

The National Energy Guarantee is dead, buried and cremated – or is it?



Australian energy policy has been in search of stability for a decade. From Gillard's carbon tax to Turnbull's National Energy Guarantee (the 'NEG'), you'd be forgiven if you've lost track of national energy policy.

Following ScoMo's elevation to Prime Minister, he swiftly declared "the NEG is dead". Meanwhile Labor announced that the NEG is...alive! So where are we on energy policy? We summarise it as follows:

1. A price safety net

The government is implementing the ACCC's recommendation to introduce a default energy tariff. This will protect customers from exorbitant standing prices, which allow power companies to exploit customer loyalty. The change is planned to come in by 1 July 2019, but won't apply everywhere

2. A 'big stick'

ScoMo says the government will legislate a so-called 'big stick'. The stick would take the form of greater powers for the AER and ACCC to keep energy companies in line, to stop gouging and ensure that they pass on savings achieved in wholesale prices

3. More reliable electricity #1 - the retailer reliability obligation

Power companies will be required to hold contracts or invest directly in dispatchable or "on-demand" energy, to meet future demand. This means more cash for generation that can be ramped-up quickly, think coal, gas, hydro, batteries. The Energy Security Board will develop a mechanism to achieve this, and they have already given it a name, the Retailer Reliability Obligation.

4. More reliable electricity #2 – encouraging investment

The government is considering significant intervention in the market by underwriting investment in new electricity generation. It remains to be seen how the scheme will be structured but we think it will likely involve coal, lots of coal.

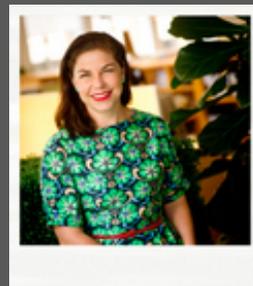
5. A comprehensive emissions reduction framework

Only kidding. ScoMo doesn't have anything sensible to say about emissions reduction.

But the Opposition revived the NEG. "The single most important thing about energy and climate policy right now is to have one" says Bill Shorten. Considering the NEG was supported by pretty much everyone involved in the industry this could be a shrewd political move.

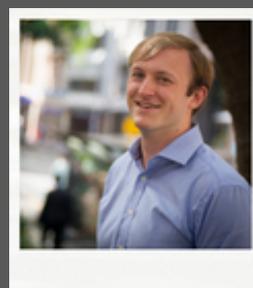
In short the NEG isn't alive, but it doesn't seem quite to be dead, either. Let's call it a zombie. And as always, we'll wait to see what happens next.

Questions? Give us a call.



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