CCS with the Global Carbon Capture and Storage Institute, funded by an initial grant of $315 million. Aside from some success in its agitprop goals of "thought leadership" and "advocacy, engagement and access to influencers", staff recruitment appears to have been GCCSI's only achievement. The "global" part of its name must refer to its offices (Melbourne, Washington, Brussels, Beijing, London and Tokyo) and the vast amount of travel enjoyed by its 36 staff.

GCCSI's original funding was placed in escrow to prevent governments being able to change their minds on its worthiness. Despite its global reach ambitions, there has been little extra funding except from the Australian taxpayer, but the GCCSI is "member-owned" and does not publish financial information to inform its Australian donors how it spends their money.

GCCSI shares its agenda with another quango, the CO2CRC, chaired by Martin Ferguson, who, as the former minister, stood with Rudd in launching his programs. Ferguson told us in 2012 the government would be spending $2bn and getting another $4bn from industry and we'd have up to four carbon sequestration plants built by 2017.

Recently, the GCCSI's chief executive said there would be 20 large-scale CSS facilities across the world by next year. At present only two involve coal: Canadian SaskPower's Boundary Dam project and Petra Nova in Texas. Both were heavily subsidised and this year Boundary Dam received a further shot in the arm through the introduction of a Canadian carbon tax of $C20 a tonne (which the Conservative opposition is pledged to rescind). Two years ago, the heavily hyped Kemper electricity generation project in Mississippi was abandoned after its original cost of $US2.4bn reached $US7.5bn.

CCS plant costs are three times that of conventional coal plants. This was left unsaid on this page last week by CO2CRC boss David Byers, whose own agency puts the costs of a CCS coal plant at $150 to $250 per megawatt hour, compared with its estimate of $65 per megawatt hour for a new black coal plant. CCS costs do not appear to have fallen in the past decade.

Moreover, there is no guarantee that expensively buried carbon dioxide will remain separated from the atmosphere. After all, for billions of years carbon has been alternatively sequestered in the earth by plant photosynthesis and released by naturally induced surface fissures.

That aside, wasteful government funding of R&D and regulatory "nudging" of energy industry development reaffirms the folly of attempting to get genuine innovation from government support. Far from encouraging wealth-inducing innovation, such support has adverse impacts by diverting entrepreneurial activities away from discovering and better meeting new consumer-focused commercial needs.

Alan Moran of Regulation Economics is the author of Climate Change: Treaties and Policies in the Trump Era.

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