

With the demise of the NEG, the Australian energy industry landscape once again enters the twilight zone with continued lack of alignment on solutions to the dilemma, and of course politics driving the agenda. At least there is now recognition that reliability is an important component of the mix, but the Federal government is the only party that will take up this responsibility, as opposition parties have nothing to gain.

Australians are told that renewables are cheaper and 100 percent renewables will bring the cheapest power and save the planet (true, if you only want intermittent power supply and you are not concerned for the upfront cost.). The major opposition party will only go to 50 percent in wooing the green vote because they may have the responsibility to implement and have a good idea on how much it will cost the taxpayer. Investors and equipment manufacturers back renewables as a cash cow but strangely do not support elimination of subsidies, and, as some promote, the hydrogen economy is the solution, but let's not focus on the capital cost of transition.

All in all, it is difficult politics to explain that there have been policy failures in the past, aided by an energy regulatory and management system that did respond to the introduction of a renewable energy supply. The system of energy pricing has not been adjusted to include a reliability component allowing stop / start renewables to eat the profitability of reliable power alternatives and hasten their demise, further unbalancing the energy grid. Renewable power has been used as a political lever to show environmental credentials in a bidding war which disregards the practical impact.

The NEG was the first attempt to address reliability as a core element in power supply policy, and adoption of the Australian Competition and Consumer Commission recommendations is a start in the process of addressing the market imbalances. Emission targets consistent with the Paris accord will be met. Higher prices have driven many from the market and the surge in renewables investment already committed will deliver. It appears that our regulatory and essential service management sector has been unable to respond to changes in priorities and technology. The ramp up in gas prices (predicted by many), which has caused havoc and continues to do so in the industrial and domestic sectors, was ignored for too long. This was exacerbated by political expediency (bans on fracking and gas exploration) and the traditional cop out of assuming all will be solved by market forces. Where you have a large competitive market such as the US, this is true; the Australian gas market has never operated that way. The only explanation is that our politicians and bureaucrats have not been sufficiently aware of the true nature of these markets, and, much to their own loss, have ignored those who do.

At least it is now largely recognised that energy policy in Australia is in a mess, driven by political motive and entrepreneurial zeal to take advantage of poorly managed markets.

The over capitalisation of poles and wires infrastructure is a prime example of this distortion, as is the renewables energy investment sector. Does one blame the companies who have taken advantage of these errors on judgement? Politicians are quick to jump on this as an explanation and blame the fat cat industrialist or "multinational", but, in reality, allowing the exploitation through system failure sits at the feet of government. In this case we are not just talking about the Federal government, but also State governments. They have the primary responsibility for energy and continue to operate outside the intent of our federation. Consensus for national interest across the political divide is a commodity in scarce supply.

What is required is a measured approach to the balancing of renewable power sources and appropriately costed investment options to deliver long term reliability to the grid. The current

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federal government has decided that the investment in this 'reliable' power supply will require government support. This is certainly correct in the absence of long-term assurance of the security of these investments in a climate of policy instability. Unfortunately, this is not an easy political sell, particularly when rent seeking advocates for their own particular technology of options are very willing to distort the picture. It may be only by hard experience that recognition that the grand gesture approaches do not deliver all that is promised.

One would hope that future energy policy debate can be more responsive to the pragmatic of implications technology and infrastructure. If Australia is to remain a leading and productive nation, it is the detail of implementation of advances in technology and science that should provide the basis for decision making and thoughtful change. Without this attention to detail, the thought bubbles of politicians will lead us down the same path we have just followed.



Noel Williams has been a Senior Executive in a global material company with a career spanning 40 years in Australia, the US, Hong Kong, Thailand and Singapore culminating in regional management and business growth leadership. In addition to his supporting role at Dragoman, Noel serves on the University of Queensland Chemical Engineering School Advisory Board, the UQ Dow Centre Board for Sustainable Engineering Innovation and not-for-profit boards.