Fishing exercise: How to interrogate Brian Fisher's modelling

April 2019

INTRO

Despite extensive economic modelling of climate policy by Treasury, other government agencies, academics and others, the current Government continues to focus on modelling by consultants BAEconomics. The firm is led by Brian Fisher and works regularly for the coal industry. Fisher has been presenting climate action as unaffordable for decades, often commissioned by the Minerals Council. Fisher claims his current stream of work is a pro-bono contribution to public debate

A preview of Fisher's modelling was reported in The Australian in February with the headline "Carbon cut apocalypse: cost of ALP energy plan". The full report was released on 14 March, with similar headlines. Another Fisher report, this time expressly focused on ALP policy, will apparently be released soon, possibly on Tuesday 23 April.

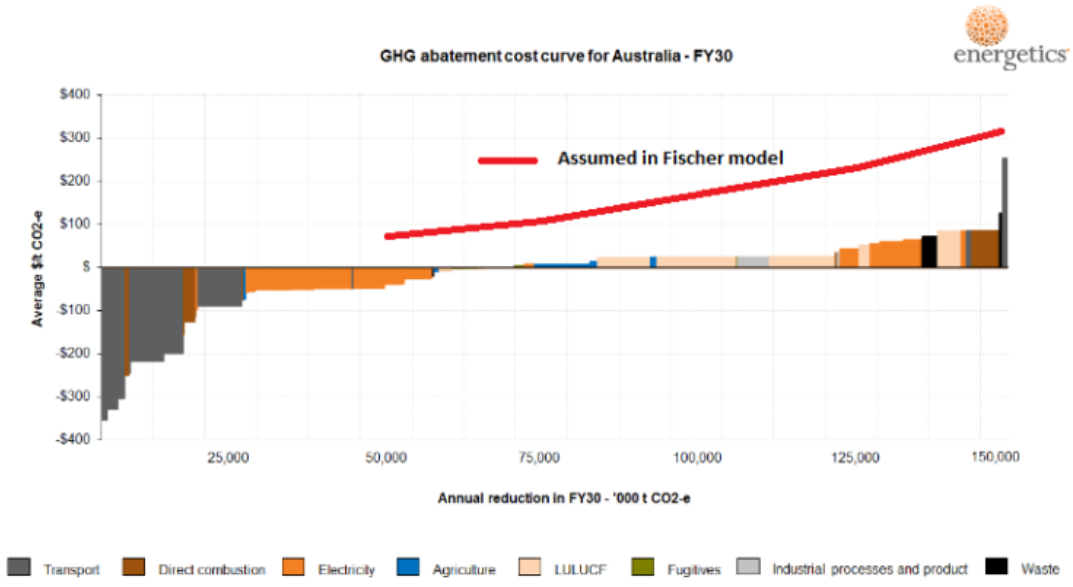
BAEconomics' modelling is deeply flawed (Australia Institute brief). It is essential to interrogate its claims and assumptions closely, particularly as its results are out of line with decades of analysis.

KEY PROBLEMS WITH BAECONOMICS MODELLING

- **Ignores the costs of climate change**:
  - Heat and extreme weather events are imposing huge costs on governments, companies, insurers and communities, but are ignored by this modelling.
  - Fisher even cites a report that finds "considerable global economic gains from complying with Paris" and that the cost of climate change could reach US$17 trillion a year globally, but then ignores its results.
- **Unjustified modelling assumptions**.
  - Old coal and gas generators are assumed to become more efficient every year.
  - Assumes firming costs for renewables to be as high as $200/MWh, apparently in addition to generation costs. That is out of line with CSIRO, which finds renewables with batteries are the cheapest new build and with Government-owned SnowyHydro which has priced firmed renewables at $70MWh.
  - Regarding renewables firming costs, Fisher's report cites a source that does not include the $200/MWh figure and in fact concludes the opposite of what Fisher claims:

- *"There are a range of proven and affordable options available to more than adequately cater for significantly increased levels of renewable energy in the Australian electricity mix, & for an eventual net zero emission technology mix by 2050"* (page 107)

- Fisher assumes very high costs of emissions abatement. As shown in the chart below, BAEconomics' per tonne abatement costs are far higher than the those modelled by Energetics for the Government in 2016, at some points by $200/t.



