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— Opinion

Net zero emissions will shake up Australia's economy forever

Decarbonisation is the biggest long-term economic adjustment Australia faces since the Hawke-Keating governments exposed the nation to global market forces in the 1980s.

John Kehoe

Economics editor



Oct 13, 2021 – 12.08pm



Decarbonisation is the biggest long-term economic adjustment Australia faces since the Hawke-Keating governments slashed tariffs, deregulated the financial sector, floated the dollar and exposed the nation to global market forces in the 1980s.

The global energy crunch suggests the rapid shift to weather-dependent renewables won't necessarily be smooth for businesses, workers and consumers, as was highlighted at the insightful [Australian Financial Review Energy and Climate Summit](#) this week.



A new economic era is now coming over the horizon. **Bloomberg**

Australia must pursue a flexible and technology-agnostic approach to deliver the best cleaner energy mix for reliable and affordable domestic power usage while ensuring vast export opportunities continue.

Investors in global capital markets are demanding deeper emissions cuts. Burying our heads in the sand is not a long-term viable option because inaction will come at a price.

Entering the Glasgow Climate Change Conference in November, Australia must do – and be seen to be doing – its part, while pressing big emitters such as China and India to follow.

Unusually for an advanced economy, Australia will experience this economic shake-up as both a major global producer and consumer of energy.

A commodity-rich exporter, Australia faces opportunities and risks as the world aims to transition from fossil fuels towards renewable energy to achieve net-zero emissions by 2050 to contain global warming.

To transform Australia from fossil fuel to renewable energy “superpower”, the proposed [\\$30 billion Sun Cable project](#) to funnel solar power in the Northern Territory to Singapore via a 4200-kilometre undersea cable is being showcased by billionaire investors Mike Cannon-Brookes and Andrew Forrest.

If almost unfathomable engineering projects such as this can be pulled off, it is conceivable that a large continent with bountiful sun, wind and critical mineral resources can profitably transition to the new energy economy.

Australia must invest in both the old and new technologies to avoid the train wreck unfolding in renewables-centric Europe.

There are potential opportunities to export hydrogen and [minerals such as copper, nickel, lithium and cobalt](#) used in green energy infrastructure such as big batteries, electric vehicles and wind turbines.

On the other hand, Australia profits massively from selling coal, and more recently liquefied natural gas, to fuel the world's development and lift hundreds of millions of people out of poverty.

While domestic coal-fired power plants are phasing down, it is likely that the export of thermal coal for offshore power use and metallurgical coal for steelmaking will continue for many years.

Striking the right balance in smoothing the energy transition path from heavy-emissions coal, to medium-emissions gas, to zero-emissions renewables and, possibly, nuclear, is critical.

APA Group chief executive Rob Wheals told the Summit that to retain “energy superpower” status Australia will need to invest in both the “old” and “new” technologies in the transition to avoid the “train wreck” situation unfolding in renewables-centric Europe.

As the northern hemisphere winter approaches, Europe is facing coal and gas shortages, resulting in surging power prices.

A wind-deprived United Kingdom has switched back on coal-fired power plants.

China is rationing power, as it tries to reduce emissions. Begrudgingly, China is accepting imported Australian coal to fix the energy crisis, temporarily overturning a ban.

The utopia of instantly flicking the switch to heavy dependence on renewables and giving in to cries from environmentalists to ban coal and gas would be counterproductive.

A measured transition towards a low-emissions economy is required to minimise disruptions, as dispatchable technology develops.

Grattan Institute energy policy expert Tony Wood says much of Australia's emissions reductions are coming from the electricity sector shifting away from coal and less land clearing by farmers. But Wood warns deeper emissions cuts towards net zero will be much harder.

Businesses and investors are demanding the federal government commit to a more ambitious mid-term 2030 emissions cut target on the path to net zero.

The government's 26-28 per cent reduction goal by 2030 will likely move to about 35 per cent but will be below the 46-50 per cent the Business Council of Australia is advocating.

An optimal policy would create the right price signals for private investment by reimposing a carbon price introduced by the Gillard Labor government and junked by the Abbott government.

Sadly, the 15-year climate politics war does not allow it, even though many business leaders now pine for the certainty of a carbon price.

Big business, which has done a 180-degree turn on climate policy, must wear some blame.

The BCA and mining giants earlier campaigned against the carbon tax, only to belatedly realise it was the right idea.

Julia Gillard's fixed starting price of \$23 a tonne was high by international standards at the time, but Australia would be in a much stronger starting point now had the framework been maintained.

Today, Australia has a range of third-rate, heavy-handed and expensive interventions such as the government spending billions to build gas and hydro plants, "reliability" subsidies to keep the lights on and a "safeguard mechanism" – a cap to stop big firms polluting above business-as-usual levels.

Energy Minister Angus Taylor dismisses the BCA's call for expanding the safeguard beyond 150 big companies to about 1000 firms as a backdoor "carbon tax". The unspoken secret is the Abbott government imposed this mild version of a carbon price, instead of a more transparent carbon tax.

Nevertheless, Taylor has a point when he warns of the challenge of full transition to renewables.

The intermittency of renewable energy and supply vulnerabilities when the wind doesn't blow and the sun doesn't shine is not a criticism.



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But it is a reality that the transition will take time as the technology evolves for dispatchable power through storage batteries and pumped hydro.

Zero-emissions nuclear, for all its political and economic challenges, should be an option for baseload power, if the finances stack up.

BHP vice-president for sustainability and climate change [Fiona Wild says Olympic Dam in South Australia has some of the world's richest uranium deposits](#) and Australia already supplies uranium to foreign power producers.

“Nuclear power can play a significant role in lowering greenhouse gas emissions,” Wild says.

“We don’t really have time to pick our favourite technologies anymore, we kind of need to take an all-of-the-above approach because the challenge is so great and the pace in which we need to move is so fast that you want to make sure you have all of those options available.”

Energy lawyer at Gilbert + Tobin Alexander Danne says the plan to buy nuclear-powered submarines from the US or UK reopens a debate about nuclear energy.

Although the nuclear subs will purportedly never require their reactors to be fuelled for their entire life, former prime minister Malcolm Turnbull says it is inevitable that Australia will need a local nuclear industry, despite the government’s insistence it won’t.



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Uranium-rich Australia should embrace that possibility, for both energy and economic reasons.

Finally, there are undoubtedly opportunities from renewables and carbon sequestration for regional communities including farmers.

But not every coal miner in Gladstone or the Hunter Valley will be a renewable energy convert.

Transitional assistance for disrupted workers, such as retraining and education, must be available.

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John Kehoe is Economics editor at Parliament House, Canberra. He writes on economics, politics and business. John was Washington correspondent covering Donald Trump's election. He joined the Financial Review in 2008 from Treasury. *Connect with John on [Twitter](#). Email John at jkehoe@afrc.com*



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