

MEDIA RELEASE

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No quick fix for Australia's future energy challenge

"Australia will struggle to meet its carbon emissions targets and at the same time produce electricity at a reasonable price unless governments act to reduce the costs of low-emission technologies," Grattan Institute's Energy Program Director, Tony Wood, said today.

Launching Grattan's new report, [No easy choices: which way to Australia's energy future?](#), Mr Wood said that while markets must be the primary mechanism by which Australia transforms its electricity supply, governments had to introduce new policies to support the carbon pricing scheme.

"Carbon pricing will help to make low-emission technologies competitive, but in the long run it is not nearly enough," Mr Wood said.

Grattan's report assesses the prospects for seven technologies that generate electricity with near-zero emissions and that have the prospect of deployment at large scale over the next 40 years.

They are wind, solar PV, concentrating solar thermal, geothermal, carbon capture and storage, bioenergy and nuclear power.

The report finds that all seven face obstacles to achieving their potential. Any might contribute significantly to meeting Australia's electricity needs, but there is no guarantee that any will deliver at a cost acceptable to the public.

"There are no quick fixes or easy choices for Australia's energy future," Mr Wood said.

"How governments should step in is an acute intellectual and policy challenge. Yet Australia's move to a low-carbon future will be too expensive unless they do."

Mr Wood said that governments had to steer a course between, on the one hand, inadequate support for low-emission technologies, and on the other, picking winners or unduly favouring one technology over another.

They should also avoid grant tendering and rebate programs, which previous Grattan research has found to be spectacularly unsuccessful in either developing technologies or in reducing emissions.

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The report lays out the key decisions governments should take.

The Commonwealth should ensure that the carbon pricing scheme works properly by setting clear, long-term emission caps, and regularly reviewing the scheme's functioning.

Beyond that, all governments should act to ensure there is a level playing field for all power-generating technologies.

They should remove the obstacles that impede technologies such as wind and geothermal from connecting at large-scale to electricity grids that were built around the needs of very large fossil-fuel plants.

They should end subsidies to existing technologies, such as the one announced recently by the New South Wales government for coal production.

They should also work to reduce the considerable difficulties low-emission technology projects face in overcoming market barriers and obtaining finance at an acceptable cost.

"Government support could include backing for research and development, and sponsoring exploration, demonstration and early-stage deployment of low-emission technologies," Mr Wood said.

"However, the good news is that Australia is blessed with a range of low-emission technology options. For now, it makes sense for government to give them all a chance to thrive."

Tony Wood is Energy Program Director at Grattan Institute.

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