

IPA MEDIA RELEASE

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

27 May 2016

POTENTIAL HAZELWOOD CLOSURE A THREAT TO AFFORDABLE AND RELIABLE ELECTRICITY

News that French energy multinational Engie is considering the closure of Victoria's Hazelwood power station is cause for alarm, according to free market think tank the Institute of Public Affairs.

"Hazelwood is singlehandedly responsible for at least 20% of Victoria's electricity, and as a low-cost producer helps to keep the overall price of power down across the National Electricity Market," says Brett Hogan, Director of Energy and Innovation Policy.

"When the owners of an important piece of economic infrastructure that reportedly earns \$100 million per year before interest and tax foreshadow that asset's closure or sale, you know you have a serious problem with the regulatory environment."

Victoria's brown coal power stations supply 85% of its electricity and are increasingly relied upon to fill supply shortages in renewables-rich South Australia and Tasmania via interconnectors.

"With public policy, all actions have consequences," Mr Hogan said.

"Only last month the Victorian Government tripled its tax on brown coal and told producers to just 'absorb' the cost. This is now starting to look like the last straw."

"The owners of Hazelwood are clearly looking for a sign that their business is still wanted in Victoria. The Andrews Government must come out publicly to give them that assurance."

"Australia's traditional competitive advantage of reliable, low-cost energy is now under serious threat. Rather than pandering to the Greens, mainstream policy makers should seek to create a regulatory system that encourages genuine competition between technologies resulting in consumer demand, rather than government fiat, determining successful providers," said Mr Hogan.

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