

ALP ENERGY POLICY POSITIVE, BUT MUCH MORE WORK NEEDED

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Federal Labor's new energy policy might work well – or go badly awry if implemented poorly.

Electricity is a deep concern for business, with prices still rising, reliability challenged and emissions far above our aspirations. National energy policy has become a scorched-earth battleground without stability or sustained strategy. Australia needs workable and certain policy to prevent a silent deindustrialisation of our national economy in the years ahead.

The Government has some positive initiatives on reliability and capping generators' market share; risky proposals on divestiture and underwriting new generation; and no durable policy on emissions.

Labor proposes some useful answers. A fund to part-finance systemically significant energy transmission would help develop the lowest cost new energy zones. A concerted push on energy efficiency is sorely needed and an organised approach to the closure of old power plants is welcome.

The populist battery subsidy might help the whole market if recipients must participate in virtual power plants or adopt time-of-use network tariffs.

The lack of a framework for integrating energy and climate policy has created so much damaging uncertainty. Labor proposes an answer but it raises hard issues.

Deeper emissions reduction targets entail fundamental change in an already high-priced energy system. Battered industrial energy users understand the need for change but are frankly worried that a transition will be mishandled. A transformed energy system needs to deliver globally competitive prices and the reliability we expect, not just deep emissions cuts. Success hinges on the design and efficiency of policies to meet the targets.

Reviving the National Energy Guarantee (NEG) is a good idea. Ai Group and the wider business community have long supported market mechanisms, most recently the NEG, as the most efficient, durable and workable approach to achieving any emissions target that is set. That remains our position.

But Labor also proposes to directly underwrite clean new generation if the Coalition does not support the NEG.

The Coalition also proposes underwriting, albeit with no emissions focus. Our position on both is that underwriting can deliver cheap projects, but risks undermining private investment, exposing taxpayers to substantial costs and delivering an inefficient grid. Underwriting needs extreme care, independent administration, coordination with energy market authorities, and long-term guidance. Even so, the National Electricity Market would tilt towards more central planning.

The NEG or another market-based mechanism would be better. The point of bipartisanship was to create 'investment-grade' policy. We continue to encourage the Coalition to return to the NEG. But intergovernmental agreements are also bankable. Cross-partisan agreement with the States and Territories was tantalizingly close in 2018 and is still achievable.

There is much more to be said and done about energy and emissions – gas is also worryingly expensive, and the electricity sector accounts for less than a third of national emissions. Energy stakeholders have shown more breadth of vision and consistency of purpose than recent governments of any stripe. Whoever prevails at the next election should bring all stakeholders together to translate their proposals into a comprehensive, workable and validated plan of action.