

The most fraught day of his prime ministership has seen the implosion of one of Malcolm Turnbull's key policy pledges – to deliver certainty on energy policy – that only weeks ago seemed on course.

As Turnbull threw everything at shoring up his leadership, business critics denounced the compromise he unveiled to appease rebellious backbenchers.

His energy policy rework placated some internal dissidents, but the capitulation has left his authority weakened and the issue itself back in confusion. Stakeholders have been left dismayed and bewildered.

After the [announcement](#), the government was insisting the National Energy Guarantee policy was alive, as some of its backbench critics were pronouncing its demise.

Asked “is the National Energy Guarantee dead?” Treasurer Scott Morrison said on Sky, “No, not at all. It remains government policy.” He told the ABC: “The policy remains as we took it to the party room with improvements.”

But Kevin Andrews, one of Tony Abbott's close allies, told Sky: “The reality is that the NEG, for at least the term of this parliament, is dead in the water. There is more chance of seeing a Tyrannosaurus in the local suburban street than seeing this legislation come into the parliament.”

Turnbull's energy compromise has two parts.

First, legislation to set the 26% emissions reduction target has been shelved, on the ground that a bunch of Coalition MPs would cross the floor.

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Written by Michelle Grattan, Professorial Fellow, University of Canberra

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Turnbull didn't dare to risk the hazardous route of negotiating the legislation's passage with Labor, which might have come to nothing but an embarrassing failure, and anyway would have incited the hardliners in his ranks. And a brief flirtation with implementing the target by regulation was abandoned after that caused its own backbench backlash.

Second, a set of highly interventionist measures will be rolled out for use against recalcitrant power companies, including the possibility of breaking up those which abuse their market power.

The initiatives are based on the recent [report](#) from the Australian Competition and Consumer Commission, but even the ACCC didn't support divestiture.

"Requiring the divestiture of privately owned assets is an extreme measure to take in any market, including the electricity market," it said.

It is certainly an extraordinary course for a pro-market Liberal prime minister to contemplate.

Notably, the Nationals were happy – they had been pressing for the government to take this route. As former deputy prime minister Barnaby Joyce said with enthusiasm, it means "if you play up, we can break you up".

So where is the great NEG adventure left?

Battered by political bastardy, with months of good work by Energy Minister Josh Frydenberg trashed. Without a legislated target. With less chance of an agreement with the states, which need to tick off on the mechanism. Throwing up fresh problems for investors and promising a continuation of the political climate wars.

As Innes Willox, chief executive of the Australian Industry Group [put it](#) succinctly: "Long-term investment certainty in the energy sector remains further away than ever. Despite the best

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efforts and goodwill of many, energy policy has again fallen victim to short-term political gamesmanship”.

And where is Turnbull's leadership left, as backbenchers contemplate whether they would be better off under a Peter Dutton prime ministership?

No one quite knows.

Morrison told the ABC: “I spoke to Peter today in Question Time and he said his position hadn't changed and he was fully supportive of the Prime Minister and the government's policies.”

Just think about that. The Treasurer is asking (in question time no less) a senior cabinet colleague about his intentions.

Basically anything could happen, anytime.

On Tuesday morning, as chance has it, there is a separate Liberal party meeting, before the joint Coalition parties meeting. At the very least, it will be an interesting discussion. Whether more occurs, who knows?

On Monday night Dutton, the man on the leadership stair, was reportedly very angry after the Ten Network ran a [story](#) raising a question about his eligibility for parliament under section 44's pecuniary interest provision.

Ten has said the story was not political leak, and the timing coincidental. But Dutton would naturally see it as a strike from the Turnbull camp.

If the next few days go quietly, Turnbull will live now from poll to poll, with enemies circling like

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crows over a weakened animal.

Those enemies could hardly have anticipated they would be able to do so much damage to him, in just a week, after a Coalition parties meeting that actually strongly endorsed the original NEG policy.

They're watching, waiting. If, or when they judge Turnbull is vulnerable – that he has lost his numbers – they are ready to strike. Now or later.

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

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