Speech By

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ENERGY AND WATER LEGISLATION AMENDMENT BILL

Mr PITT (Mulgrave—ALP) (3.44 pm): I rise to speak on the Energy and Water Legislation Amendment Bill 2013. Firstly, I put on the record my sincere welcome back to the House to the minister after his treatment. Our thoughts have been with him over this difficult time.

This bill terminates the Queensland Gas Scheme and the Smart Energy Savings Program and makes a required amendment to add the deamalgamated Noosa Shire Council as a participating council for Unitywater. At the outset I will state that the opposition will not be supporting this legislation, the reasons for which I will outline.

The Queensland Gas Scheme began in 2005 and was established to boost the state's gas industry and reduce greenhouse gas emissions. Under the scheme, Queensland electricity retailers and other liable parties are required to source a prescribed percentage—currently 15 per cent—of their electricity from gas fired generation. There can be no doubt that the scheme has operated successfully to diversify the state's energy mix towards the greater use of gas. The Queensland Gas Scheme was a very successful initiative of the former Labor government, boosting gas fired electricity production from 2.4 per cent in 2005 to 20 per cent now. The scheme has also assisted in encouraging the development of new gas sources and infrastructure in Queensland and helped reduce greenhouse gas emissions from the Queensland electricity sector. The scheme offered accredited gas fired generators an additional revenue stream, which offset the higher cost of gas fired generation when compared with coal. This revenue was provided by electricity retailers who passed the cost onto their customers.

The Smart Energy Savings Program was established under the Clean Energy Act 2008. The program requires businesses with energy use above a specified threshold to undertake energy audits and report their energy savings strategies to the government. The Smart Energy Savings Program was a part of the former Labor government's early action on climate change and worked to improve energy efficiency and reduce usage in businesses. The Smart Energy Savings Program required businesses to undertake an audit, develop an energy savings plan and publish their actions. The program was intended to encourage firms to understand their energy use and identify and implement cost-effective energy management strategies.

The introduction of carbon pricing by the federal government in July 2012 has created a market based price signal to help reduce carbon emissions. Of course, the Queensland Gas Scheme and the Smart Energy Savings Program were created in an environment in which no carbon price existed. The former government was acting when the Howard government was refusing to act on climate change. The Queensland Gas Scheme is a market based mechanism to increase gas production at the expense of coal production. It would be fair to argue that it has been superseded by the current carbon price, which incentivises companies to source energy from cleaner sources.

However, the proposed abolition of the carbon price by the federal government, coupled with the removal of the Queensland Gas Scheme, would mean there is no functioning market based mechanism to drive the use of gas fired electricity generation. We simply do not know for sure what the impact on gas fired generation would be. We would have to rely on the direct action policy of the federal government which, as I said today, is not much of a policy at all.

What is direct action? I went to the *Real solutions* booklet published by the Liberal Party to determine what it was. Needless to say it was scant on details, although at least it was more than a three-word slogan. It said that the coalition would establish a $3 billion emissions reduction fund to invest in projects designed to reduce emissions. Let us call that element of the Liberal's policy 'picking winners'. The coalition will pick some winners and dish out taxpayers' money to technologies on the basis of which ones they think will reduce emissions. How the Liberal Party will assess the scientific basis of those technologies when they no longer believe in scientific method and deny the science of climate change is beyond me. Instead of using an efficient market based mechanism to drive investment in technologies that deliver results, the party of free markets would prefer a command and control model to try to reduce emissions. The second element, the development of soil carbon technologies, has been aptly named 'soil magic' by many commentators.

At the end of the day, we do not really know what direct action is, if it will work, or how much it will cost. The policy document is so vague as to be useless. The policy has not been independently costed by the Parliamentary Budget Office and was excluded from the federal coalition's costing process. Their Prime Minister-elect has said that if the five per cent emissions reduction target by 2020 cannot be met through the budget for direct action, then that is just too bad; the target can fall by the wayside. Worse still, the impact on the cost of living for working families will be worse under the coalition's direct action money-go-round than with a carbon tax. As PolitiFact points out, the cost of the coalition's direct action policy will be $1,200 per household.

This cost will be in excess of the carbon tax for the majority of working families, while achieving little or nothing for the environment. Compare that with the carbon pricing scheme and the Queensland Gas Scheme, both market based mechanisms which have actually been working without hiking the cost of living. Gas fired generation has risen to 20 per cent in Queensland, not to mention the exploration this scheme encouraged which brought about an LNG export industry in Queensland—an industry the LNP are now relying on for their return to surplus, just as the previous government had predicted—an industry that, according to Queensland Treasury, propped up the state final demand result the Treasurer crowed about last week, an industry that helped offset falls in household consumption and dwelling investment after the LNP's slashing and burning of services. Total emissions from the electricity sector between July and December 2012 were 7.5 million tonnes, or 8.6 per cent, lower than they were in the same half of 2011 as a result of the carbon price.

