

INQUIRY INTO GENTRADER TRANSACTIONS

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Date received: 14/01/2011

**Submission to the Legislative Council General Purpose Standing Committee
No.1, Gentrader Transactions Inquiry**

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As a young citizen of NSW, I am outraged by recent energy policy decisions made by the NSW government. Decisions such as the privatisation of our essential energy infrastructure undermine my future, the future of my generation, and my children's future. When I reach the same age as many of our state parliamentarians are right now, NSW will have reached peak coal, our natural resources such as oil, water and biodiversity will be further depleted, the global population will have reached nine billion and if we sit back and continue on with business as usual we will double our emissions, causing catastrophic climate change. And yet despite the numerous warning signs coming from nature that we are overtaxing our earth, energy and environmental policy in NSW seems to be stuck in the 20th Century. My government is locked into short-term thinking that acknowledges climate change in theory and ignores it in practise. Because of this; the government of my middle age will have far more crises to deal with than the current.

Specifically, I object to the following:

1. The decision to provide subsidised coal to industry for approximately another decade through running of the Cobbora coal project.
2. The planned investment in 2-3 new coal or gas powered baseload power stations in three sites; 2000 MW next to Mt Piper Power Station, near Lithgow; 2000 MW next to Bayswater in the Upper Hunter; 700 MW redevelopment at Munmorah on the Central Coast.
3. The privatisation of the state owned energy retailers EnergyAustralia, Origin Energy and Country Energy, and of trading rights for energy generated by state-owned power stations for periods of twenty years.

In summary, these policy decisions will result in a significant increase in the amount of greenhouse gas emissions produced in NSW in the short and long term. This position is based in wide research to be detailed below. Furthermore, these policy decisions will serve to hobble the emerging renewable industry, limit the number of green jobs available, hamper our ability to meet state, national and international emissions targets, result in unnecessary costs to taxpayers and ultimately, will delay the inevitable transition from an economy powered by finite fossil fuels to one powered by sustainable energy sources. With coal production in NSW estimated to reach its peak in as little as 35 years¹ and modern economies worldwide increasingly investing in clean energy, NSW needs to begin looking to sustainable energy solutions if we are to remain resilient and competitive in the coming century.

The grounds for objection of each policy decision will be detailed in the following sections.

¹ Report by the Hunter Community Environment Centre
(<http://www.hcec.org.au/node/163> accessed 13/01/2011)

1. I strongly object to the decision to provide subsidised coal to industry at a fixed price of approximately \$35 per tonne (\$25 less than current market prices) for another seventeen years through running of the Cobarra coal project.

- This policy decision directly contradicts national and international trends towards carbon taxation and rising market prices of fossil fuels.
- This decision will have a significant and detrimental impact on the ability of the NSW government to reach greenhouse gas reductions targets stipulated in the NSW Greenhouse Gas Reduction Scheme.
- According to the Climate Institute, providing industry with access to artificially cheap coal for the next seventeen years will have the immediate and direct result of reducing market incentives to invest in more efficient and sustainable forms of energy production.
- The investment of \$1.3 billion of tax funds into a mining venture that has been rejected by Whithaven Coal as financially risky and unprofitable is of concern to NSW taxpayers, who will be burdened with any escalating costs.
- This decision effectively amounts to a \$1 billion a subsidisation of the highest polluting form of energy production, potentially ensuring that coal power remains the cheapest form of coal up until 2032 even if a national carbon tax is imposed.

Recommendations

- I recommend that the NSW government uphold their decision in 2002 to withdraw from the coal industry. The \$1.3 billion needed for construction of the mine and further \$1 billion of subsidisations should instead be invested instead in more efficient forms of energy production such as gas, renewables and distributed energy that will bring in higher levels of return in the long term.

2. The planned investment in 2-3 new coal or gas powered baseload power stations in three sites; 2000 MW next to Mt Piper Power Station, near Lithgow; 2000 MW next to Bayswater in the Upper Hunter; 700 MW redevelopment at Munmorah on the Central Coast.

