

Australian Energy Policy - Unfinished Business

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Does Energy Policy Matter?

These things really matter:

- ▶ *our competitiveness as a nation*
- ▶ *our jobs*
- ▶ *our standard of living*
- ▶ *our quality of life*
- ▶ *our environment.*

We need reliable, affordable and clean energy for these things, which means we must have investment.

Investors need a clear line of sight to the market and long-term confidence that governments won't change the rules.

This is why energy policy does matter and why everyone has a stake in it.

Policy Formulation: Recent History

- ▶ Sept 2013 Dept of Industry created by new government
- ▶ Dec 2013 Dept calls for submissions on an “integrated policy”
- ▶ July 2014 Carbon tax repealed
- ▶ Aug 2014 RET Review released (still no finality)
- ▶ Sept 2014 EGP released (4 months late)
- ▶ Oct 2014 Emissions Reduction Fund established
- ▶ Apr 2015 EWP released

What explains the delay?

The Delay: Whole of Govt Involvement

- ▶ Repeal of the carbon tax (Dept of Env)
- ▶ Repeal of the mining tax (Treasury)
- ▶ Reform of the overall tax system (Treasury)
- ▶ Abolition of the CEFC (Treasury) (not achieved)
- ▶ East Coast gas strategy (States) and gas market review (ACCC)
- ▶ RET review (PM&C)
- ▶ Emissions Reduction Fund (Dept of Env)
- ▶ Industry Innovation and Competitiveness Agenda (PM&C)
- ▶ Northern Australia White Paper (Dept of Infrastructure)
- ▶ Competition Policy Review (Treasury)
- ▶ Reform of the Federation (PM&C, State and Local Govts)

The Challenge of Policy Integration



Institute's First Submission: Feb 2014

- 1. A nationally agreed energy vision is needed - not just publication of an EWP
- 1. Technology neutrality is fundamental
- 1. More gas resources must urgently be brought to market
- 1. The prohibition on nuclear power should be removed
- 1. If energy policy is to be relevant to investors, the EWP must address excessive politicisation

B20 Summit: July 2014

- ▶ Realisation: the world is awash with cash (Treasurer)
- ▶ G20 will prioritise investment in infrastructure (PM)
- ▶ But even there, there is a dearth of projects (Treasurer)
- ▶ Need to reduce investment risk (Minister for Trade and Investment) - acknowledged to Parlt, Sept 2014
- ▶ Need for national strategic plans to identify and promote projects

The RET Review: Aug 2014

Institute position: would have been better for the scheme to be based on all low-carbon technologies (not just renewables)
- but there is too much water under the bridge.

Govt's current proposal:

- ▶ RET should be a real 20% (with the slump in power demand it has crept up to potentially 27%)
- ▶ EITE sectors should have relief
- ▶ Household solar support can remain.

But still no decision!

What Did the EGP Propose? Sept 2014

Streamlining of approvals, workplace reforms, removal of infrastructure bottlenecks to attract investment.	<i>Welcomed</i>
An RET review decision.	<i>Not yet - stand-off could drag on</i>
An East Coast gas strategy.	<i>Not yet</i>
Opening all energy options.	<i>Still hesitant on nuclear</i>
Alignment of all federal departments.	<i>Progressing</i>
State and territory acceptance.	<i>No mention</i>
Industry Innovation and Competitiveness Agenda.	<i>No mention. EGP acknowledges: there is no silver bullet</i>

EWP April 2015: 17 Unresolved Issues

1. Future of all EITE industries?
2. Future of all energy-dependent manufacturing?
3. Future of renewables and the RET?
4. Future of fossil fuels, esp. coal?
5. Escalating electricity prices?
6. Declining electricity demand?
7. Impact of LNG exports on domestic gas market?
8. Environmental concerns over fracking and CSG?
9. COAG Energy Council governance review?
10. ACCC inquiry into upstream gas industry?

EWP April 2015:17 Unresolved Issues (cont)

11. Role of new Industry Growth Centre?
12. Nuclear energy and implications of SA Royal Commission?
13. Slump in global oil prices and impact on Aust economy?
14. Non-compliance with IEA stockholding obligation?
15. Are GHG emissions decoupling from economic growth? In 2014, emissions were static at 32.3 billion tonnes - first time for 40 years (IEA).
16. What will be Australia's post-2020 emissions target to be proposed to UNFCCC in Paris?
17. How, above all, are we to articulate an integrated national energy policy? This was the whole intent!

Institute's Position on the EWP

1. Criticality of technology neutrality	<i>EWP provides no more than lip service</i>
2. Policy integration including climate policy	<i>The EWP's greatest failure</i>
3. Open markets	<i>Full marks to govt; productivity plan also welcome</i>
4. Export growth	<i>Supported (but a pointless 'energy superpower' claim)</i>
5. Fostering innovation	<i>A confusing array of programs</i>
6. Attracting investment	<i>Quite unreassuring; uncertainty over RET; ARENA and CEFC could invest in all low carbon technologies?</i>
7. Energy vision	<i>Missing: a long term vision of a low-carbon society</i>
8. Policy reform process	<i>All stakeholders incl states/territories should be engaged; regular review; move to a National Energy Commission to shelter policy from political cycles</i>
9. Strategic value of EWP	<i>Low; too many issues up in the air; a timid document?</i>

Thank you: Questions?