SPECTATOR | AUSTRALIA
FLAT WHITE

Econocide: green subsidies are hastening our energy demise

Alan Moran

Getty Images

Alan Moran

17 February 2025

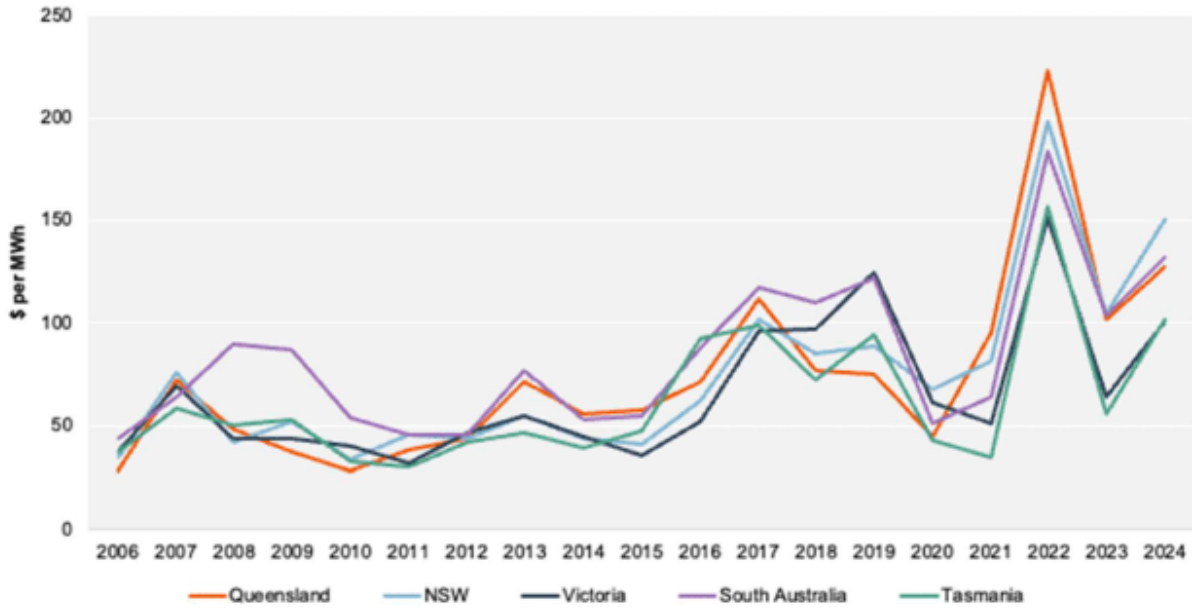
10:12 AM

In addition to bringing reduced emissions of supposed planetary warming CO2, government plans for wind and solar to dominate electricity supply assumed these technologies would become cheaper than the coal and gas they were to replace. Wind and solar were to be

nurtured by government support, transforming them from 'infant' industries into mature supplies. But the level of subsidy, far from falling, has increased as they matured.

Moreover, the shadow price for CO2 that the Australian Energy Regulator (AER) regards as necessary to achieve the government's Net Zero ambitions rises over the years to 2050 to $420 per tonne. This equates to a tax of about $200 per MWh for gas and as much as $400 per MWh for coal on top of their underlying costs of $60-80 per MWh.

Because that shadow CO2 price is incorporated as a cost in energy supplies, its level in 2050 means a tenfold increase ($500 per GWh) on the wholesale electricity price that prevailed in 2015 (the year before renewable energy subsidies forced coal generator closures thereby creating a 'new normal' of doubled wholesale electricity prices). Here are the wholesale prices over the past 20 years.



The introduction of subsidies for wind and solar energy started small with former Liberal Prime Minister John Howard introducing a requirement that '2 per cent of additional' electricity must be

comprised of wind or solar. That was quantified under the 2001 Mandatory Renewable Energy Target as 9,500 GWh, which was actually over 4 per cent of the *total* projected electricity supply.

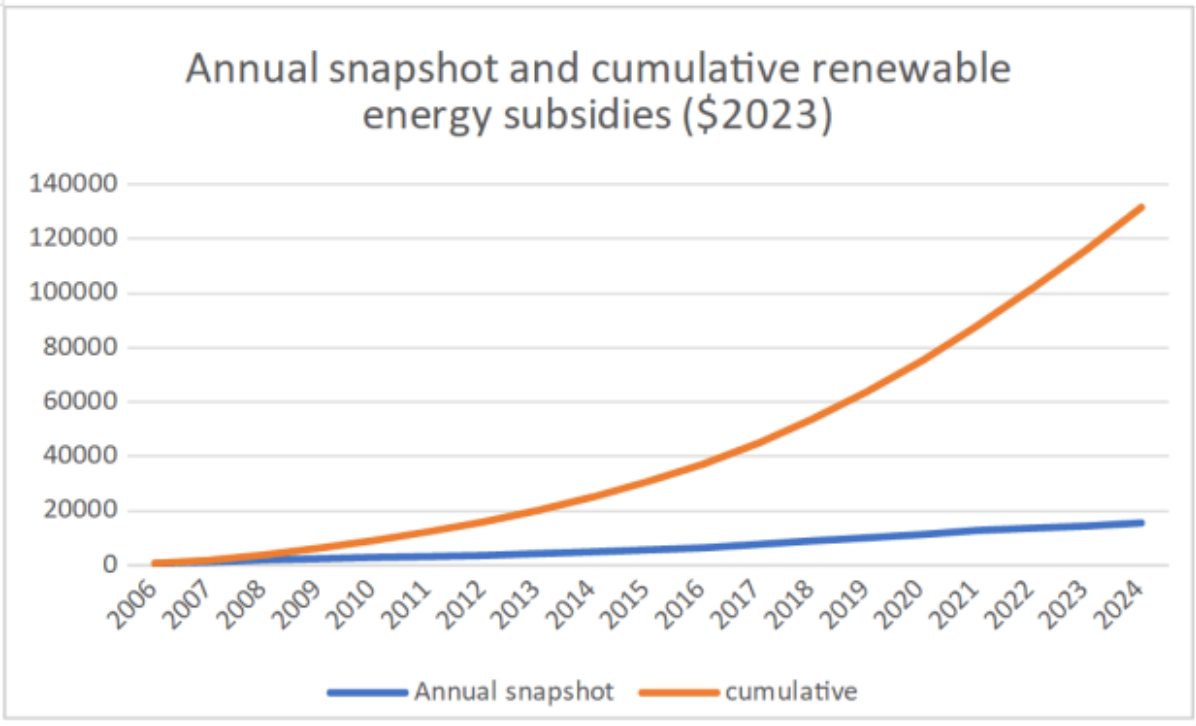
This has steadily been increased – the 2013 Abbott government was the only one that sought to reduce it – an attempt that led to his successor assembling energy subsidy-seeker forces to overthrow Abbott. Some 30 per cent of electricity supply (73,000 GWh) now comes from wind and solar with the government planning for this to become 82 per cent by 2030.

