WTF Mate? Put another lump (of coal) on the barby?

present, there’s nothing to stop us thinking coal will continue to play a dominant, even growing, role. *Photo: Bloomberg*

Tony Abbott has seized the chance to gloat about the fall in electricity prices since the carbon price was scrapped, so it’s only fair we acknowledge another result of this crusade.

Nine months after the carbon price was repealed, the good times are back for some of the most carbon-intensive electricity generators in the developed world.

Carbon emissions from electricity had been steadily falling for a couple of years but since the rollback in July, this trend promptly reversed.

Carbon emissions from power generators had increased at an annual rate of 4.2 million tonnes in the year to March; an increase of 2.8 per cent compared with June 2014, figures from consultancy Pitt & Sherry show.

It is clear what’s driving this: coal.

The share of the national electricity grid being powered by brown coal – the cheapest and most carbon-intensive type – is rising.

Three-quarters of the country’s coal power plants are running beyond their original design life: they are the reason our electricity sector is one of the most carbon intensive in the world.

But if you thought this might be problematic for a government that is notionally committed to reducing the economy’s long-term carbon emissions, you’d be mistaken.

Last week’s energy white paper suggests there will be little change in this situation over the next few years.

That not only undermines the chances of making us a less carbon-intensive economy, it is also a growing cause of frustration for the businesses that supply most of the power when you flick the switch on.

The biggest source of carbon emissions is electricity and about 75 per cent of this comes from coal-fired generators.

That’s a critical reason why we produce almost more greenhouse gases per unit of electricity than nearly any other wealthy country in the world.

This emissions intensity had been falling. However, thanks to the coal-fired comeback, it is rising again.

The number of tonnes of carbon dioxide per megawatt hour of electricity produced had fallen from about 0.92 tonnes before the carbon price to 0.85 tonnes once it was in place.

Now, it’s gone back to 0.92 tonnes, analysis of official data by the Grattan Institute shows.

Last week’s energy white paper didn’t spell out this reality and it came under fire for generally glossing over climate change. (Peculiarly, one of its brochures did include figures showing coal consumption fell in 2012-13, never mind this was two years ago.)

However, it did acknowledge one of the key reasons behind coal’s great comeback: the oversupply of electricity generation in the market.

This oversupply is partly the result of weaker electricity demand, helped by the popularity of small solar systems. Coal has also staged a comeback because of a surge in gas prices, which have delivered coal a cost advantage.

Fundamentally, there are incentives for coal generators to continue running old plant.

Most obviously, these businesses no longer face the prospect of having their profit margins squeezed by a carbon price linked to global action on climate change. Instead, these generators are the cheapest source of power.

This oversupply of generation capacity is likely to hang around: the white paper cites official estimates that we won't need new capacity until 2023-24.

Clearly, relying more and more on ageing coal plants until then seems perverse if we are serious about cutting long-term emissions, beyond the government's 2020 target.

Yet, the white paper seems to be saying there is little need for policy action because the market will sort it out.

"The energy market has proven to be a robust mechanism for driving efficient outcomes and is the appropriate mechanism to signal the timing of decommissioning of generation," it says.

Can you spot the gaping hole in this logic?

There is no incentive whatsoever for the ageing coal plants to be shut down – quite the contrary.

While the details of Environment Minister Greg Hunt's plan to pay businesses to lower their emissions are not yet final, few in industry believe it will constrain brown coal.

In the jargon of economists, we are back to having a "market failure" in electricity. The environmental cost of emitting carbon is not reflected in prices, so there's little incentive to rein it in.

And at present, there’s nothing to stop us thinking coal will continue to play a dominant, even growing, role.

That is bad news for carbon emissions from electricity.

However, what was interesting about the reaction to the white paper was that its move to ignore climate change not only frustrated environmentalists, it also got up the noses of the power companies. They plan their investments many years in advance but have no clue what, if any, action will be taken to rein in emissions from coal.

The Energy Supply Association of Australia bluntly said the white paper’s failure to address climate policy made it “incomplete” and now was hardly the time to ignore the issue.

The Climate Institute also accused the government of being “wilfully deluded”.

It takes something special to get the lobby group that includes coal power stations and environmentalists to, effectively, make the same point.

On this occasion, that something is the government’s determination to pretend the massive carbon footprint of our power stations can be ignored, when clearly it cannot.

Source: https://ecodistributioninc.wordpress.com/2015/04/13/wtf-mate-put-another-lump-of-coal-on-the-barby/