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Energy disadvantage in Australia: policy obstacles and opportunities

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Abstract

This paper links energy and climate change with disadvantage in Australia and explores the dual disadvantage of steeply rising electricity prices and increasing climate change impacts. It reviews the potential of energy policy and climate policy to alleviate disadvantage, over the short and longer term, and suggests that renewable energy in particular has a role to play. However, the prospect of renewable energy policy advances in Australia is constrained, it is found, by the politicised nature of climate policy more broadly, the influence of the fossil fuel lobby, and the predisposition of current governmental policy. Drawing upon the policy streams and advocacy coalition theories of policy change, the paper assesses the political and ideological bases of this constraint, and the prospects for improved policy that could alleviate energy disadvantage. It finds that, whilst renewable energy does have an important role to play in achieving energy affordability, it needs to be supported politically, and complemented, in practical terms, by a range of policies and measures at all levels of government.

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Keywords: energy policy; climate change policy; renewable energy.

1. Introduction

Literature has not substantively linked energy pricing and policy, climate change impacts and disadvantage in Australia. It has begun to focus on energy poverty. Hardship caused by rapidly escalating energy prices in recent

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years is argued by Chester and Morris (2011) to constitute energy-based poverty about which little is currently known. There is scant research, they claim, 'of the consequences for low-income households of meeting the rising (energy) costs' in Australia. Neither have government policies and income support responses addressed the problem. There remains a need to seek 'an approach to electricity pricing … that prevents adverse impacts on the standard of living for millions of Australian households' [1]. Energy affordability and the shock of rapidly escalating prices, since the publication of this paper, is followed by the Australian Council of Social Services' (ACOSS) proposed national framework for energy poverty [2]. Discussion around the problem of energy poverty, where 'low-income households spend 10% or more of disposable income on energy bills' [1], is gaining traction in Australia.

Energy poverty or disadvantage is an urgent problem in this country that should be framed in the context of impacts of climate change. Climate change is not just problematic for its environmental impacts, but for its impacts upon the human condition in a warming environment, upon health and livelihood, particularly for the poor and disadvantaged [3]. This is not just a third world issue, with Australia's poor, elderly, indigenous, remote and disadvantaged citizens particularly at risk, not only from the impacts of global warming, but from climate policies and measures lacking in equity considerations. Such citizens are vulnerable to the impacts of climate change, resulting from rising temperatures, increased food insecurity, and more frequent and severe disasters, despite Australia's first world public health, agriculture and infrastructure sectors, and it's relatively high adaptive capacity [4]. They are vulnerable to the distributed costs of climate change policies, where there is inadequate compensation for the implementation of carbon pricing, or a cost shift to compensate polluting industries rather than households, or, we argue, where there are barriers to the development and uptake of Renewable Energy (RE). Our principle concern, in reviewing the dual 'energy cost/climate impact' problem is to consider the potential of renewable energy to address cost and climate disadvantage. RE has become politicised and polarised on interest based and ideologically differing grounds in Australia since the 2013 election of the conservative Abbott Coalition government. We examine RE policy in the context of the constraints generated by opposing political values and interests, and argue that this context is critical to the uptake of RE that could relieve household disadvantage. We review arguments by RE advocates in the social and welfare sector and consider various opportunities for policy improvements and/or change. Our examination concludes with the need to identify and consider the impact of differing RE advocacy coalitions upon the prospects for policy change to address disadvantage. An application of the Advocacy Coalition Framework (ACF) [5] is being pursued by further research.

2. Energy disadvantage in Australia

2.1. The impact of rising prices

Australia has historically enjoyed amongst the lowest wholesale and household energy prices in the world [6], but, between 2003 and 2013 the cost of household electricity increased by 72% [7]. A Senate Inquiry into Reducing Energy Bills and Improving Efficiency [8] found that amongst the reasons for this rise, the regulation of the National Electricity Market (NEM) was predominantly to blame for creating a perverse incentive for a massive over-investment in network infrastructure, predominantly poles and wires. Professor Ross Garnaut observes in his testimony to the Inquiry that increases in electricity prices occurred with the introduction of regulation and the price of electricity has steeply risen in Australia compared with other developed countries. He suggests that steady price increases are results of artificial manipulation by government legislation. Figure 1 illustrates the increase in energy prices in Australia.[9]

Social consequences of price rises are stark. ACOSS found that for the estimated 12.8% of the Australian public who are living in poverty, energy affordability is a growing, and sometimes crushing problem [10]. Low-income households are spending disproportionately high percentages of their income on energy and are vulnerable to price increases [10]. In the Senate Inquiry, the Brotherhood of St Laurence noted evidence of the increased financial hardship, deprivation, energy disconnections and spending on emergency relief that this is causing [11]. In Victoria demand for Utility Relief Grants for paying electricity bills 'rose 136.4%, from just over 5,000 in 2007/08 to nearly 12,000 in 2009/10' [11]. Assistance to consumers from the Energy and Water Ombudsmen in Victoria jumped 225% between 2007–08 and 2011-12, with a similar trend recorded in NSW [8]. Household electricity is indirectly