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COMMENTARY

Labor betting our economy on green energy pipedream

By TED O'BRIEN

Labor has launched its most bizarre argument yet against the Coalition's energy plan, claiming its own higher energy costs are good for economic growth.

Reframing the energy debate to be about economic growth is crazy brave for a government overseeing Australia's slowest economic growth in 30 years, outside the pandemic.

But it's also fundamentally flawed. It makes no economic sense to assume an economy is better off if it's forced to consume more electricity, especially at an extraordinary cost for households and businesses to switch away from other energy sources. But more on this in a moment.

A few weeks ago, independent analysis by Frontier Economics showed the Coalition's plan for a balanced energy mix of renewables, nuclear and gas to be \$263bn, or 44 per cent, cheaper than Labor's renewables-only scheme. In triggering Labor's latest attack, Treasurer Jim Chalmers didn't take aim at Frontier's modelling.

Nor has the national science agency, the CSIRO, or the market operator, AEMO, criticised Frontier's work, which is notable given Labor's reliance on these organisations for advice on energy economics.

As the CSIRO and AEMO say in their GenCost report on the levelised cost of energy, their work is "not a substitute for ... electricity system modelling". Full electricity system modelling is precisely what Frontier did. Frontier also used CSIRO and AEMO's cost assumptions, but modelled nuclear even more conservatively at \$10,000/KW.

No wonder Labor is struggling to find a line of attack. But that hasn't stopped Chalmers claiming Labor's energy plan will drive higher economic growth, despite it costing 44 per cent more than the Coalition's through to 2050. It takes some mental gymnastics to follow Chalmers' logic, but it goes something like this: Labor will build a bigger electricity system and thus the economy should grow more.

What Chalmers doesn't understand is that, by itself, a bigger electricity system only guarantees higher costs and a greater environmental burden. He also clearly doesn't know that Australians used less electricity from the grid over the past decade and yet the economy still grew. Whether more electricity enables the economy to grow depends on how it is used, which in turn is a function of its cost and reliability. Labor's renewables-only plan fails on both counts compared to the Coalition's: it will be far more expensive and it will be unreliable without 24/7 baseload power. It will also emit more by 2050.

While the Coalition has accepted an AEMO forecast for an electricity system that expands by 60 per cent by 2050, Labor's policies require a system more than twice the size of our current one.

This will come at a massive \$640bn cost that will ultimately hit people's bills, and this is only the utility-scale costs. It excludes the cost of rooftop solar, home batteries and EVs that Labor wants households to pay for out of their own pockets.

Chalmers also doesn't understand what is driving Labor's desire for a bigger grid. But it is all laid out in AEMO's Integrated System Plan – which the Prime Minister has confirmed is also Labor's plan.

First, Labor is taking a ginormous bet on green hydrogen. Labor plans to use the equivalent of 30 per cent of current grid consumption for green hydrogen by 2050.

While there's a role for green hydrogen, making it commercially scalable requires a far lower cost of production. Building a far more expensive system isn't how you get there.

Second, Labor is taking a similar big bet on electric vehicles. Its plan is for 99 per cent of all vehicles on the road to be EVs by 2050. Australians don't like being told what to

do, let alone what car to drive. Until tradies, farmers and grey nomads have a change of heart about their preferred vehicles, this is yet another Labor pipedream.

Third, Labor wants to electrify everything. Its plan is for people to disconnect their homes from gas, and refurbish their kitchens, bathrooms and heating systems to be powered only by electricity.

This is, again, to come out of the family budget, at a cost Labor won't disclose. None of these are policies to enable economic growth, but rather an ideological wish list that flagrantly disregards the impact on everyday Australians. To be fair, Labor's desire to more than double the size of the electricity system does accommodate one economic lever – higher population growth. According to Oxford Economics Australia, this assumption is a key driver of economic growth in Labor's plan.

Chalmers should clarify how big an Australia he's planning for. As a nation, we're already struggling amid a housing crisis, and our cities and roads are congested and need modernisation.

Yet, instead of allocating scarce capital to tackle problems such as housing and infrastructure, the Treasurer is misallocating investment for a colossal overbuild of our electricity system.

Labor's plan will make Australians poorer and our economy weaker.

Ted O'Brien is opposition energy spokesman.