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## CSIRO GENCOST MISLEADS AUSTRALIANS WITH FLAWED ENERGY COST MODEL

"The CSIRO's latest GenCost report has again relied on the discredited levelised cost of electricity methodology to calculate energy system costs. This gives Australians and policymakers alike a false understanding of the cost of our energy future," said Scott Hargreaves, Executive Director of the Institute of Public Affairs.

The CSIRO's annual GenCost report released today, follows IPA research, published in April 2024, which found that relying on the levelised cost of electricity methodology (LCOE) is dangerous, specifically:

*LCOE accounting oversimplifies complex energy systems and overlooks crucial factors that need to be considered in making investment and policy decisions. LCOE's focus on production cost alone neglects performance, broader system integration, and value creation, rendering it inadequate for informing energy policy decisions.*

"LCOE simply cannot explain the rising costs of energy endured by Australian families and businesses. Despite repeated GenCost reports predicting the contrary, as more wind and solar has come into the system, costs have continued to rise, and blackout warnings are becoming regular," said Mr Hargreaves.

IPA research demonstrates that LCOE is highly sensitive to the assumptions used, and simply does not take into account the extra costs that variable renewable energy triggers elsewhere in the market.

"LCOE does not recognise the real value of baseload generation from gas, coal or nuclear, which is able to consistently produce electricity on demand, whereas renewables simply cannot," said Mr Hargreaves.

Forthcoming IPA research will detail the true cost of our energy future, by applying a far more accurate methodology that takes into account the full costs right across the system. It establishes that any system built on baseload generation, like gas, coal, or nuclear, will always be significantly less expensive than one reliant on variable renewable energy.

"Australians have every right to be worried that the federal energy minister, Chris Bowen, continues to hide behind these discredited numbers rather than being honest with them, while at the same time failing to work to protect our nation's energy security," Mr Hargreaves said.

Yesterday, AEMO released its *Update to the 2023 Electricity Statement of Opportunities*, warning of an increased risk of blackouts in New South Wales, Victoria and South Australia, as the nation continues to remove dispatchable sources of power and scrambles to replace them with weather-dependent renewables.

"Regardless of your opinion of wind and solar, the cold, hard reality is that more variable renewable energy means higher costs and lower energy security. More dispatchable power, be it coal, gas or nuclear, means lower costs and higher reliability," said Mr Hargreaves.

To download the IPA's research *Issues with Levelised Cost Of Electricity: Why a Simple Metric Cannot Determine Our Energy Future* [click here](#).

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