



## Policy on Energy

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Energy is crucial to our modern way of life. Indeed, the availability of energy at affordable prices is one of the key driving forces behind our economy.

Over time, energy has originated from different sources. Prior to the discovery of electricity the main sources of energy for heat and cooking were timber and coal. The first electricity generators were based on the same fuels.

However, like most good things in life, energy comes with a cost. The use of coal generates air pollutants and is hazardous to extract, hydro power requires the flooding of large areas, nuclear power results in dangerous waste materials, wind power leads to visual pollution and interferes with birdlife, wave energy can cause disruption to coastlines and bio fuels are highly resource-intensive.

For governments, the issue is not how to remove these costs. Its role is to ensure there is an open, competitive environment in which people can do business and all players are responsible for the full cost of their activities.

The LDP does not support or oppose any form of energy supply. The final make-up of the market - both the source of energy and the quantity of energy supplied - should occur in an open and free market, guided by limited regulation. It is not the role of government to excessively tax, regulate or subsidise particular areas of the industry, nor to try to pick winners.

### **Global Warming**

The LDP acknowledges that there is scientific evidence to indicate a trend towards global warming. However, the degree of human influence, likely consequences and what we can effectively do about it are uncertain.

Scientific evidence suggests that the Earth's climate has changed throughout its existence, sometimes dramatically, and that changes in climate have impacted human civilisation. Much of human history has been subject to the effects of global warming or cooling - the origins of the Sumerian, Babylonian and perhaps also biblical stories of a great flood, for example, are probably due to a massive rise in sea levels following global warming 7,600 years ago. Global cooling from 1300 to 500 BC gave rise to the advance of glaciers, migration, invasion and famine. The Medieval Warm Period from 900 to 1300 AD led to the Vikings establishing colonies and trade routes.<sup>1</sup>

However, whether humans are responsible for global climate change or not, the important issue is whether governments are capable of introducing policies that produce a net benefit. Given the uncertainty and the likely impact of any interventions, it would be very risky for governments to intervene in the energy market unless the evidence of negative consequences were to become considerably more convincing. Even then there is a risk that government intervention would inhibit rather than facilitate a solution.

Therefore, based on evidence to date, the LDP does not support the ratification of the Kyoto protocol as there is insufficient evidence that doing so would create a net benefit. It also does not support the use of public funds to subsidise particular types of energy or the imposition of additional taxes on particular types of energy.

It nonetheless supports research to establish whether and by how much global warming is due to human activity and also into potential responses to global warming, whatever its cause.

Should the evidence become more compelling that global warming is due to human activity, that such global warming is likely to have significantly negative consequences for human existence, and that changes in human activity could realistically reverse those consequences, the LDP would favour market-based options.

### **Nuclear Energy**

There is a longstanding perception that nuclear power plants are expensive and dangerous with the potential for accidents and leaks outweighing the potential benefits they could provide. There are also concerns about what to do with nuclear waste products such as spent fuel rods.

Whether or not these concerns were once valid, they are certainly not valid now. Advances in the design of nuclear power plants mean that they are now safe and produce quite small quantities of waste. Moreover, waste can now be safely stored indefinitely.

In the rest of the world, nuclear energy takes its place alongside other forms. About 20 percent of the world's electricity is provided by nuclear power plants. In France it is more than 70 percent. Many countries including China, India, Japan, Finland and Russia are planning to construct nuclear power plants in coming years. It is both illogical and patronising for Australia to export uranium for use in nuclear power plants while prohibiting their establishment here.

The nuclear industry also has the potential to create a secondary industry based on the storage of waste products. With vast expanses of uninhabited, geologically stable land, Western Australia, South Australia and the Northern Territory could become world leaders in the field of safe storage of nuclear waste.

The storage of nuclear waste, if done properly, is safe. Moreover, storage in Australia would help keep it from ending up in the wrong hands. If a small country like Sweden can make safe use of nuclear power and provide for the disposal of waste, so can Australia.

The LDP supports the establishment of nuclear power generation plants provided they are not subject to differential taxation policies compared to other energy sources. If it ever becomes compelling to act to reduce global warming, nuclear power generation is an obvious option.

### **Uranium Mining**

Australia is estimated to contain around half the world's known uranium deposits, with Western Australia, South Australia and the Northern Territory all containing sizable deposits.

With demand for nuclear fuel set to increase dramatically in coming years, the LDP believes Australia cannot afford to neglect this important source of foreign revenue.

There has been a reluctance to capitalise on this valuable resource in the past, with compromises such as the three mines policy operating during the 1980s. The LDP would remove current restrictions on the nuclear industry in Australia - allowing uranium exploration and exports with no limit on mine numbers.

The only limitation it would place on uranium exports is to take reasonable steps to ensure it was not used in the production of nuclear weapons.

The LDP would also allow the establishment of a uranium enrichment industry in Australia, subject to market forces.

## Energy Policy

LDP energy policy is directed at the following:

- **A competitive market**

An energy market must operate in which different sources of energy can compete on the basis of price, supply and other factors (including perceived environmental impact). A vigorous, competitive market is the best way of ensuring an economically and environmentally sustainable supply.

The LDP anticipates that a competitive energy environment would lead to a variety of energy suppliers and that there are strategic, environmental and economic benefits to such diversity.

- **Full cost accounting**

The cost of each energy supply must take account of its 'whole of life' costs and not be subject to subsidies, bonuses or penalties based on non-scientific evaluation. Moreover, it must not transfer any of its costs to society by any means other than through price.

- **It must not exceed defined, objective pollution levels**

The proper role of government is to establish consistent, objective rules for environmental impact consistent with community values. This includes the emission of pollutants by coal-fired power plants, the storage of waste by nuclear power plants, and noise pollution by wind farms.

The application of these rules must not be subject to political whim or excessive bureaucratic discretion, and should be subject to legal review.

- **A sustainable and stable future**

There must be security of supply of energy, enabling industry and consumers to undertake long-term planning.

- **An efficient distribution system**

The LDP considers that energy distribution needs to be supported by a National Grid Authority. Although a competitive electricity distribution market would produce economic benefits and is to be encouraged, there is potential for inefficiency if the market is not well informed. The role of the Authority would be to promote a well-informed market so that decisions to invest in distribution facilities were based on a thorough understanding of supply and demand.

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1. [ipa.org.au](http://ipa.org.au) Review 55-1