



Queensland Productivity Commission
Electricity Pricing Inquiry

Dear Commissioners,

Following is my submission concerning the draft report, March 9th, 2016.

1. The report's authors identified several specific issues as a focus for their work, namely "the competitive electricity market, productivity growth, efficiency and reliability, environmental outcomes, vulnerable customers and responsible management of the State's finances". The study and its recommendations are accordingly structured this way. However, it seemed to this reviewer that one of these issues received less than its due - and my submission is an attempt to show that this has consequences.

2. "Environmental outcomes" is a loose way to refer to the imperative of climate change mitigation, which is the real and original driver of the "transition to a lower emissions generation sector". The State government's pre-election commitments to accelerate this transition were conceived with the aim of exploiting the State's natural advantages so that the Queensland economy would benefit from a leading position in an inevitable transformation of the global energy economy. There are indeed many possible ways for the State to build a stake in the forefront of this historical opportunity.

3. I could find nowhere in the draft report where the transition is treated this way. Instead, the advent of small scale solar generation is framed as a network management problem, and a financial risk - as when solar households ("behind the meter private investment") are deemed to have "eroded utilisation" of the centralised grid. Discussing the sectoral transformation in Section 2.1, the report lists four drivers - price rises; environmental concerns; cheaper renewables, and policies - as if they were equivalent. This consistent bias is more than misleading; it subverts the logic of renewable generation by ignoring its overriding warrant - the urgent necessity of steering the trajectory of global emissions toward zero in a matter of decades.

4. Each and every jurisdiction on Earth, every concerned individual and community, and a multitude of citizens' organisations have understood for some time that if the immense task of managing the climate problem is to be attempted, it cannot be left to national governments, politicians and policy makers alone. This truth received explicit acknowledgment in the COP21 accord. For example, in clauses 118, 119, 120 & 134 of the Annex, the role of all non-Party stakeholders, including sub-national governments, is accorded the first importance.

What this means is that the Queensland government's undertakings with respect to accelerating a transition to a zero emission power sector are globally significant, as well as economically responsible. The draft report appears to go some way to endorse this reality in its discussion of the 50% target in Section 3.7. Yet, on the whole, the report seems to overlook the priority of climate mitigation. There is no suggestion, for example that the modelling consultants accounted for the putative costs of unmitigated climate change on the State's economy, environment and people. Yet these are demonstrably prohibitive.

5. Among the Australian States, there is an interesting example of how rapidly the electricity generation sector can be transformed under careful management. South Australia is on track to achieve 50% renewable generation within the next couple of years. It may well achieve its ambition to get close to 100% in the next decade or two. It has done this with no serious economic disruption or community opposition, and it looks like positioning itself to benefit handsomely from the "early adopter" advantage.

Although the two States are incomparable in various ways, the compelling thing about South Australia's experience is its demonstration that a system change which can appear "disruptive" in one framing is rational and progressive in another. One thing is certain - every State of the federation must take the South Australian path sooner or later. Unless, that is, we think it is rational to contemplate the practical repudiation of the commitments made in our nation's name at Paris.

6. Under the terms of the Paris Accord, Australia has undertaken to:

"Hold ... the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels"¹

The Accord doesn't stipulate any pathway for this achievement - but it doesn't need to. Research has provided numbers for this which have been well understood for some time.

They are not contentious; but they are daunting. Probably the simplest summation is given in a short commentary published in *Nature Geoscience* just before the conference. The author explains why the cumulative carbon budget is actually about two-thirds of the trillion tonnes usually cited, before providing his prognosis.

“To avoid exceeding 650 Gt, global mitigation rates must rapidly ratchet up to around 10% per year by 2025, continuing at such a rate towards the virtual elimination of CO₂ from the energy system by 2050”.²

That is what is required to have a decent chance of stopping warming below 2°C. But according to the Commission’s draft report, under “existing State and national emissions reduction policies, gas and coal will account for around 96.6% of total large scale generation in 2034–35”. To be consistent with our solemn international obligation, this number must be under 50%, and declining fast.

7. In summary, I would simply ask the Commission to consider that the imperative to design more efficient use of existing infrastructure cannot, in the circumstances, stand alone. With a coast-line of 14,000 km or so, Queensland is exceptionally vulnerable to modest rises in sea-level. To the best of our knowledge, equilibrium sea-level at a warming of 2°C would be several metres above its present height. Nothing trumps this hard geophysical fact - certainly not the immediate commercial demands of power generators and distributors. The State government has an overriding responsibility to manage the timely elimination of power sector emissions, which no planning exercise can afford to ignore or minimise.

Yours,

John Price

March 9th, 2016.

¹ COP21, Article 2

² Anderson, K, 2015. *Nature Geoscience*, 8, 898-900