

# Why Paul Howes is almost right on energy costs

[Economics & Deregulation](#) and [Energy](#) | [Alan Moran](#)  
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Union leader Paul Howes maintains the cause of Australia's industry competitiveness loss is energy policy, not Australia's labour regulations and toleration of militants.

It would be helpful if Mr Howes shared his insights into the harmful effects of regulatory-boosted energy costs with his ALP colleagues, because his attempt to deflect blame actually contains some truth.

Government delinquencies have caused energy price rises that have contributed to plant closures, including Point Henry aluminum, Ford, General Motors and Toyota.

Australia has the world's cheapest coal and vast gas reserves. Yet government cost impositions over the past five years have resulted in our electricity prices now among the world's highest. And we have moved from a super-abundance of cheap gas to fears of domestic shortages.

Costs stemming from environmental measures are a key cause of this. They add one third to the electricity price. The carbon tax is most prominent cause but others costs include the Renewable Energy Target and various obligations on retailers to supply energy saving light bulbs and the like.

As well as adding direct costs, these measures also create inefficiencies by necessitating back-office staff to negotiate and arrange delivery of the many government requirements.

Even if the Abbott government can repeal the carbon tax, energy users will continue to pay subsidies to windmills and roof-top solar. We are half way towards this goal which will increase electricity costs by 40 per cent six years hence.

In addition, the ACCC is inhibiting marketing activity by forbidding door-knocking. And it is preventing industry rationalisations and privatisations by rejecting AGL's attempt to buy a NSW state-owned generator. Meanwhile, state and commonwealth ministers are further to harass energy retailers by imposing yet another consumerist body on them.

Added to these costs, state governments except Victoria and South Australia are maintaining their ownership monopolies over electricity networks that account for half of the delivered cost. Confirming common knowledge about government businesses' inefficiencies, the Productivity Commission has found that electricity networks in state ownership are 80 per cent more expensive than those under private ownership.

Then there is gas. Half a century ago Victoria negotiated a great deal with ESSO/BHP for cheap gas. Governments then diluted the worth of this with its overstaffed and sluggish pipeline monopoly, Gas and Fuel. Jeff Kennett privatising the gas pipelines and their retail arms, which like the privatized electricity firms rapidly shed surplus staff and introduced modern work practices to restore low costs.

We have now gone backward again on gas. In response to trumped-up environmental hysteria about possible contamination of the water table we have seen Victoria's Coalition government banning new exploration of coal seam and shale gas. This sort of gas is now the mainstay of production in the US where, even though two million wells have been sunk, no case of contamination has been found.

The Napthine government's bans are in stark contrast to Queensland and South Australia whose governments have declared their states are 'open for business' on new gas developments.

Victoria can ill-afford to deny itself cheap gas and electricity. Here, as elsewhere in Australia, it is governments standing in the way of low cost energy and the incomes and jobs this brings.

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