- The proposed sites for development are closer to coal infrastructure and resources than gas, which means that they are likely to become coal powered. The development of even one of these power stations significantly detracts from the ability of the NSW Government to meet emissions reductions targets. The combined emissions if both power stations are built and fuelled by coal would be 22.9MtCo₂ per year; an increase of over 15% of total NSW emissions. This equals more than the total emissions from the entire NSW transport sector.
- Further development of baseload power stations is unnecessary. Justification for the development of new baseload power stations has come from the 2007 Owen Inquiry which raised the possibility of a shortfall in supply over the

coming decade. This assumption was informed by the 'Statement of Opportunities' report written by the national electricity market operator, NEMMCO. However, this report identifies only a small shortfall during peak demand that could be more cheaply met through demand side measures such as improved energy efficiency and management of energy use in households and businesses. Furthermore, recent data from the NSW grid operator Transgrid demonstrates that demand has not grown to the extent expected by the Owen Inquiry over the last several years due to improved energy efficiency and the economic downturn. According to their estimates, NSW has adequate baseload capacity to 2017².

Recommendations

- That the NSW Government halt construction of any new coal power stations and reassess this policy decision taking into consideration the wide range of options available for improving energy efficiency in NSW on both a demand and a supply side.

3. The privatisation of the state owned energy retailers EnergyAustralia, Origin Energy and Country Energy, and of trading rights for energy generated by state-owned power stations for periods of twenty years.

- Private providers of electricity have no incentive to reduce consumption of energy when greater consumption means greater profits. With approximately 90% of energy in NSW coming from coal power, this directly contradicts NSW targets to reduce greenhouse gas emissions.
- In Australia, deregulation and privatisation have historically led to the increased use of the cheaper and most polluting type of coal, brown coal, as a result of upfront rather than long term costs being the major consideration, with a direct increase in the amount of greenhouse gases emitted³.
- Experiences with the privatisation of other public service providers such as Telstra have demonstrated that the sale of these assets is rarely accompanied by improved competition, services and prices for consumers. In fact, over the last decade, NSW has consistently experienced lower energy prices than South Australia, where electricity trading was privatised during the late 1990s. Furthermore, the Electricity Users Association of Australia has expressed concerns about market concentration and misuse of power within the national energy market. They particularly point to misuse of market power through withholding capacity and price spiking, suggesting that the private energy market is not necessarily characterised by fair competitive practises that will ensure the best outcome for consumers⁴.

²<http://www.transgrid.com.au/network/np/Documents/Annual%20Planning%20Report%202009.pdf>

³ Electricity Supply Association of Australia 'Pollution up Down Under', *Earth Island Journal*, Spring, 2001, p. 3

⁴ Anderson, John A 'Electricity Restructuring: A review of efforts around the world and consumer response' *The Electricity Journal*, April 2009, pp. 79

- Private companies are not subject to the same system of public accountability as public institutions. By selling trading rights for periods of 20 years, the NSW government is removing energy operators from public scrutiny for the same period of time.

Recommendations

- I recommend that the NSW Government overturn the sale of NSW energy trading rights and sale of public energy retailers. Publicly operated electricity production and provision has been demonstrated in Europe and the US to lead to better outcomes in terms greenhouse gas emissions reduction. Furthermore, there is little evidence to suggest that privatisation leads to better outcomes for consumers and could potentially lead to worse.

In 2005, NSW became the first Australian jurisdiction to put in place significant targets to tackle climate change. These targets, now included in the State Plan, include a 60% cut in greenhouse gas emissions by 2050, and the return to year 2000 greenhouse emission levels in NSW by 2025. None of the policy decisions listed above reflect any strategic planning designed to assist the Government in meeting the targets established in 2005. The NSW government reassess their current policy direction if they intend to meet these targets and ensure a resilient and sustainable state. By renewing investment into coal power, NSW will place itself at a disadvantage in a future Australia characterised by renewable and efficient forms of energy. By refusing to face up to reality, the government is jeopardizing the lives of future generations.