

Can, or should, we save ARENA?

Written by The Conversation

Once again the essential development of the renewable energy sector has been stymied by short-term, opportunistic politics.

Included in the Turnbull government's "omnibus" savings bill is a [A\\$1.3 billion cut in the funding of ARENA](#), the Australian Renewable Energy Agency, a cut, coming on the heels of a couple of previous cuts, that basically wipes out any future role for ARENA. The proposed cut is part of the Abbott legacy that sought to effectively close down the renewable energy sector.

Although the government has presented the bill in the name of budget repair, it is also very much a political manoeuvre designed to wedge opposition leader Bill Shorten, by claiming that he had [committed to these cuts during the election campaign](#), and recognising that a couple of the proposed cuts are either inconsistent with "traditional Labor values", or with declared Labor policy, such as their commitment to a [50% renewable energy target for 2030](#).

Shorten is under considerable pressure to demonstrate his bona fides on budget repair, and especially as he has expressed a willingness to "reach across the aisle", to work with the government on this urgent policy challenge.

However, both sides seem to still be stuck in campaign mode, moving from one stunt to the next. It is all about short-term politics, not good policy and good government.

Much attention has been focused on the savings bill as fundamental to the budget repair task. But it is important to recognise that, even using the very optimistic budget assumptions, the forecast/projected budget deficits for the 4-year budget period total nearly A\$70 billion. The savings bill offers savings of just A\$6 billion over the period.

It is also worth noting that if all the expenditure cuts and tax increases proposed by both sides in recent years were aggregated (but of course they won't be) they would still fall well short of the budget repair task.

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One view expressed to me recently was that Shorten may punt on the Turnbull government only lasting a year or so, so he could just essentially roll over on the omnibus bill now, including the cuts to ARENA, in support of budget repair, but with the intention of committing to refund ARENA in the run up to an early election.

Whatever. All this short-term politics simply burns the limited time we have to start to respond significantly to the urgent climate change challenge, and burns the considerable business and employment opportunities that such a response carries with it.

Few recognise the little progress that has been made so far, nor the magnitude of the task to base our electricity generation on renewables, moving forward.

For example, only about [15% of our electricity is generated by renewables](#), still 85% from fossil fuels, and more than 60% from coal. Despite having achieved one of the [world's highest rates of solar PV installation](#) on household roof tops etc., solar PV still only accounts for a mere 2% of our electricity generation, and wind about 4%.

The renewables industry doesn't help itself politically in this respect by exaggerating the emissions reduction benefits. As the sun doesn't shine all day, nor the wind blow all day, these renewables need to be backed up by open cycle gas turbines, or by drawing from coal-fired power stations, to satisfy the demand for 24/7 power. The emissions from these negate many of the benefits from sun and wind.

Also, the intermittent nature of solar and wind creates significant morning and afternoon/early evening peaks, forcing consumers to pay. As in South Australia recently, intermittent wind left [some consumers exposed to very high gas prices](#)

Until the renewables sector can develop cost-effective storage, renewable energy will never go anywhere near reaching its full potential to be able to provide 24/7 base-load power, or cost effective peak power, at prices competitive with coal, such that we can hope to make the essential transition from coal-fired to renewables-based electricity generation.

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This situation is also not helped by the dishonesty and basic hypocrisy of some of our major power companies that spent a lot of time and money working with the Abbott government to try to close down the renewable energy sector, while at the same time running PR campaigns about how green they were, and how much they supported renewables, as well as exploiting the remaining life out of dirty coal-fired power stations they acquired cheaply.

I now spend considerable time developing working to develop cost-effective heat and battery storage, as well as base-load solar, and the development of natural graphite to enhance the efficiency and reduce the cost of storage. This will, I believe, be the essence of the renewables revolution.

Against this background, it is important to consider why we need an institution such as ARENA.

It is important to recognise that, as shown in the recent UNESCO Science Report, in 2014 Australia produced 3.7% of the world's scientific publication output, well above what you would expect given the size of our population. But, in 2012, we produced less than 1% of the world's share of triadic patents – those filed concurrently in Europe, the US and Japan – about a 40% decline over a decade.

So, we clearly “punch above our weight” in research excellence and in the generation of new technologies, but we fall down in commercialising those innovations, in driving significant and appropriate policy development, and creating new industries and new jobs.

This also clearly emphasises the hollowness of mere slogans such as “jobs and growth”!

Renewable energy is one of our most “shovel ready” business opportunities, especially given our natural endowments of sun and wind, and the range of technologies still basically sitting on the shelf in this country. The commercial development of these could easily and quickly establish us as world leaders in this space.

To capitalise on this competitive edge, much needs to change, everything ranging from basic attitudes to science and education and their funding, through approval processes, finance, and

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a host of government policies.

In this context, institutions such as ARENA can and should play a very significant role in kick starting the development and commercialisation of essential technologies, in a sense laying the basis for the full funding of viable renewables projects.

Given the reluctance of our financial/investor community to fund early stage technology, there is a clear role for ARENA, but the realization of a complete renewables revolution will also require reform of government (at all levels) project approval processes, and a significant shift in attitudes. It will require new funding structures, by our banks and major institutional investors.

I have been involved with several approaches to ARENA for early stage funding on a range of projects - none successful as yet. I can therefore comment, from personal experience, on the role ARENA has played to date.

It is fair to say that some of ARENA's past grants have been misdirected, on research and projects that will never be commercially viable, or where the benefits have been exaggerated.

One of the most excessive was a grant to AGL of some A\$166 million (together with some A\$65 million from the New South Wales government) to build a paddock full of solar PV panels in Nyngan, which they claim is enough to [power some 17,000 houses](#) . But without storage, no matter how much the plant generates it will not do so at all times of the day.

So, any commitment to fund ARENA moving forward should consider carefully focusing their mandate – for example, no more solar or wind projects should be supported unless they include cost effective storage. ARENA should also not just make cash grants, but also consider loans/convertible note structures as well.

The policy challenges of budget repair, and climate change, are probably the two most significant and urgent confronting government today. An effective response to both necessitates genuine bi-partisanship that, unfortunately, seems inconceivable given the state of our politics today.

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On climate, if we are to meet our Paris commitments on emissions reductions (that are about half what they should be to make our national contribution to the global objective of net zero emissions by 2050), there is an urgent need for a genuine National Energy Policy, a centrepiece of which must be innovation and renewable energy.

The renewable energy sector desperately needs a stable, long-term policy framework against which to invest. The proposed cut to ARENA funding, reflecting as it does just more short-term, opportunistic politics, simply compounds the uncertainties of the Abbott years that sought to close the industry down.

Disclosure

John Hewson has been involved with several approaches to ARENA for early stage funding on a range of projects - none successful as yet. He is chair of the Asset Owners Disclosure Project, and was federal leader of the Liberal Party from 1990 to 1994.

Read more <http://theconversation.com/can-or-should-we-save-arena-64811>