

IPA MEDIA RELEASE

Institute of Public Affairs | Australia's leading free market think tank

16 June 2016

SOUTH AUSTRALIAN ELECTRICITY PRICE INCREASES PROVE THE DANGER OF ALP'S 50 PER CENT RENEWABLE ENERGY TARGET

The decision by South Australia's two leading electricity retailers to significantly increase prices from 1 July, once and for all explodes the myth that more renewables equals lower electricity prices, according to free market think tank the Institute of Public Affairs.

"In just the last 24 hours, Origin and AGL have announced 6.5 per cent and 10 per cent price increases respectively for South Australian customers, with both citing the availability of coal and gas as well as supply issues," says Brett Hogan, Director of Energy and Innovation Policy.

"This is five and seven times the rate of inflation and a direct result of the policies of the South Australian Government and the federal parliament which have seen intermittent solar and wind power forced onto the market, and the closure of coal and gas-fired power stations."

In justifying its decision yesterday, AGL reportedly said that the rise was 'mainly driven by the cost and availability of coal and gas supply for electricity generation as well as the changing mix of generation output' with Origin today stating that 'changes to the electricity generation mix in South Australia has had an impact on the wholesale cost of energy.'

"Notwithstanding the desperate attempts by the South Australian Government to blame privatisations of 20 years ago, the price of coal and the lack of a second cable to get the electricity that someone else makes, it is clear that it is now reaping the seeds that it has sown."

"South Australia already has the nation's highest electricity prices and highest unemployment rate. You can't force the lowest cost and most reliable producers out of any market without consequences. With plans for a net zero emissions economy by 2050 these problems will only get worse."

"These price rises, which are consistent with what is also happening in renewables-dense Europe, are a warning to all other States, particularly Victoria, of the inevitable outcome of feel-good targets set ahead of technology's ability to cope."

"The dangers of the Federal ALP's promised national 50 per cent renewables target by 2030 become more evident by the day. Price increases will be rapid and permanent if this policy is implemented and some of the large power stations in Victoria and New South Wales start to close."

"Platitudes from politicians are no substitute for the forces of demand and supply. Renewable energy targets clearly cost jobs and lead to higher prices."

For media and comment: Brett Hogan, Director, Energy and Innovation Policy, Institute of Public Affairs, bhogan@ipa.org.au or 0407 273 884.

**Institute of Public Affairs, Level 2, 410 Collins St. Melbourne
ph: 03 9600 4744 fax: 03 9602 4989 www.ipa.org.au**