

## Praise for energy guarantee from International Energy Agency chief Fatih Birol



International Energy Agency executive director Fatih Birol, pictured with Energy and Environment Minister Josh Frydenberg, says the National Energy Guarantee is an "innovative" policy. Supplied

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The world's top energy expert body has endorsed the Coalition's proposed [National Energy Guarantee as an "innovative" policy to help stimulate investment while lowering emissions](#), delivering a boost to the Turnbull government's efforts to win over the states and settle Australia's power wars.

In an **exclusive** interview with The Australian Financial Review, International Energy Agency executive director Fatih Birol said the NEG **offered a market-based approach** at a time when when developed economies were confronted with the need to renew ageing energy infrastructure.

Energy Minister Josh Frydenberg outlined the policy to Dr Birol **in a private meeting as well as in a speech to 100 diplomats and energy policymakers at the IEA's Paris headquarters last week.**

Dr Birol said they had been impressed by how the NEG sought to **bring together energy security, emissions reductions and easing prices.**

Resources Minister Matt Canavan told the ABC the ACCC report showed that all fuel sources, including coal, should be considered.

**"All of the experts, ambassadors and policymakers thought this was an innovative and creative way to ensure that investments come in at the right time,"** Dr Birol said.

"Existing infrastructure – old nuclear power plants, coal power plants – are in fast decline and Australia is not an exception here in my view. "The beauty of this approach is it's a market-based approach and compatible with Australia's National Electricity Market design and provides a way for market players to support emissions reductions."

**Dr Birol, who had input into last year's [review by Chief Scientist Alan Finkel of energy policy](#)**, said a report by the IEA would be released this week showing investment in renewable energy was slowing. "Political uncertainty is the number one enemy of renewable energy investment and this approach in the National Energy Guarantee brings predictability and certainty," he said.

The IEA's praise comes as senior global investors told Mr Frydenberg last week in New York that the NEG had the potential to be a circuitbreaker and kickstart investment in electricity generation in Australia, which has been mired in confusion over the past decade.

"The response was overwhelming positive with investors welcoming the certainty it would bring and the more investment it will attract," Mr Frydenberg said.

Mr Frydenberg, who also briefed key officials from the Trump administration and the chairs of the US Congress' energy committees in Washington, said the message back from policymakers was positive. "Whether it is the head of the International Energy Agency in Paris or congressional leaders on Capital Hill **the feedback is the same,**" he said. **"Our energy systems are undergoing a rapid and unprecedented level of change that needs to be carefully managed.**

"There is no doubt Australia has over the years made a number of missteps but with the National Energy Guarantee **and the other reforms underway** across the network, retail and wholesale markets we have an opportunity to steer a better path, lowering prices and producing better outcomes for consumers. Who knows, the NEG may even be an inspiration for other countries to follow suit."

Despite his optimism, [Mr Frydenberg faces a juggling act over the NEG](#), with **the finishing touches being put to its design before it is presented to the states' energy ministers meeting at a special meeting next month for approval.** Labor states and the federal opposition have raised concerns the NEG is not ambitious enough to reduce emissions and indicated they will not cop any policy that provides taxpayer funds to subsidise the cost of coal-fired power generation.

But Coalition backbenchers are demanding special treatment for coal, with the Nationals pushing for up to \$5 billion to build new coal-fired power plants or refurbish existing ones.

Complicating the task is the [Australian Competition and Consumer Commission's recommendation last week that the government help underwrite the cost of building new power generation by guaranteeing to buy electricity.](#) While the recommendation was technology-neutral, Nationals seized on it to claim it was a "green light" for coal.

Resources Minister Matt **Canavan** told the ABC the ACCC report showed that all fuel sources, including coal, should be considered. "I'm not, and my Nationals colleagues are not, mandating that coal should be definitely invested in," he said. But Senator **Canavan**, a Queensland National, said new coal power was a hedge against renewables.

"I'm not willing to put all our dice, all of our eggs in the basket of potential improvements in batteries or renewables," he said. "That might happen but that approach would effectively, like going to the casino and saying 'Let's put it all on black and see how we go.' "Because if it doesn't work, we've got thousands of people who will lose their jobs. If it doesn't work, we won't have a nickel refinery. We won't have aluminium smelting in this country. There's 50,000 or 60,000 jobs in metals manufacturing in this country. It's something that **we should be good at because we have cheap energy.**"