Neither the government, nor any of its agencies, provide quantified assessments of the cost of subsidies provided to renewable energy. Indeed, suspicions that the government wishes to hide the full costs of its policy are heightened by its refusal to publish the prices it pays for wind/solar electricity contracts under its new signature program, the $68 billion Capacity Investment Scheme.

With the proliferation of different measures housed within many different departments – state as well as Commonwealth – calculating the effects has become increasingly complex. However, since 2006, I have published six estimates (2006, 2012, 2016, 2019, 2020, and 2024) that quantify the annualised cost of the subsidies prevailing in each of those individual years. Starting at $400 million ($660 million in 2023 dollars) in 2006, annualised subsidies have risen to $16 billion ($15.5 billion in 2023 dollars) by 2024. The 2024 estimates' make-up is:

Revision July 2024				
Subsidies to renewables ($ million per annum)			Annualised Total	
• LRET 33,000 GWH times $45.75 per MWh.			$1,510	
• SRES 37.9 million to be surrendered this year times $39.65			$1,503	
• Safeguard Mechanism: 30 % emission reduction for the top 215 firms				
by 2030[1]			$906	
• RERT, FCAS and system security			$400	
· Clean Energy Regulator			$750	
• State Schemes (2019)			$1,408	
• Capacity Investment Scheme $68B investment by 2030 ($10.3B per year)				
55 % of costs to governments			$5,775	
				$12,252
Long term (assume 15 year annualised exc. H and other Future Made in Australia)		Total	Annualised	
• Hydrogen Headstart		$8B	$900	
Other FMA Batteries, solar and NZ tech		$4.8B	$488	
• Expansion of transmission from $23B to $100B		$77B	$510	
• CEFC		$2.69	$40	
• ARENA	Based on annual Report: Govt Grant expensees plus admin		$231	
• Snowy 2		$25B	$1,667	
• **TOTAL**			$3,836	
				$16,088
Other Support for renewables				
• Commonwealth and State Departmental and other institutional staffing and their regulatory controls				
• CSIRO allocation of public funds to GENCOST and other tasks that adversely impact upon hydrocarbons				
• Planning regimes that use bogus warming and indigenous issues to hinder approvals involving hydrocarbons				

The attached chart shows all years' subsidies (with years between those with specific estimates interpolated) and accumulated in 2023 dollars. By 2024 the total comes to $132 billion in 2023 dollars.



Not only have these subsidies had a wealth-depleting effect in and of themselves, but their outcome in forcing the replacement of low-cost coal by renewables has been national 'econocide', an early indicator of which is the declining levels of per capita GDP seen over the past few years. Australian electricity prices, having been among the lowest in the world only a decade ago are now at European levels and threefold those of China, Russia and India.

The energy-intensive production that had become the backbone of Australian industries, by definition, requires low-cost energy. Aluminium smelting is the acme of such activities. Having once gravitated to Australia due to our low-cost coal-generated electricity, it is now shifting to areas (China, the Middle East, perhaps the US) with low-cost gas and coal and a willingness to use these energy sources. Australian smelting businesses have been made uncompetitive by government energy policies and, now, being dependent on government subsidies, pretend to be seriously examining the government mirage of low-cost firmed renewable electricity.

The basic costs of generating electricity in eastern Australia were last comprehensively and dispassionately estimated in 2017 in work for the Minerals Council by Solstice. This put electricity costs (in today's prices) at around $60 with coal and $80 with gas (if governments permitted its exploration and development). The coal costs are consistent with those experienced in Vietnam and Indonesia.

Even without Australia's environmental lawfare and the CFMEU, the cheapest cost that nuclear power could be provided is about $80 per MWh. Renewables might be available at under $100 per MWh but firming them up – even if possible –and their additional transmission needs increases their costs three or fourfold.

Trump's victory now makes it politically as well as economically impossible for the world to shift away from coal. In Australia, only the Nigel Faragist Libertarian-One Nation-Family First parties (plus a rationalist rump in the Coalition centered around Senators Antic and Canavan) are rejecting the subsidy-dependent renewables. Even though the Coalition in office will become more accommodating to coal, it may only be able to move gradually in view of its present caution and a likely Green/ALP prominence in the Senate.

While a nuclear-based electricity supply, as presently favoured by the Coalition, would avoid the ruinous energy policy being pursued by Labor, it would not provide the low costs that previously offered us competitive advantages. Nuclear is the best option for nations not having vast low-cost coal and gas but, tellingly, there are no aluminium or similar smelters planned anywhere in the world for nuclear-dominant electricity grids.