

Beware a blind charge to net-zero emissions

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In the prologue to the UN Glasgow meeting on climate change, [Treasurer Josh Frydenberg](#) has been preparing the ground for an Australian statement announcing a goal of “net zero” emissions. He is doing so on the basis of “if rape is inevitable lie down and enjoy it”, arguing that banks and investors are increasingly requiring net-zero and that there is increasing investor appetite for Australian renewable energy (wind and solar) with \$35 billion invested in it since 2017.

Left unsaid was that all that \$35 billion in investment was made possible by the direct and indirect subsidies to wind and solar. This was made clearer by New South Wales Energy Minister, Matt Kean, who has no misgivings about the forthcoming triumph of renewables and says he has policies to reduce the state’s emissions by 50 per cent by 2030. These entail government purchases of “firmed” wind and solar, requiring consumers to finance new transmission lines as well new impositions on coal mining, reducing livestock methane and incentives for electric cars.

The Commonwealth is remarkably coy about its climate change spending. Although the [budget papers](#) (page 220) admit to spending \$1.9 billion on climate change, Treasury express this in a way that is designed to portray the expenditures incurred as only a tiny fraction (0.4 per cent) of total spending.

In fact, the sum itself understates actual government spending. It excludes off-budget Commonwealth spending and does not include the regulatory-induced costs to consumers from mandating renewable energy supplies.

Total government spending on renewable energy subsidies in 2019 (\$M) was:

Commonwealth direct subsidies for wind/solar — \$2418 million

Commonwealth support through regulations — \$3087 million

State's direct subsidies for wind/solar — \$457 million

State's support through regulations — \$951 million

TOTAL — \$6,913,000,000

This \$6.9 billion represents only a part of national spending. In addition, there are:

Costs of new transmission, very conservatively estimated at \$17.4 billion by AEMO, the market manager;

The \$10 billion plus to convert the Snowy into a renewable energy support facility, with more foreshadowed to have Tas Hydro in a similar role;

State government direct purchase of “firmed” wind and solar; and

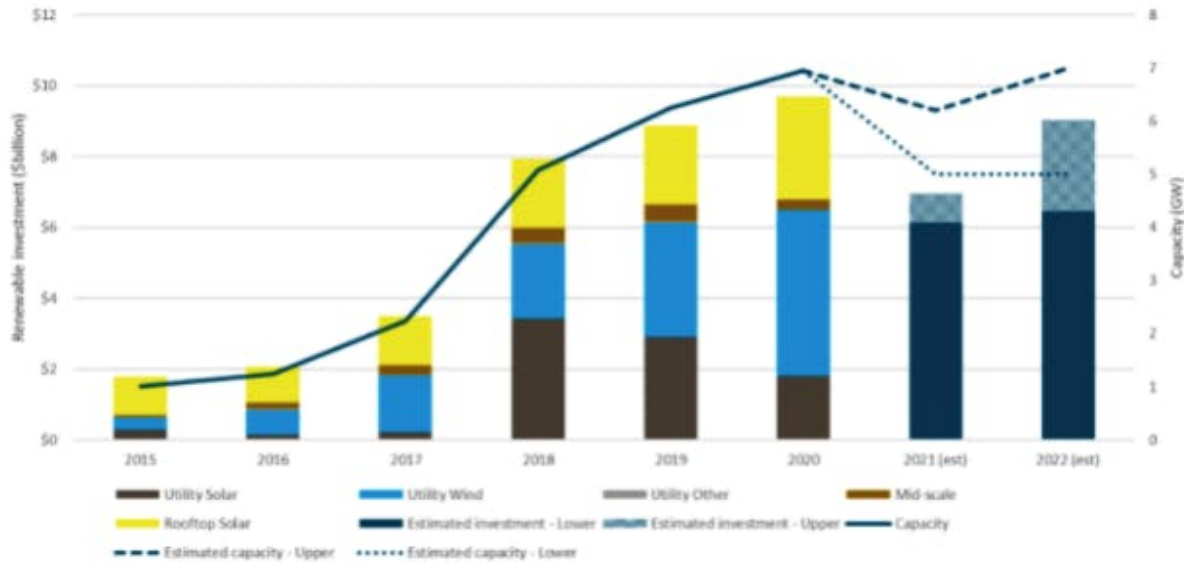
\$100 million a year increased costs of market management that these policies drive.

The direct and indirect costs of climate change measures are being added to every year — we now have Australian Carbon Credit Units designed to subsidise the rural sector to cease producing crops and use their land for burying CO₂ instead; and we have subsidies for green hydrogen (\$1.25 billion and counting).

Moreover, the capital expenditure on wind and solar, quoted by the Treasurer as being \$35 billion since 2017, rather than comprising “investment”, is actually subsidy-induced spending on underperforming assets. In assisting this “investment” with soft loans and grants, the head of the Clean Energy Finance Corporation boasts that the outcome is a “crowding in” of new investment, oblivious to the notion that investment attracted by a subsidy is a misallocation of scarce new capital.

The RBA puts the average private spending over the past three years on wind and solar at \$5.4 billion a year. This is considerably less than the figures (about \$9 billion a year) published by the Clean Energy Regulator (CER). CER estimates that between 2015 and 2020 \$33.8 billion had been ‘invested’ in wind and solar. Renew Economy cites BNEF as estimating \$US 30 billion (\$A40 billion) was spent between 2007 and 2014. Hence in less than 20 years, a total of \$74 billion of funding has been attracted to create capacity in assets that have no value without subsidies and the presence of which undermines the value of reliable low-cost electricity supplies from coal and gas.

The most recent data is shown below:



Clean Energy Regulator (P.38)

Australia is therefore spending far in excess of the \$1.4 billion a year that Treasury estimates. The true annual sum for energy alone is at least \$19 billion a year, comprising:

Government subsidies to wind and solar and AEMO management — \$7 billion

New transmission to accommodate increased intermittent supplies — \$3 billion

New private spending on wind and solar — \$9 billion

By 2030, at this annual rate Australia will have wasted some \$200 billion, and may not hit Matt Kean’s 50 per cent reduction in emissions, which would require 50 per cent renewables as well as subsidies for methane reduction from animals and plants, and the subsidies to accelerate any trend that exists towards electrifying the vehicle fleet. One certain outcome is further increased electricity costs that have from measures that have already converted our system from the world’s cheapest two decades ago to one that is up there with the most expensive in the world.

In addition, the regulatory induced diversion of capital into unproductive areas (and \$19 billion a year is close to 15 per cent of the private non-dwelling investment) will harm living standards. The implications of forcing increased supplies of wind and solar into the electricity system can be seen in

the UK, which has 40 per cent wind-solar compared to Australia's current 20 per cent. The UK is seeing major price surges and average forward wholesale prices for the coming (northern hemispheres) winter have trebled to a level fivefold those prevailing in Australia.