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TITLE: How cutting carbon emissions leads to wasting energy

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Economists can and do get it wrong. The lead up to the subprime mortgage crisis being an obvious case in point. While some economists and regulators were convinced all was well, many people were alarmed at a system that enabled people to buy expensive houses with loans that were beyond their means of repaying. It just didn't pass the common sense test.

But have we have learnt our lesson about relying on complex economics that nobody really understands? In the context of climate change legislation, it would appear not.

Consider the following. If the Government's Carbon Pollution Reduction Scheme (CPRS) is introduced, it will actually be cheaper for the coal industry to burn the natural gas that is produced by coal mines than to use that same gas to generate electricity.

That's right. Rather than capture a scarce, valuable fossil fuel like natural gas and use it to generate electricity across Australia, it will be more efficient to set it alight.

Never mind that the world demand for natural gas is rising. Never mind that the gas wasted in this way could be used to reduce the amount of coal burned elsewhere in Australia. And never mind that there are a lot more skilled jobs in building and maintaining gas-fired generators than there are in literally watching the gas go up in smoke. If the intent of the Government's legislation is to be believed, they know what's best and that, it seems, is supposed to be the end of the issue.

But what if the economists Minister Wong is listening to are wrong? Isn't it at least possible that using natural gas is better than burning it?

The irony is that for the past decade the answer has been a resounding yes. Well before anybody had even heard of a CPRS, private companies began building and operating gas-fired electricity generators. In fact, there is currently 215 Megawatts of these generators now in operation. Together they help to reduce Australia's greenhouse gas emissions by more than 6.5 million tonnes each year, which is greater than the annual abatement the Government hopes to achieve with its \$4 billion ceiling insulation initiative.

The problem is that it costs a bit more to turn gas into electricity than it does to simply set fire to it. While the electricity that is generated can be sold into the grid, without some form of Government assistance it can't compete with the very low price of power generated

from burning coal. And there's the rub—while the existing NSW scheme makes using the gas viable, the proposed CPRS does not.

The CPRS has been criticised from all directions. Of course the Government argues that if nobody likes it they must have the balance right. But of course it might also be the case that nobody likes it because it doesn't really work. The Government's whole strategy for selling the scheme to the public seems to be to confuse people into supporting it. In arguing that their scheme is the most effective way to tackle climate change they have placed the burden of proof on their critics. But it is the Government which should be able to answer simple questions about its scheme. Simple questions such as:

- If the CPRS is a step in the right direction why will it destroy \$350 million worth of planned projects to convert natural gas into electricity?
- If the CPRS delivers least cost abatement why is it cheaper to burn the natural gas that comes out of coal mines than turn it into power?
- If the Government is interested in creating green jobs why does its scheme encourage coal mines to import emissions credits from other countries rather than invest in the onsite conversion of waste gas into useable electricity?

Australian firms are at the cutting edge of this industry, with their technology and skills in demand throughout Asia where this gas exists in abundance and is being converted to fuel for communities in dire need of energy. Already they are employing hundreds of people turning natural gas, that would otherwise be wasted, into electricity. It's an efficient use of a natural resource and it means that less coal needs to be burned elsewhere. Most important of all, however, is the fact that it is the *existing* policy framework, not the CPRS, that makes the expansion of this industry viable.

Australia needs a comprehensive national approach to tackling climate change, but that does not mean we need the CPRS as it is currently proposed. It is the Government's fault that the current proposal is so flawed, and it is the Government's job to fix it.

Unfortunately, rather than listen to her critics the Climate Change Minister has sought instead to silence them. And rather than explain her scheme to the public she has sought to confuse them. If the Minister is proud of her scheme she should explain why she thinks burning natural gas is better than using it. And if she isn't proud of it, she should fix it.

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