



Back energy plan now – perfect it later

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‘**T**here are many roads to prosperity,’ former World Bank president Robert Zoellick said, “but one must be taken. Inaction leads nowhere.”

A decade of dithering, false starts and reversals in Australian climate and energy policy has produced high drama at times but taken us nowhere. And the resulting bad investment climate for the electricity sector has left a costly legacy for energy users and diminished reliability, and made it harder to meet our commitments to long-term climate change minimisation.

Many failures have contributed to the mess we’re in, not least the repeated miscalculation of political players on all sides who rejected the good in favour of what they saw as the best. They have wound up either with nothing or hollow victories.

The National Energy Guarantee is a unique chance to get a durable and effective framework that makes energy and climate policy work together. There is broad support for this. But to get it we must break the cycle of overreaching.

The NEG fundamentally differs from all the other acronyms of the past decade because it would rest on national electricity laws that can be changed only with unanimous consent of the states and Commonwealth. No government alone could overturn the apple cart.

We are tantalisingly close to agreement on the NEG. But the governments of Victoria, Queensland and the ACT are concerned that the Commonwealth’s proposed emissions targets are too low and too inflexible. They are under pressure, principally from

GetUp and environmental groups, to block adoption of the NEG unless the Commonwealth changes its stance.

This would be a colossal mistake. The targets would be set under Commonwealth legislation and will assuredly be the subject of hard negotiations between the federal government and opposition. States

aren’t being asked to endorse the Commonwealth’s targets, but to help set up a system that lets any target be met. There is nothing to stop states taking extra measures.

Blocking the NEG seems like a powerful card to play. But carrying out this threat would not help the states or anyone else. It would throw away a rare and likely fleeting chance for agreement in the Council of Australian Governments.

The next federal government would have to start from scratch with no guarantee the results would not be overturned yet again by later governments. And in the meantime the electricity sector and all of us who depend on it would struggle on with uncertainty. Without clarity, new investment will be late and short, and prices will go right back to the scarcity-driven highs we are only just emerging from. The states can and should step back from this. They can sign off on the NEG emissions reduction and reliability mechanisms this month. They can make clear their preferences for higher targets and flexibility. But they should rely on Federal

Parliament to resolve that debate.

If we make it past COAG, Canberra and the opposition would also do well to step back from maximalism. While both would no doubt like to legislate their favoured targets for the next decade, in practice this would be a mere Christmas ornament – ready for the other side to shatter when they next get the chance. A more durable solution could be for each side to compromise to allow the

government of the day to set and adjust targets without new laws, but only with several years’ notice and a proper decision-making process. Governments would have room to move emissions ambitions in their preferred direction. And the power sector would have the best possible balance of certainty and flexibility.

The states should not wait for perfection, but bank progress now. If they hold out for everything, Victoria, Queensland and the ACT will wind up with nothing, except responsibility for ongoing slow-motion disaster.

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