Source: Energetics (2016) *Modelling and analysis of Australia's abatement opportunities - Report to the Department of the Environment,* Fischer (2019) *Economic consequences of alternative Australian climate policy approaches*

- **Not peer-reviewed**.
  - Some media reports state Fisher's was 'peer reviewed', but the only reference in the report is an acknowledgement that feedback was given by John Weyant. Weyant is a Stanford academic whose other work includes defending the climate approach of the Trump administration in court. No one in Australia, or anyone with particular knowledge of Australian climate economics, appears to have reviewed Fisher's work prior to publication.
  - Leading Australian climate economists have criticised the report, including
    - Frank Jotzo of ANU who called it "absurd [and] ridiculous",
    - Warwick McKibben stated that the costs assumed by Fisher are "way too high", ten times too high

Fishing exercise

KEY QUESTIONS TO GOVERNMENT

- The Government has access to the entire public service, with hundreds of economists, while Brian Fisher is one consultant with history of working with the Minerals Council and coal mining companies. Why do you rely on his reports rather than Treasury or the Department of Energy?
- Was Treasury/your Department asked to assess and verify the report, given Brian Fisher's previous work had dramatically different assumptions from past Government models? Was it verified that the Fisher work had been peer reviewed?
- Many other reports say the opposite of what Fisher's report says. Was advice sought on how they compare?
    - Warwick McKibben's report for DFAT in 2015 under the Abbot government, multiple reports by leading academics like Frank Jotzo at the ANU, at UTS, Reputex, Frontier Economics, CSIRO, all show we can take stronger action on climate change with far smaller costs or with net benefits.
    - Warwick McKibben stated that the costs assumed by Fisher are "way too high", ten times too high.
    - Frank Jotzo at the ANU says they are "ridiculous". They are far higher than work for the government in 2016. Why should we take this modelling seriously when it is so out of line with other experts?
- Has the Government assessed Australia's vulnerability to climate change and the potential costs of climate impacts? [No, no comprehensive study exists]
    - How could we compare costs of climate action if we have no clear indication of the costs of climate inaction?
- Fisher's report actually cites a study showing that unmitigated climate change could cost the world economy up to $17 trillion a year. Has the Government considered that study?
    - That study finds the impact on Australia's economy could be more than $110 billion dollars every year.
    - Does the government accept this finding that Fisher references?

KEY QUESTION TO ASK FISHER

- Has BAEconomics modelled the economic costs of the Government's climate policies? If no, why not?
- The Prime Minister says the cost of its policy is the budget outlay of $3.5 billion over 15 years and "that is the cost on the economy". Is this the full cost to the economy of its policies? [Fisher's report suggests reduction in real GNP between $80 billion and $293 billion]
- Will the Government's current policies meet the 26% emission reduction target by 2030 because the Government's own Department's projections has it falling dramatically short?
- What is the cost of the Government's policies, if scaled up to meet the target?
- Is this study peer reviewed? Was your last report peer reviewed [it wasn't but he has claimed it was]?
- As late as last week ABC's Andrew Probyn reported you had not settled on a jobs figure. How can this report be taken seriously if the numbers are so rubbery as to change week to week?
- The model has in the past assumed old coal fired power stations get more efficient every year. What evidence to you have, given there were 118 coal fired power station breakdown's last year and they seem to become only more inefficient and unreliable with age?
- The model uses a figure of firming costs for renewables of $200/MWh, citing a report by ITP. The ITP report you cite concludes the opposite of what you find that
    - *a range of proven and affordable options is available to more than adequately cater for significantly increased levels of renewable energy in the Australia electricity mix, & for an eventual net zero emission technology mix by 2050.*
- Your report in March cites a study showing that unmitigated climate change could cost the world economy up to $17 trillion a year.
    - What is the cost to Australia's economy of unmitigated climate change, in the report?
        - That study finds the impact on Australia's economy could be more than 100 billion dollars every year.
        - Why do you cite this report but then fail to compare the cost of inaction to the cost of action?