

THE AUSTRALIAN

Pressure is on as developed world champions net zero

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US President Joe Biden signs a series of orders at the White House after being sworn in.
Picture: AFP

Energy and greenhouse gas emissions are once again central to political turmoil in Australia.

The opposition has moved Mark Butler, its most active promoter of the “green revolution”, from climate change and energy policy control but offered no indication that its policy will change. Indeed, Butler’s replacement, Chris Bowen, has warned jobs will be decimated if the nation does not move away from carbon-intensive industries.

In expressing faith in renewable energy, such views portray a remarkable incuriosity about why all the world’s rapidly growing economies, including China, India and Vietnam, are using coal, not wind, as the backbone of their energy supplies.

For the ALP, policy has to walk a tightrope. On the one hand, its country and outer-suburban seats are vulnerable to a leakage of support from mining and private sector workers; on the other, it is exposed to Green seizures of inner-city seats heavily populated by public servants and those favouring alternative lifestyles.

The Coalition has compound fractures on the issue. Ideological visions aside, the wets hold seats in inner suburbs that are a little less precarious to Green incursions than the ALP’s

inner-city bastions. Fronted by Dave Sharma, Tim Wilson and Trent Zimmerman, they likely would agree with Bowen's warning.

The Coalition's dries' spokesmen, notably Craig Kelly and Matt Canavan, see renewables policy as undermining the comparative advantage Australia has in cheap coal-based energy and wish to see a reversal of the policies that have disadvantaged this, Australia's most reliable electricity source. Many mainstream Liberals, while wary of the parlous economics involved in the increased reliance on renewables, have some sympathy with climate alarmism, place a high priority on avoiding international recriminations from supporting coal, and are mindful of activists' hostility and investor reticence.

All this is against the backdrop of coal, gas and oil finding a rebooted constellation of forces ranged against them internationally following the US election. As a hard-headed businessman from outside the bubble, Donald Trump arrived on the political scene with none of the baggage collected by those who had spent their lives running for office.

He had not been required to listen and pay obeisance to scientific soothsayers projecting endless low-cost supplies of wind and solar energy, supplies that if they did not already outperform fossil fuels certainly would within a few years. Nor was he hostage to extravagant claims about novel systems of transforming energy, such as hydrogen.

What he did see was the US steadily losing relative wealth, a process that was accelerated during the Obama presidency when regulatory measures against fossil fuel development and usage were intensified, and heightened support was given to intrinsically high-cost and low-reliability wind and solar.

The Trump presidency rolled back many of these distortions. The outcome was an economic boom, much of which was derived from the development of cheap energy supplies no longer constrained by hostile federal policies. Releasing the political shackles on these industries saw the emergence of the US as an energy exporter for the first time in 60 years and as a magnet for energy-intensive footloose industries — manufacturing reversed two decades of relative decline.

Trump's rejection of actions to suppress greenhouse gas emissions was particularly significant for Australia, where cheap fossil fuel resources are pivotal to the nation's comparative advantage.

The Biden administration has moved decisively to reverse the Trump policies. It has rejoined the Paris Agreement, set new goals for carbon emissions, banned gas and oil exploration on federal land, and rescinded the permit for a controversial north-south pipeline. The administration also is talking along similar lines as the EU about imposing trade restraints on imports from countries deemed to be insufficiently proactive in reducing their internal emissions.

Suddenly, the whole of the developed world is promoting intensified decarbonisation. The developing world, assured of free passes for decades but not wishing to invite trade reprisals, is in ostensible agreement.

Australia has wasted far more per capita than any other country in funding the replacement of coal with renewables. The tax equivalent, at \$7bn a year, far exceeds the Gillard carbon tax.

Even so, internal and external voices are pressuring for more to be done and proclaiming the nation to be a climate recalcitrant.

Scott Morrison says that if we get technological breakthroughs to produce hydrogen at \$2 a kilogram we can get net-zero emissions. That would be a stretch — an impossible one with hydrogen from wind/solar; and even from gas, hydrogen at that cost would be three times the US gas price.

Because of strategic issues in a world where China has become more confrontational, Australia may be allowed to follow emission-reduction policies that the EU and US deem to be at variance with those they require of other developed economies. It would appear to be the case that the Trump administration overlooked the clear subsidies being provided to Australia's aluminium industry when its countervailing trade restraints exempted imports for this country.

In any event, the world changed with Joe Biden's inauguration. Australia's ongoing struggle to avoid a populist but ruinous energy policy based on subsidies to renewables and delusions of technology breakthroughs has become significantly more challenging.

Alan Moran has written chapters on Australia in five global compendiums on energy and in several Australian works, the latest being *Keeping Australia Right*. His most recent book is *Climate Change: Treaties and Policies in the Trump Era*.