

LOTS OF ANNOUNCEMENTS BUT VERY LITTLE DETAIL A CONCERN FOR ENERGY USERS

With State and Federal net zero funding and policy announcements rolling out almost daily, the lack of details about how these announcements will result in net benefits is a concern for energy users, said the Energy Users' Association of Australia (EUAA).

“The transition to net zero is underway and not in question, and while many of this weeks’ announcements may end up being good for consumers at some future point in time.... we simply don’t know because there is no detail or analysis to support the claims that are being made,” said EUAA Chief Executive Officer, Andrew Richards.

“The lack of transparency leads to diminishing trust and a view that consumers will simply end up footing the bill while investors and developers make risk-free profits.”

In the last few weeks we have seen commitments made from the Federal Government to provide concessional finance to Marinus Link and, along with Tasmania and Victoria, take a part equity stake in the project; the Queensland government has announced the highly ambitious Queensland Energy Plan; and the Victorian government’s announcement yesterday was to re-establish the old SECV and promised to legislate the exit of coal by 2035.

None of these announcements were accompanied by detailed financial analysis or guidance on how governments will recover costs, or from whom they will recover costs from.

“These are significant announcements that need to be scrutinised, require transparency and potentially may deserve the support of energy users. We hope that as more detail is revealed that this support can be provided.”

While re-establishing the SECV has taken many by surprise, governments have been taking more direct control of the energy market for some time now, so while this announcement has raised many eyebrows, it is consistent with the trajectory of increasing governmental control.

“Given the high degree of uncertainty and risk associated with achieving net zero, there are some advantages of governments taking a more active role in managing the transition,” said Mr Richards.

While re-establishing the SECV won't give the Victorian Government the same number of levers as the Queensland Government, who own all energy assets in the state, it may give them more control over the outcome than they currently have and potentially deliver a good outcome for consumers depending on how they go about it.

“The devil is always in the detail and detail is very thin. Recognising that re-establishing the SECV does create additional risks for other investors (which could be significant), it may be that this is a reasonable approach given the uncertainty that we need to deal with over the coming decades. We will watch this space with keen interest.”

The bigger, more immediate question is not so much the aggressive emissions reduction targets, although they will be hard to meet, it is the idea of legislating the exit of coal by 2035 which gives future Victorian governments very little flexibility to manage a highly uncertain environment, and which could lead to an even more volatile and expensive transition for consumers.

“Essentially the coal industry has been put on death row by the Victorian Government with no prospect of a reprieve. Therefore, everything needs to go right with the Victorian Government’s transition plan for this not end up in tears. Unfortunately, based on the evidence we have seen to date, including what is unfolding in Europe where they are turning fossil fuels back on, the risk of lots of things going wrong is very high,” said Mr Richards.

The EUAA is the peak body representing Australian industrial and commercial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts downward pressure on electricity and gas costs.

Media Contact: Emily Wood 0421 042 121