

ACT's net zero energy is expensive and coal-fired

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If you want to know what net zero carbon emissions in electricity generation looks like, then the Australian Capital Territory has built a working model.

In 2020, the territory government declared it had “achieved its goal to source 100 per cent of its electricity from renewable generators” and the territory’s Energy Minister boasts his jurisdiction is “proudly powered by 100 per cent renewable electricity”. Neither of these statements is entirely true.

The territory also claims its renewable energy plan “helps to shield ACT consumers from high electricity prices”. This statement is almost entirely false. The current ACT renewable energy contracts have directly exposed consumers to high prices and locked them in for two decades.

The ACT government was an early buyer of renewable contracts and they are some of the most expensive in the country. The highest fixed price is set on a tiny solar farm inside the territory, a staggering \$195.60 per megawatt hour, and the lowest currently operating is \$77 for a South Australian wind farm – about the same as a coal-fired generator.

The territory has signed 11 “contracts for difference”, which set an agreed price for a megawatt hour and pay the generator the difference between it and the wholesale “spot” price of electricity, as set every five minutes, every day of the year.

When the spot price falls below the agreed price, the territory pays the supplier the difference. If the spot price rises above the agreed price, the supplier pays back the territory.

On this gamble, the territory is losing badly because in the first quarter of 2021 the average price of power did not rise above \$40.90/MWh.

So, on July 1, the cost of funding the ACT’s renewable energy target jumped by 133 per cent, from \$65 million to \$153 million. For an average Canberra household, the cost of various 100 per cent renewables policies rose from \$176 last year to \$423 in this year.

Governments love to say that renewables are the cheapest form of energy. Then it stands to reason that the territory should have known that more renewables meant that the spot price was going down, that is the territory would be on the losing side of the contract. This sounds perverse, but welcome to the complexities of the electricity markets. They are not for the faint-hearted.

Even more perversely, the territory did not negotiate a price floor in any current contract and that matters because the price of electricity on the National Electricity Market can, and does, fall below zero. This is becoming much more common as more and more renewables are built. The NEM’s market floor price is -\$1000/MWh. Not closing the

loophole on that gap really does make these a different kind of contract. The ACT’s electricity costs are set to spiral as more renewables are built.

What of the claim that the ACT is “powered” by 100 per cent renewables?

The territory’s poles and wires

network, Evoenergy, has confirmed that 91 per cent of the electricity consumed in the ACT in 2020-21 came from the National Electricity Market. As the ACT sits within NSW, it is actually “powered” by a market that sources 76 per cent of its electricity from coal.

So, the ACT hit its 100 per cent renewable energy target through accounting; offsetting the coal it uses with the renewable energy it supports. Welcome to net zero.

It might well be true to say that the territory completely offsets its fossil fuel, but there should be more, publicly available evidence for the claim and an acknowledgment that what is keeping the lights on is coal-fired generators.

And it’s easy for the ACT to say it has achieved 100 per cent renewable energy sitting in the middle of a massive power system supported by coal and gas-fired generators. As these generators are decommissioned or simply fail due to the lack of maintenance, it will get harder and more expensive for the rest of the country to achieve 100 per cent renewable energy.

The accounting system for net zero is opaque but what is crystal clear is that it is costing Territorians a fortune.

There are a few lessons from this. First, distortions caused by competing climate plans will significantly add to costs and, likely, undermine the energy system.

Second, we need more than a “trust us” accounting system if consumers are to ensure that they are getting what they pay for – real-world emissions cuts – otherwise, net zero will be nothing more than a gross lie.

Chris Uhlmann is political editor for Nine News.