# REGULATING COAL INDUSTRY FORCES FIRMS OFFSHORE

In the lead-up to December's Paris conference on climate change, more than 100 major firms have promised the White House they will lower their emissions of carbon dioxide. BHP, Alcoa and Rio have joined 11 other firms in undertaking to "mobilise the technology, investment and innovation needed to transition to a sustainable low-carbon economy".

With these pledges, the firms' managers are seeking to enhance the image and consumer appeal of their businesses by trumpeting claims to moral superiority.

Similar motives are behind statements by firms with coal-fired electricity plants, including AGL and Origin, when they say they'll allow these to run down and replace them with wind and solar. But reality intrudes. Origin said it would be 20 years before it closed its major coal-fired plant at Eraring, while AGL had put 2050 as the date for its Loy Yang coal generators' closure.

Coal is far and away the cheapest and most reliable source of electricity generation in eastern Australia, but government regulatory actions thwart firms from building new coal fuelled generators. That's because renewable energy regulations force coal (and gas) power sources to subsidise renewable power.

No wind or solar supplies could be viable without those subsidies. But major industry users cannot be competitive if they rely on wind and solar for their electricity supply.

In England, where fossil fuels also face stern regulatory impositions, the steel industry is moving to China and India, where punitive energy regulations are absent and reliable electricity supplies are therefore cheaper.

The Australian steel industry may still survive government-induced energy costs, but penalties on coal generators have already claimed the scalps of Victoria's Port Henry and NSW's Kurri Kurri aluminium smelters. Regulatory-driven energy costs also contributed to Ford, General Motors Holden and Toyota closing down car manufacturing here — and unless the policy is changed, more heavy industry will wind down.

Firms face market disciplines that prevent them straying too far in incurring needless costs. This is not the case with governments.

Following the 1998 Kyoto agreement, Australian governments forced farmers to stop clearing land for crop production and in order to keep national greenhouse gas emissions stable. Throttling output in this way damages prosperity and, anyway, this source of emission reductions is now pretty well played out.

Australia will pledge to reduce its greenhouse gas emissions by 26 per cent at the Paris conference. Other developed countries have similar commitments.

Overall these are estimated by the International Energy Agency to bring additional costs worldwide of $1,200 billion a year up to 2030. That's the equivalent of wasting, on a global level, almost all Australia's gross domestic product of every year for the next 15 years.

Moreover, global greenhouse gas emissions will continue to rise, driven by China and India, so developed country pledges won't reduce greenhouse gas emissions. And their actions will fail to meet the goal, supposedly required to prevent a 2 degrees Celsius global warming, a goal that itself overlooks the absence of warming for 18 years.

This has not stopped climate advocates demanding further abatement measures. Mr Turnbull has dismissed calls for ending coal exports. But we are needlessly imposing costs on productive enterprises, forcing them offshore and undermining our living standards.