Will a Biden win put pressure on our power prices – and more – with climate demands?

Alan Moran

Australia will face much-increased pressure to increase its greenhouse gas emissions abatement if Joe Biden is inaugurated as president on 20 January next year; pressures that may even encourage us to redefine our economic and political relationships.

Biden’s “Climate 21 policies” is his blueprint to reorientate the economy towards the climate-change programs that are central to his political manifesto. Climate 21 would establish a National Climate Council to move the U.S. and
global economy to a low-carbon trajectory. A Biden Administration will rejoin and revitalise the Paris Agreement and will publish a four-year Climate Ambition Agenda containing action plans for “greenhouse gas mitigation”, a “clean energy transition”, “climate change adaptation and resilience”, and for international climate diplomacy and development.

Departments will have specific tasks to facilitate this. These are to include educating the public, blocking the Trump administration’s “anti-climate actions” and redirecting COVID and other funding to climate change matters. Naturally, “progress will require a substantial number of relatively senior political appointees to help get the job done”.

In forcing greenhouse gas emission reductions, a Biden Administration aims to resume the economy-wide re-orientation path that Obama embarked upon. Sadly, the full cost of these may be insufficiently clear four years from now to prevent a president Kamala Harris from continuing the process. Most nations are signing onto a net-zero emissions target by 2050. For some, this is simple virtue signalling. For others, like the US, EU and Australia, adopting such targets sets in motion concrete measures to meet them.

Australia’s policies of regulations and subsidies force the use of renewables, bringing higher electricity prices and requiring ever-increasing new measures to shore up wind and solar’s intrinsic unreliability. The policies also involve subsidies pandering to tech fads, like hydrogen and carbon capture and storage, in a forlorn attempt to catapult the nation into some nextgen (non-nuclear) carbonless energy future.
Current policies already cost Australia $13 billion a year in higher electricity costs. Energy Minister Angus Taylor has indicated that over the next decade, for Australia to accede to net zero by 2050 would require a 43 per cent cut in emissions rather than the 26-28 per cent in place (the ALP went to the last election with a 45 per cent reduction).

Ramping up the abatement targets increases costs exponentially. Thus, for New Zealand raising the current 2050 emission reduction target from 50 per cent to net zero is estimated to require a carbon tax that would raise electricity prices ninefold and reduce GDP by 16 per cent.

A Biden Presidency would bring major trade implications. It is inconceivable that the US will allow the adverse economic effects of its climate policies to be compounded by competition from imports that pay a lower penalty on their energy inputs. During the election campaign Mr Biden signalled a willingness to force policy compliance when he proposed to tax Brazil’s imports if its government refused an offer of $20 billion as compensation for stopping Amazonian “deforestation”.

Clearly, a renewed accession of the US to the Paris Agreement would involve plans for bringing the “recalcitrants” into the fold. For its part, the EU has already mooted the possibility of carbon-taxing imports from countries that do not follow its own emission regime and the UK’s policies are similar to those of the rest of Europe. Many international agencies, including the Davos World Economic Forum, sing from the same song sheet.
The bulk of the ALP, the Greens and much of the Liberal Party favour moving Australia in the same direction. But this would ensure a loss of energy intensive industries and a contraction of many others processing agricultural and mineral products.

An alternative to current trade arrangements may be presenting itself.

To considerable fanfare, Australia has signed onto the Regional Comprehensive Economic Partnership trade deal. The AFR mistakenly saw this as a means of diversifying trade away from China. Greg Sheridan saw it as simply a repackaging of existing commitments. Perhaps so, but it also puts greater emphasis of trade interests with those of the Asian giants — China, Japan, India and Indonesia and also Latin America. Significantly, the Partnership countries place a much lower priority on climate change matters. This re-aligning of Australia’s trade has long been underway. It might take on increasing momentum if a US-EU axis seeks to impose unwanted costs by bringing about closer relations to a bloc that has China, currently a political adversary, at its centre. Such a development has immense strategic – and even defence – implications.

Though the term “Anglosphere” has only been in use for two decades, close association with the UK and US has been the defining Australian relationship for two centuries. That this may now unravel is a chilling reminder of why it was so important for Trump to be re-elected.

Trump was poised to complete the dismantling of the institutional arrangements that place climate change as the central policy framework for managing economies. In overturning
this, Biden’s win may set the stage for a global re-alignment in which Australia finds itself divorced from Europe and North America.

Perhaps unrelated, after months of acrimony between Canberra and Beijing, Australian Treasurer Josh Frydenberg was this morning reported to have “offered a critical circuit breaker to ease tensions with China, claiming the Morrison government is ready to re-engage”.