

Canberra observed
Even talking about climate change is a bit like avoiding roadkill in the multi-vehicle car crash that is our energy policy.



Laura Tingle

The email dropped in inboxes at 5.51 on Thursday morning, a couple of hours before the Prime Minister was to talk at The Australian Financial Review Business Summit, and as voters were waking to official forecasts of an actual, truly serious energy crisis by the end of next year.

The email announced that The Climate Institute, one of the NGOs that has plodded stubbornly along for the past decade or so, trying to bring sense to the climate change debate, was putting up the white flag.

"The board announced that the decision comes as a result of being unable to establish the viable level of funding that would enable The Climate Institute to continue in a meaningful, sustainable form," the statement said.

The news was a powerful symbol of how profoundly, and rapidly the debate about both climate change and energy policy is transforming before our eyes.

In Australia, we are now sneaking up behind the climate change issue – mentioning it is a bit like roadkill in a multi-vehicle policy car crash on energy.

Wherever you look now – Senate committee hearings, political brawls about gas shortages, cries for investor certainty from the corporate sector – the same policy levers that were once framed in a debate about climate change, are now set in a framework of energy security.

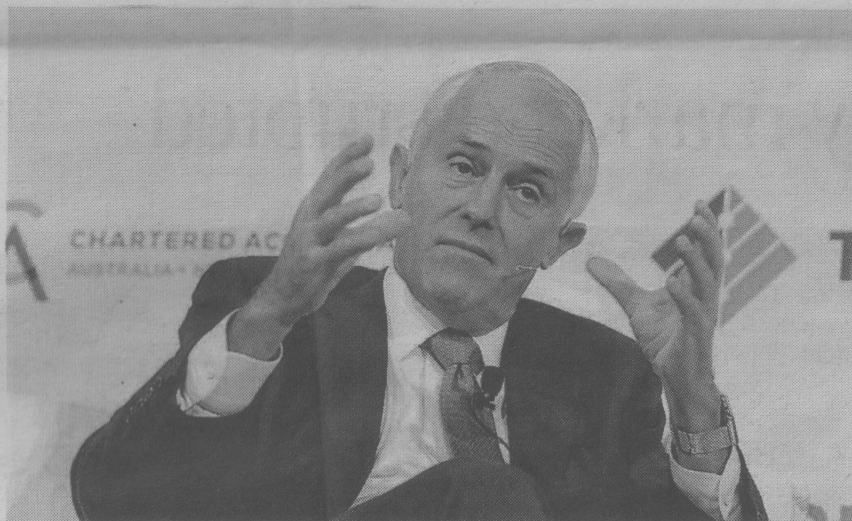
The only person still arguing about climate change science is One Nation's eclectic senator Malcolm Roberts. Everyone else has moved on.

The debate has even moved on in the past week or so from being pro or anti-renewable energy, and from being all about whose fault South Australia's woes may be to a conflagration that is consuming us all.

"Make no mistake: the pain and disruption that South Australia has experienced is coming to every state", Nick Xenophon told *The Australian Financial Review* this week.

"This is going to be a contagion that spreads. When Hazelwood closes you are going to see wholesale power prices going up," noting he had been told by one energy-intensive company that its power bills were going to increase by \$20 million, to \$70 million.

Xenophon is right about this. The forecasts of significant gas shortages in the



Malcolm Turnbull's government has clearly been shell shocked by the forecasts for gas that came out this week. PHOTO: LOUISE KENNERLEY

National Energy Market by the end of next year that came out on Thursday morning confirmed this. And they are not warnings of a crisis that might dissipate. We are in a situation where literally no one, or no thing, can clearly alleviate this bizarre situation where one of the most energy-rich countries on earth doesn't have enough gas to meet domestic demand.

And as the effects of the gas shortages start to be felt throughout south-east Australia it will create all sorts of new pressures not just on federal politics but also on state governments.

If ever there was a test for all our politicians – and whether they can, for once, concentrate on the problem at hand rather than simply blame each other – this is it. Maybe this is something dangerous enough for all involved that they will realise they need each other to help solve the problem.

The Prime Minister was pleading with Labor at the Summit on Thursday for some bipartisanship on budget policy. But where we really need it is energy policy, and particularly fixing the problems in the gas market.

The government has clearly been shell shocked by the forecasts for gas that came out this week, and by just how seemingly impossible it is to do anything to fix the shortage, even if Malcolm Turnbull has

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clearly seen the energy security issue coming for some time.

Remember that when SA was blacked out last year, he stepped up his warnings about the need to create stability in the energy market, a move seen at the time by many purely as an attack on renewables, a charge on which Turnbull left himself exposed by some cheap shots against the Weatherill government, when in fact his substantive points were absolutely correct.

The man who now lives and breathes this is Resources Minister Josh Frydenberg, who must see his always frisky ambitions taking an immense soaking as he tries to work his way through a complex policy knot that is, on the one hand, so splendidly arcane as to defy easy political explanation, and on the other, goes simply to one of the most basic services voters expect governments to provide: power.

For now, Frydenberg is trying to encourage other eastern states to follow Queensland and establish a form of limited,

prospective domestic gas reserve that doesn't generate sovereign risk issues by quarantining some exploration leases for domestic gas supply.

"That was a very creative suggestion and solution from the Queensland government and one that is worthy of further consideration by other state governments," Frydenberg said on Thursday.

Good Heavens! A federal politician being polite about a state government initiative! Things must be bad.

Canberra is also demanding the states lift various moratoriums on coal seam gas extraction.

But it is also possible Frydenberg and Labor could find mutual ground around the proposal that Labor took to the last election for a national interest test that could impose a domestic gas quota on large LNG projects.

People blaming each other isn't going to get anyone very far on this issue. The Prime Minister announced he would be calling a crisis meeting with gas producers to see what they would do about the problem. The major gas companies such as AGL, Energy Australia, as well as BHP and the National Farmers Federation, are now all calling for an emissions intensity scheme as a way of putting better price signals in the market. But as the Prime Minister says, that still won't increase a supply of gas.

Which brings us back to climate change. Amid all the drama this week, one of the central figures in the earlier climate change debate, Ross Garnaut, was appearing before a Senate inquiry into resilience of electricity infrastructure.

Reflecting on progress on climate change, Garnaut noted: "I think that the absence of a carbon price since the middle of 2014 has contributed to the uncertainty about the investment environment.

"Business knows that we have to move towards a low-emissions energy sector. A carbon price provided very clear guidelines for making business decisions on how to proceed. In the absence of those guidelines, business has to second-guess regulatory decisions by government. That is a problem for the environment and for the cost of energy."

And for all of us.

Laura Tingle is The Australian Financial Review's political editor.