



Everything you need to know about the Finkel Review

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Finkel Review Will Make Electricity Price Problem Worse

If Superman pushed down a building then flew in to save all of the people, would he be praised as a hero or rightly condemned for creating the problem in the first place?

Renewables are not the hero of Australia's current electricity price and security fiasco – they are the cause.

The problem with the Final Report of the [Finkel Review](#), published this afternoon, is that it will only make this problem worse.

The only reason that prices are going through the roof and reliability is becoming a problem is because government legislation is pushing energy technologies that can deliver 24/7 electricity (coal, gas and nuclear) out of the market in favour of other technology (renewables) that cannot.

Clean Energy Target

The Review's suggested replacement of the current Renewable Energy Target with a Clean Energy Target is a small improvement as it at least canvasses a role for coal and gas (to the [chagrin](#) of The Greens). The devil of course will be in the detail because if in fact only generators with carbon dioxide emissions below 700 kilograms per megawatt hour (700kg/MWh) of electricity are left penalty-free (as floated in the media this week) this will exclude almost all coal.

You can't be serious about keeping power prices low if you rule out an ongoing role for the source of 75% of Australia's current and 40% of the world's electricity, particularly when Australia has at least 100 years of black coal and 1,000 years of brown coal still in the ground.

Under the 700kg/MWh rule, there is no way that Victoria would be able to efficiently use its world-class brown coal resource.

The Clean Energy Target will also be of little use if the states continue to do their own thing, with Victorian Premier Daniel Andrews this morning promising that he would [keep](#) his government's 40% renewable target regardless.

Renewables Back-Up

The Review's acknowledgement that renewables create intermittency and frequency variability problems is also welcome, though the suggested solution that new renewables in regions susceptible to supply disruption be able to cover shortfalls does not go far enough.

For supply security reasons and also to treat treating different fuel technologies equally, it should be a requirement that all generators be able to 'cover' those times when the weather isn't playing ball either through alternative generators or batteries. The cost of this back-up should be met by each company, not the government.

Gas

Also welcome was the recognition that gas still has a role in the electricity mix, though it was ominously framed as a means to transition to a renewables-rich future.

However the report made it clear that new sources of supply are desperately needed and that rather than blanket bans on the unconventional gas industry, projects should be assessed on a state-by-state basis.

In fact, all energy sources – including gas, coal and uranium should be encouraged to participate in a free and open market to determine the most efficient way to generate electricity.

Three Years' Notice

Evidence of the vengefulness of bureaucracy comes with the recommendation that generators will



have to give 3 years notice if they want to close their plant.

Bureaucrats typically expect to be able to write the rules and boss the private sector around at will, hence were genuinely shocked and affronted when the operator of the now-closed Hazelwood brown coal power station in Victoria announced last November that it would close in March.

While most people in the private sector, or who have a personal relationship, know, if you treat someone like rubbish, and tell them over and over that they aren't wanted, you shouldn't be surprised if they suddenly pack up and leave.

It should be up to the private sector owners of a particular asset to decide if they can afford to remain in a particular market. If they want to leave then there is something wrong with the market, not with them.

Where To Going Forward?

The main take-out of the Finkel Report is that once again, carbon emissions policy has proven to be the tail wagging the energy affordability and reliability dog.

The role of an electricity system is to provide electricity for all of the consumers and businesses that need it – it isn't supposed to be a laboratory for environmental activists to implement their own policy agenda.

While it will be up to government to respond to the report's recommendations, it needs to do so cognisant of the need to keep the lights on and prices low. To this end, it is ominous that Federal Labor's Shadow Environment Minister Mark Butler earlier this week spoke of taking whatever new scheme is implemented and [scaling it up](#) if Labor wins the next election.

Also ominous is today's confirmation that major electricity company AGL that wholesale electricity prices having [doubled](#) over the last 24 months, retail electricity prices in major markets will [rise by nearly 20%](#) again on 1 July.

Electricity prices would be a lot cheaper, and supply a lot more secure, if governments let normal forces of demand and supply sort out how to satisfy consumer needs.

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