Claimed power price cuts from energy guarantee are 'virtually meaningless'

The Guardian 15/8/2018 Katherine Murphy

The Turnbull government is trumpeting power price reductions as a consequence of its national energy guarantee – but a new analysis says subsidies for coal-fired power stations will render those forecasts “virtually meaningless”.
The government has failed to rule out the building of new coal plants as a consequence of its underwriting of new power generation, and Labor declaring that development a deal breaker.
A new paper from the Australia Institute’s chief economist, Richard Denniss, identifies nine things that could derail the Energy Security Board’s price drop projections.

Those projections are being relied on heavily by the Turnbull government in selling the Neg.
The ESB has said average annual residential power bills will be around $550 lower, on average, over the 2020-21 to 2029-30 period than in 2017-18, with around $150 of that attributable to the introduction of the Neg. The projections are currently the subject of strenuous debate between energy policy experts.
Denniss says other policies that might be adopted in addition to the Neg – ranging from more ambitious renewable energy targets in the states, to new subsidies for coal, gas, renewables or storage, to competition changes reducing the market power of energy retailers, or changes to tax incentives, demand management rules, or even immigration rates – would alter the current power price reduction forecasts the government is trumpeting.

“Put simply, given that any change to any of these policy areas has the potential to significant impact the price and/or profitability of investment in electricity,” he writes.
“Yet government members actively suggest that government should build or subsidise the construction of a new coal-fired power stations and ensure existing coal generators such as Liddell stay open longer than their private owners want them to.
“The very fact that the Turnbull government is now publicly considering new policy measures to encourage additional coal-fired electricity generation means that the claimed price reductions in the ESB modelling are already virtually meaningless.”

The Australia Institute analysis comes as the Turnbull government on Tuesday secured majority party room backing for the Neg, but up to eight government MPs are reserving their right to cross the floor once the legislation hits the parliament during the current sitting.
That bloc of internal opposition could imperil the policy in the event Labor decides to vote against it in the House of Representatives rather than allowing it to travel to the Senate, where the opposition is signalling it will attempt to increase the ambition in the emissions reduction target from 26% to 45%.
While no decision has yet been made on tactics, Labor looks unlikely to kill the Neg in the House.
In order to hold conservative internal dissidents through the torturous internal Neg debate, the prime minister and the energy minister have been signalling they will accelerate a recommendation from the Australian Competition and Consumer Commission that the government underwrite new investments in power generation – which the Nationals want to be new coal investments.
The government brought in the chairman of the ACCC, Rod Sims, this week, to talk government MPs through the various recommendations in a recent report about the state of the energy market, including the underwriting proposal, which Sims insists is technology-neutral.

Asked on Tuesday whether he would welcome new coal investments as a consequence of the underwriting proposal, the prime minister said “certainly”, although he said the proposal was “technology-agnostic and … designed to get more competition, more generation and lower prices”.
Labor is signalling that any new support for coal accompanying the introduction of the Neg will be a deal breaker for the opposition. “We cannot support that,” the shadow climate change minister, Mark Butler, told parliament on Tuesday.
The official government response to the ACCC’s recommendations is unlikely to appear during the current sitting fortnight, and will require joint work by the energy minister and the treasurer.