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Indecision's inflation hit

ENERGY

A DECADE of indecision on Australia's energy policy has added uncertainty to the Reserve Bank's assessment on the outlook for inflation, says deputy governor Guy Debelle.

That uncertainty had led to under-building of new supply and a sharp rise in energy prices in recent years, he said in a speech in Brisbane yesterday.

However, that trend had now turned around as a large volume of renewable energy

generation came online to depress prices, which would weigh on inflation. Dr Debelle said rising prices were "usually a signal to market participants to invest in additional supply".

"However, the pay-off period for new energy generation assets is long, and uncertainty around energy policy has contributed to significant under-investment in new supply."