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TITLE: Tony Abbott is out of step on green business

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There is a disparity between politicians' love of symbolism and shareholders' love of results. Unfortunately for Prime Minister Tony Abbott, that disparity seems set to distance his government even further from the agenda of the mainstream business community in Australia.

As if proposing to introduce a new levy on corporate profits and increasing the top marginal tax rate wasn't enough, now some in the Abbott government are determined to reduce investor certainty in the energy sector and drive up wholesale electricity prices just to send a message to the greenies.

Despite the fact that the renewable energy target (RET) was originally created by the Howard government back in 2001, the most conservative faction of the Liberals seems determined to scrap it. The problem for the business community, and indeed for the government itself, is that this determination has got nothing to do with lowering costs for business and everything to do with symbolism.

Economics 101 tells us that increasing the supply of a product pushes prices downwards. It is, therefore, unremarkable to learn that the empirical evidence from Australia and from overseas confirms that the steady growth in renewable energy is driving wholesale electricity prices lower.

Indeed, in announcing the terms of reference for the review of the RET, the Minister for Industry, Ian Macfarlane, made clear that he was concerned that new investment in renewable energy was pushing electricity prices down to the detriment of his preferred providers, the coal-fired electricity generators.

But while some Coalition MPs seem to revel in the symbolism of attacking renewable energy, mainstream business groups are lining up to support it. The Australian Industry Group, for example, said in its submission to the RET review on behalf of its 60,000 members, that energy users would not benefit from the removal of, or significant cuts to, the scheme.

If the government really cared about the cost of energy for business they would do something about the looming tripling in the price of gas that will accompany the opening of the first gas export facility in Gladstone this year. But they won't act because they don't really care.

While it is one thing to do nothing as gas prices surge, would the Coalition really hurt business just to make a political point? They certainly have form. Tony Abbott's new tax on big business was explicitly designed to fund a generous paid parental leave scheme to solve his problem with women voters.

Tasmanian Liberals have an even longer tradition of putting good politics ahead of good policy. The endless subsidies to the loggers have done nothing to resuscitate the sinking Tasmanian economy and the recent decision to remove 74,000 hectares of native forests from the World Heritage List has even been opposed by the big logging companies.

The Coalition has justified this unprecedented decision to "unlock" the forests from the shackles of World Heritage listing on the basis that forests need to be "open for business". The problem is that the businesses which export woodchips know that such environmental vandalism will make it harder to find foreign buyers in a world market that is increasingly environmentally aware.

Just as the Abbott government's determination to destroy more native forests will hurt Tasmanian business, so too will any cuts to the RET. With its abundant wind resources, Tasmania stands to gain more than its share of new investment, and a quick look at the national accounts shows how rare, and needed, that is in the Apple Isle.

Tasmanian Premier Will Hodgman, along with his NSW, South Australian and Victorian counterparts, have all expressed support for greater investment in renewable energy. The state premiers can see the investment, jobs and votes to be had from diversifying our energy supply.

The end of the mining boom, the stubbornly high exchange rate, rising unemployment and weak investor confidence form the bedrock of the real problems facing the Australian economy and the current government, and if Abbott were serious about the cost of energy, he would be focused on rising gas prices. But rather than address real problems it seems he is willing to waste time on symbolic ones.

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