

Renewable Tax Down Under

"Listen carefully to the sounds of laughter as the world observes the de-industrialisation of Australia."

.....Ron Manners, Mannkal Economic Education Foundation

"Welcome to Loony Environmentalism 101, Canberra Edition."

.....Wall Street Journal Asia, Editorial Page

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Australia generates about 85% of its electricity from coal because it has a lot of it and it's cheaper than any other form of energy. Yesterday, political parties on both the right and left decided that was a bad thing, and passed a law to make Australians pay more for energy.

Welcome to loony environmentalism 101, Canberra edition. The Renewable Energy Act passed yesterday requires Australia to produce 20% of its electricity from renewable sources by 2020, up from 8% today. Both the ruling Labor Party and opposition Liberal Party hailed the bill as a triumph in the fight against carbon pollution.

Setting a renewable energy target Down Under will do nothing to reduce global carbon emissions. Australia produces only 1.5% of total global emissions. Its emissions per capita are high, but that's because there is a lot of demand for Australian coal, and not many Australians to produce it.

It's easier for politicians to talk about virtue rather than numbers because the numbers don't add up. The Productivity Commission, an independent government body, last year estimated that by 2010 it would cost 30-35 Australian dollars (\$25-29) to produce one megawatt hour of electricity from black coal. Wind costs A\$55-80, and solar power, A\$250-400. Renewable energy is a nice idea, but it's not economically viable.

That's why the Productivity Commission concluded that a renewable energy target would not reduce emissions but "impose additional costs," "most likely lead to higher electricity prices," and "provide a signal that lobbying for government support for certain technologies and industries over others could be successful."

In other words, yesterday's bill is a victory for private sector opportunists who can now cash in on uneconomic schemes that wouldn't be possible without public money -- at the expense of Australian taxpayers. The Institute of Public Affairs in Melbourne estimates the renewable energy target could raise energy prices by an average of 10%.

If Europe's experience with subsidizing renewable energy is any guide, this green dream could cost real jobs, too. A study released earlier this year from Gabriel Calzada Alvarez estimated Spain lost 2.2 jobs for every "green job" created.

If Australia's politicians really wanted to encourage renewable energy, then it's time to debate nuclear power. Like coal, Australia has a plethora of uranium reserves. It may not be sexy to talk about nuclear plants versus wind farms, but it makes more economic sense.

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