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BREAKTHROUGH IN KEEPING LIGHTS ON

Members of COAG Energy Council agree to ensure energy security and affordability

JOSH FRYDENBERG

It was back in 1990 that Margaret Thatcher said: “The danger of global warming is yet unseen but real enough for us to make changes and sacrifices.” This made her the first world leader to seriously talk openly about the challenge we face.

It was in 2000 that John Howard introduced Australia’s first Renewable Energy Target and it was in December 2015 that the Turnbull government took to Paris a 26 to 28 per cent emissions reduction target by 2030, which on a per capita basis is among the highest in the G20.

It’s clear that the Coalition and our international counterparts on the centre right care deeply about the environment and the impacts of climate change. But what we will not do is pursue policies that hurt households, weaken our commercial competitiveness and undermine the stability and security of the electricity system.

We must remove ideology from the debate and focus on the practical. This is why last Friday’s COAG Energy Council meeting was so important.

Coming after South Australia’s blackout, agreement was reached by all jurisdictions on two fundamental points. First, as stated in the communique: “Ministers agreed that their primary responsibility is to ensure the security, reliability and the affordability of the energy system for all Australians.” Second, that an independent review, led by Alan Finkel, Australia’s Chief Scientist, will develop a blueprint for energy security, with recommendations outlining the policy, legislative and governance settings needed.

This was a major breakthrough and in the words of

the South Australian Labor government’s energy minister, Tom Koutsantonis, a “big step forward”.

Absent is the Rudd-like hyperbole of the “greatest moral challenge of our time” and in its place a recognition that energy security is back at number one. Reducing emissions is important but not at the expense of the lights going out.

There was a robust discussion among ministers about state-based renewable targets and the implications they have for the cost, efficiency and location of investment decisions.

But what is interesting is that the language of the states has begun to change, with South Australian Premier Jay Weatherill acknowledging the “aspirational”, as opposed to binding, nature of his 50 per cent by 2025 renewable energy target. All states now accept that there are challenges to the stability of the system caused by the take up of intermittent power, particularly solar and wind.

Nowhere was this more clear than in South Australia in June and July, when the amount of energy generated by wind varied from 1 per cent of total consumer demand on one day to 80 per cent on another. This contributed to significant volatility in price and required generation from other sources, including interstate.

The COAG Energy Council’s expert bodies have reiterated to ministers the interconnected nature of the national electricity

market, whereby decisions in one jurisdiction affect another. It is a powerful reminder of the need for a harmonised and single national approach to renewable energy

targets, a view also advocated by the Grattan Institute and the Business Council of Australia, among others.

The states and territories owe it to their constituents to be upfront about the costs that will be borne by them because of their ambitious targets. South Australia, with 41 per cent renewables, has the highest wholesale electricity prices in the national market. And if Victoria, with about 85 per cent, and Queensland, with about 80 per cent, of their power generated by coal, move to implement their renewable targets of 40 and 50 per cent respectively, it’s inevitable that prices will rise.

Figures from the federal Department of Environment and Energy of the cost to Queensland and Victoria from their state targets total \$41 billion, an enormous financial burden that will be placed on households and businesses in those states.

Following the South Australian blackout, attention will now turn to federal Labor’s 50 per cent renewable energy target by 2030. A target that would require 10,000 new wind turbines at a cost estimated at \$48bn by a Bloomberg New Energy Finance report.

Among the many problems with Bill Shorten’s ill-considered approach is the lack of any plan to reach his 50 per cent target other than a sentence in Labor’s election document that promised design details by October 2017. Even the party faithful like the CFMEU are worried about the Shorten target, with national president Tony Maher writing an open letter saying the “CFMEU is very concerned that an increased



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RET of 50 per cent by 2030 will increase the cost of electricity for manufacturing and ordinary households while being a poor tool to reduce Australia's overall global warming emissions".

Such an approach is reckless in the extreme given the importance of energy security and public expectation that the policies adopted by the major political parties will ensure a smooth transition to a lower emissions future while keeping the lights on.

As the Prime Minister has said, South Australia's blackout was a real wake-up call highlighting the energy challenges we face. Only by working together across political and jurisdictional boundaries can we meet our objectives of a reliable and affordable energy system as we transition to a lower emission future.

The outcomes from the Energy Council meeting last week have pointed us in the right direction.

Josh Frydenberg is the federal Minister for the Environment and Energy.

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