Politicians should pay for errors
Herald Sun 27 October 2017

Victoria’s Wonthaggi desalinisation plant will be five years old this December.

At an initial cost of $5.7 billion and an eventual cost of $19 billion, the plant will never be required.

The $19 billion eventual price tag means a direct and indirect cost to the average Victorian household of $13,000. A far more productive alternative – a new dam - could have been built for only one billion dollars.

Other states also built costly, unnecessary desalinisation plants, responding to the climate alarmists’ claims that drought would be endless and too fearful of green hostility to supplement supplies by building new dams.

The money spent has been irretrievably wasted. To put it in perspective, the Wonthaggi facility’s cost represents enough funds to replace three older coal fired electricity generators thereby future-proofing Victorians against unreliability and the doubling of wholesale power prices that has taken place.

Among the merits of the desalinisation plant, according to then Premier Bracks, were 4,750 full-time equivalent jobs during construction and a $1 billion economic boost to the state.

Unchastened by the experience of the White Elephant desalinisation plant, the Andrews government is directing funding into new areas of waste, namely wind and solar facilities.

Under its recently announced renewables policy, the Premier estimated some $1.2 billion of investment in these subsidised renewables was made in the current year alone. Echoing the discredited prophesies made to justify the desalinisation plant, Mr Andrews claimed the policy will create 11,000 new jobs during construction of windfarms.

The government has even managed to torture some data to provide an estimated saving of $30 per year per household from the subsidy program!

Such claims are based on a fundamental ignorance of what drives jobs and incomes. Spain, where subsidised wind and solar provides over a quarter of supply, has 21 per cent unemployment. Careful estimates have demonstrated that for every Spanish job created in wind and solar power 2.2 jobs are lost because of the additional costs of energy they bring.

Some people argue that wind and solar energy is now competitive with the brown coal that has been the mainstay of Victoria’s power supply for 60 years.

The emptiness of such claims is evident from the fact that those making them – including Minister D’Ambrosio – remain opposed to ending the subsidies which provide wind and solar with a price threefold that of coal, gas and hydro.

Those subsidies have forced unsubsidised power stations to close, bringing about the doubling of the average wholesale price of electricity.

For Victorians that doubled price means an annual cost of $2 billion, an impost on the average household of $800 in terms of direct charges and increased costs of goods and services. And, by driving up electricity prices, the subsidies are threatening the future of the energy intensive
industries including smelting and paper manufacturing that have created the prosperity Victoria enjoys.

Mistakes in policy making are not confined to government decision makers.

But the costs of errors in the private sector are borne by shareholders and occasionally suppliers. And in the private sector, management pays personal penalties, sometimes criminal penalties if shareholders are wilfully misled.

Perhaps politicians and the public servants advising them should also be subject to such disciplines. *Alan Moran is with Regulation Economics; he is the author of “Climate Change: Treaties and Policies in the Trump Era”.*