

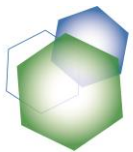
# Australian Energy Policy Formulation in 2014: An Independent View

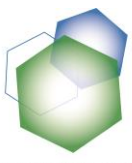
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November 2014

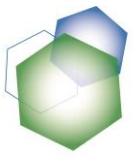




# Policy Formulation: History and Context

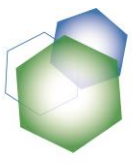
- ▶ Sept 2013 Dept of Industry created by new government
- ▶ Dec 2013 Dept calls for submissions on an “integrated policy”
- ▶ July 2014 Carbon tax repealed
- ▶ Aug 2014 RET Review released (but still no finality)
- ▶ Sept 2014 Energy Green Paper released (4 months late)
- ▶ Oct 2014 Emissions Reduction Fund established
- ▶ Nov 2014 G20 call for greater infrastructure investment

CONTEXT: high gas/power prices continuing; car industry collapsing; manufacturing under pressure (oil refining, minerals processing, plastics, chemicals, aluminium, brick and tile industries) with some closures; little new investment activity; energy demand dropping; China and US reach agreement on emissions reduction targets.



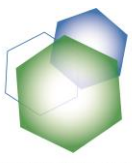
# The Challenge of Policy Integration





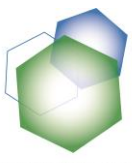
# The Difficulty: Whole of Govt Involvement

- ▶ 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)
- ▶ East Coast gas strategy (State Govts)
- ▶ 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)



## Feb 2014: Institute's First Submission

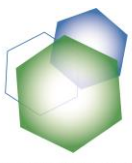
1. A nationally agreed energy vision is needed - not just publication of an EWP
2. Technology neutrality is fundamental
3. More gas resources must urgently be brought to market
4. The prohibition on nuclear power should be removed
5. If energy policy is to be relevant to investors, the EWP must address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



## July 2014: B20 Summit

- ▶ 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 and an infrastructure hub to identify and promote projects

Increasing unaffordability of energy and over-investment in renewables (eg Spain, Germany) were discussed at B20 but did not go into the B20's recommendations to the G20.



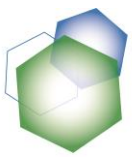
## Aug 2014: The RET Review

Institute: it 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 now proposing:

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

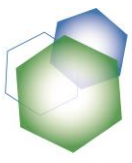
But still no decision.



## Sept 2014: What Did the Green Paper Propose?

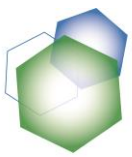
- ▶ Streamlining of approval processes, workplace reforms, removal of infrastructure bottlenecks etc to attract investment? **Very welcome.**
- ▶ An RET review decision? **No (a stand-off could drag on).**
- ▶ An East Coast gas strategy? **No detail provided - may be a pipeline from NT in a few years but it would be too late to avoid shortages?**
- ▶ Opening all energy options? **Still hesitating about nuclear.**
- ▶ Alignment of all federal departments? **Progressing slowly.**
- ▶ State and territory acceptance? **No mention in Green Paper.**
- ▶ Industry Investment and Competitiveness Agenda, which includes reducing the cost of energy to Australian businesses? **No mention of the Agenda in the Green Paper. The EWP will need to reconcile. The Green Paper acknowledges the reality: there is no silver bullet.**





## Nov 2014: Institute's Immediate Reaction to Green Paper

- ▶ Something is missing: a vision of how to make the transition to a low-carbon society
- ▶ Need to appreciate criticality of technology diversity and neutrality and to incentivise greater innovation
- ▶ Need for greater political bipartisanship and engagement of all stakeholders
- ▶ Urgent need to address electricity network tariffs and for regulatory reform of NSW gas supply
- ▶ Fundamental need to address investment/financing risks



# What Should Be Done Now and In Future?

1. First, Australia should adopt a long-term national energy vision - it surely should revolve around technology diversity and neutrality - requiring concerted, renewed efforts to innovate and reduction of investment risks
2. Don't rush policy formulation - it is more important to get it right
3. Bring all policies / federal departments into closer alignment
4. Bring the states and territories into the tent
5. Engage with other industry stakeholders, including the community
6. Then write a short strategy - 10 pages may be enough?
7. Review the strategy regularly and methodically
8. Design an independent, apolitical mechanism to shelter policy formulation and reviews from political cycles - a role for COAG?