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AGL chief Andy Vesey says coal closure inevitable but painful

MATT CHAMBERS THE AUSTRALIAN 12:00AM JUNE 22, 2016



Hazelwood is the nation's dirtiest and oldest brown power station

AGL Energy chief Andy Vesey says the eventual closure of the nation's coal-fired power plants is almost inevitable, but it will come with price spikes and big community cost in the Latrobe and Hunter Valleys if the government does not have a scheme for an orderly shutdown.

At the Australian Energy Week conference in Melbourne yesterday, Mr Vesey said as the nation's ageing coal fleet came to the end of its life, a government plan would be needed to mitigate the economic and community impact of the transition to renewables.

“Lacking a plan, the probability is it will happen on its own and it will be very messy,” Mr Vesey told a panel of power industry chief executives.

“The messiness will look like high volatility, which means high prices, it will look like greater (power supply) insecurity and the impact on the economy will probably be greater (than the cost of an orderly scheme).”

He added that the community impact and cost for power generation centres like the Latrobe Valley and Hunter Valley, both of which house AGL power stations, would be immense.

Mr Vesey said a potential solution could be to work out the cost of closure and fund it by selling sovereign bonds — the payback for which could be borne through what he said would be almost unnoticeable increases in energy costs.

The call was not backed by the other executives on the panel, including Powershop Australia chief Ed McManus and ERM Power chief Jon Stretch.

“I think getting consumers to pay for coal closures would be a bitter pill to swallow,” Mr McManus said.

“Hazelwood is 150km from Melbourne and is the most polluting plant in the OECD. However the orderly or disorderly transition happens, it will start with one plant closing and when one closes, this will allow the industry to see what the impact is and make further plans around transition.”

The closure of Hazelwood, the nation’s dirtiest and oldest brown power station, has been speculated on heavily recently in the wake of French owner Engie saying it wants to exit the plant and Victoria recently embarking on its own renewable energy target.

Mr Stretch said he was concerned a solution being nixed out by government and business could reduce competition and that having a conversation about closure could delay its natural occurrence.

“As soon as you start talking about it, no one is going to shut down unless you give them the dough to do it, so we have to remember the unintended consequence of having the discussion,” he said.

Mr Vesey also laid out plans to promote growth in electric car demand by offering unlimited charging for \$365 a year.

The plan, to be launched in November, will strongly cut running costs of the vehicles, in a move to counter the higher cost of buying the cars.

The plan has not yet been fully formed, so it is unclear whether AGL customers who take up the offer will have discounted rates beyond the first year of cheap running costs.

The program will also be fully carbon-offset, AGL says, countering what in Victoria, with its brown coal power stations, is actually an increase in emissions when drivers switch.



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