



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE
PROOF
MATTERS OF PUBLIC INTEREST
Budget
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Speaker Leyonhjelm, Sen David

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Senator LEYONHJELM (New South Wales) (13:32): Today I would like to address an area of public policy that has a far-reaching and pernicious effect on the cost of living for many Australians—a policy that is making households poorer and industries less competitive, is stifling jobs and is imposing a \$29 billion burden on the Australian economy. The policy to which I refer is the renewable energy target, or RET.

The RET is a generous industry-assistance policy that rivals the largesse of the motor-industry gravy-train, and has the inevitable consequence of driving up power prices through government-mandated customer subsidies. The policy and its continuation are, unsurprisingly, promoted vigorously in the renewable sector, at the expense of ordinary Australians.

In June 2009, then Minister Assisting the Minister for Climate Change, Greg Combet, in his speech introducing the Renewable Energy (Electricity) Amendment Bill 2009 said:

The Renewable Energy Target Scheme is part of the government's economically responsible approach to tackling climate change.

Surely using the words 'economically responsible' and 'Renewable Energy Target' in the same sentence must be an oxymoron! A report from the accounting firm Deloitte issued in July, entitled *Assessing the impact of the renewable energy target*, is unequivocal in its conclusions. It notes that completely abolishing the RET is projected to increase real GDP by \$29 billion in net present terms relative to the RET continuation. It also said:

Households are projected to gain the most given the two-fold impact of higher real wages and the relatively larger reduction in residential retail electricity prices ...

Over the last decade, since the introduction of the RET, Australia has gone from being historically one of the cheapest energy nations to now having four of our states in the top six internationally for expensive household electricity. Only Denmark and Germany, both heavily reliant on wind energy, are more expensive.

Australia's residential electricity prices in 2007 were much the same as in the US, but now are more than

120 per cent higher than those of many Americans. No green energy is free, or even the same price as electricity generated by coal or gas. It is beyond doubt that electricity produced by wind turbines is more than twice as expensive to produce. The more wind energy we encourage, the more we will pay for power.

Under the RET, electricity retailers are forced by the government to spend millions of dollars buying Renewable Energy Certificates from wind energy companies. The electricity retailers, of course, do not wear this cost; it is passed straight on to consumers, via their bills.

It is this last point that highlights a fundamental misunderstanding as to who pays the cost of renewable energy. It is clear from the public commentary on this issue that many believe the government is paying the subsidies to energy companies, and they are happy for the government to support renewable energy as long as they themselves do not have to pay for it. Apart from the fact that, on any issue, government money is taxpayer money, the costs of renewable energy subsidies are passed directly to customers but are not shown separately on their bills, so the subsidies are hidden from scrutiny.

Household energy poverty—defined as when 10 per cent or more of disposable household income is used for energy needs—has become entrenched in Australia, creating a new underclass whose daily choices are now dominated by electricity price signals from a government-manipulated energy market. Politicians are quick to claim the moral high ground in defending the position of working families, battlers and the disadvantaged, and these are certainly the groups most affected by high electricity prices. The hypocrisy of Labor, the Greens and Clive Palmer is exposed when they each claim that these groups are their core constituency while vigorously opposing any suggestion of changes to the RET.

Clive Palmer claims to be a friend of the battlers but at the same time he insists that they continue to be compelled to subsidise the wind industry—by far the largest and noisiest beneficiary of the RET subsidies that line their pockets while emptying the pockets of the battlers. We cannot produce ever-increasing amounts of expensive wind power and not expect electricity bills to keep increasing. It is as simple as

that. To pretend otherwise is duplicitous. Our nation was built on the gold boom, agricultural exports and cheap energy. Sure the world has changed, but the fundamentals have not and energy use drives the economy even more so in this modern age.

The Liberal Democrats are opposed to industry assistance that favours one type of generation over another, and we are opposed to the perverse outcome that sees the least well off in society subsidising the solar panels of the affluent. And we are opposed to the massive transfer of wealth—\$17 billion over 15 years—from Australian electricity consumers to multinational energy companies via subsidies. Those who support the idea of expensive electricity for minuscule environmental benefit need to face the reality that the RET is very inefficient. According to the Productivity Commission, the scheme abates greenhouse gas emissions at four times the cost of the now defunct carbon tax. There is no doubt that abolition or very serious reform of the RET is required.

Energy market demand is falling, according to the latest report of the Australian Energy Market Operator, and new generation will not be required to be built for over 10 years, but the RET requires at least \$10 billion of investment in renewables in the next six years to meet the mandated target. Either the renewables industry invests \$10 billion into a declining market to produce a greater quantity of expensive electricity to meet the government decreed target or penalties in excess of 50 per cent greater than the current renewable energy certificates will be applied, which inevitably will flow through to electricity bills. In either case, further substantial increases in retail electricity prices will result from additional subsidies for new wind energy or consumer funding of penalties imposed on electricity retailers because the target was not met. This is self-imposed madness. Like the carbon tax, the RET is a tax on jobs. Analysis by Deloitte shows that continuation of the RET reduces full time employment by over 5,000 jobs compared to abolition. This is self-evident given the costs imposed on industry from higher electricity bills.

Some people suggest that present renewables subsidy arrangements should be grandfathered, with no new agreements entered into, as a means of quarantining the escalating costs of energy. While this would draw a line under the cost of the RET, it would still see a \$7 billion cost to consumers for years to come. The unchallengeable economic reality is that to restore a key advantage to the Australian economy the RET should be abolished. The only other course of action to extricate ourselves from the policy black hole that is the RET is to make it a scheme that truly recognises all renewables in the energy market and cap the scheme at a true 20 per cent of generation.

Currently around 12,000 gigawatt hours of existing hydrogeneration that pre-dated the RET scheme is excluded from receiving renewable energy certificates, with a large portion of this hydrogeneration capacity located in Tasmania. Recognising the obvious, this hydro capacity is the bulk of renewable energy currently generated and including it in the scheme with the ability to generate Renewable Energy Certificates would give a badly needed economic fillip to Tasmania to the tune of around \$120 million per year.

It is beyond dispute that retaining a RET scheme in whatever form will be a continuing serious economic drain on the country and the wealth of households and therefore should be abolished; however, if a revised scheme is to be retained it should be more equitable. It is not in the best interests of households and business to continue propping up an inefficient and expensive Renewable Energy Target via our electricity bills.