I would also like to respond here to the Treasurer's wild cherry-picking of Treasury carbon price modelling in the parliament earlier this week. In an analysis by Queensland Treasury and Deloitte Access Economics it was found that—

Overall, Queensland regions will continue to see strong growth to 2019-20 with carbon pricing.

The report forecast growth of 3.5 per cent per annum on average with a carbon tax to 2019-20; faster growth than is being recorded under the Newman Government after their cuts to front-line services slowed growth to three per cent from four per cent under Labor. Employment is projected by Treasury to grow by 474,000 to 2019-20 with a carbon price. The Treasurer's cherry-picking of figures to drum up fear is symptomatic of his time as Treasurer and shadow Treasurer: a person who says state final demand growth of 3.41 per cent trend over the last year under the LNP is great, while saying that state final demand trend growth of 8.5 per cent recorded under the final year of the previous Queensland Labor government was a disaster; a Treasurer who also thinks that slowing gross state product and slowing state final demand is a return to growth. I really do not know what planet the Treasurer is living on. These are indisputable figures from both Queensland Treasury and the Australian Bureau of Statistics. In debating this bill we will hear a lot about duplication from government members. They will say that the Queensland Gas Plan and the Smart Energy Savings Program are not needed and are duplication when a carbon price is in place. At the committee hearing, evidence from department officials was given with respect to the operation of the Queensland Gas Scheme and the carbon price at the same time. Mr Schneider, the Acting General Manager, Generation and Fuel, Department of Energy and Water Supply said—

Going forward, however, the continued application of the Gas Scheme in its present form, combined with the effect of a carbon price, would likely result in duplication of costs.

That is what would happen if the schemes operate together, but we know that the federal government is going to remove the carbon price—that is its plan—and substitute it with the Direct Action policy, so that argument is invalid. Similarly with the Smart Energy Savings Program, the establishment and operation of the carbon price created a market based mechanism to drive reductions in emissions, energy usage and improved energy efficiency. The removal of the Smart Energy Savings Program as well as carbon pricing would mean that the government's Direct Action policy would be the only policy acting to reduce emissions. We all know what a joke Direct Action is.

The election of an Abbott government with a policy of removing the carbon pricing regime means there will now be no market mechanism to drive business to invest in cleaner sources of energy. Although it is anticipated that gas fired electricity generation will continue at a similar level despite the removal of the Queensland Gas Scheme and the carbon price, there does not appear to be any reliable modelling on the impacts of removing both schemes. This is yet another example of the governance process of the Newman Government: to ignore advice on what is best policy and to instead pursue cheap political opportunism.

The same can be said of the 1 William St development and the Treasurer's dodgy back-of-the-envelope claims that it would save $60 million per year. In fact, we know the Treasurer sold the buildings for $226.3 million below their value with no election mandate. This is in addition to the more than half a billion dollars in additional rent costs that will be incurred. This is what back of the envelope gets you: more than $750 million of taxpayers' money being wasted so the Premier can accommodate himself in his new officer tower. This is what we have seen from this government. They are the know-it-all Newman government which ignores advice and modelling.

The government members will try to say that scrapping these energy schemes will reduce the cost of electricity. After promising to reduce electricity bills by $120 each year for Queensland households and then delivering a record 22.6 per cent electricity price increase, the LNP is in no position to talk about reducing electricity prices. These programs have worked to reduce energy usage and carbon emissions in Queensland. If only green schemes and the carbon price had contributed to electricity price rises, the increase would have been just three per cent; not 22.6 per cent, or $268 on average.

Queensland Labor believes in the science of climate change. It is real and it is happening now. The LNP want to stick their heads in the sand, ignore the problem and create a 'money-go-round' that will see the average working family paying more for less. The LNP talk a lot about doing more with less, but in reality they are about doing less with more. If Tony Abbott repeals carbon pricing in Australia, it will be a step backwards. The Direct Action policy is vague and an inefficient way to reduce emissions. It stands to only increase the cost of living by $1,200 per household. We do not believe that the government should repeal these programs when there has been no modelling as to the effect on carbon emissions and there is so little detail as to what Direct Action actually is. I say to the government: Don't jump the gun and act hastily without knowing the consequences—not that this government will ever learn. We do not support this legislation. We look forward to hearing what other contributions the members opposite have.