

ENERGY REBELS TAKE CONTROL

Energy More will go off the grid, writes Robert Bolton.

Josh Frydenberg probably hasn't heard of St George Cakes and Gelati, in Adelaide's eastern suburbs. But the Energy Minister might be interested in the story Angelo Di Lino, the proprietor, has to tell. He's the living evidence of what happens when successive governments fail to deliver a reliable energy policy.

Mr Di Lino used to pay about 26¢ a kilowatt for electricity. When his supplier Momentum Energy put prices up to 40¢ a kilowatt, he asked for a discount. They wouldn't give it.

So he shopped around and got a deal with Commander Power – part of Vocus, which incidentally is a telecoms company – paying about 32¢ a kilowatt.

"I'm paying about \$3500 a month, that's up from \$2000. But at least I'm getting the 20 per cent discount," he says. His business is almost all electric: ovens, fridges, air-conditioning. "I've got five full-time employees and about 10 casuals. After wages, rent and ingredients, electricity is my biggest cost."

So of course he has passed his costs on. Prices have gone up 4 or 5 per cent a couple of times in recent months. He's trying to hang on to staff, but there's no room for a wage increase.

"I got the blackout," he says referring to the crisis in September 2016, when the combination of storm damage, surge-protected windmills and an interconnector failure plunged South Australia into darkness. "I was lucky I only lost power for four hours."

Mr Di Lino says he thought about installing his own generator after several friends in business took power supply into their own hands. For him the cost didn't add up and he's sticking with Commander for the time being.

But there's a trend to households and small businesses isolating themselves from the electricity grid, not because they want to go green but because they don't trust the



Baker Angelo Di Lino shopped around after he was refused a discount. PHOTO: JAMES ELSBY

supply. Energy Consumers Australia says distributed supply might become one of the bigger challenges to energy policy.

"Consumers are going to ramp up into this market," says CEO Rosemary Sinclair. "Private investment is staying out and you're getting individual households and businesses doing their own thing."

"They're taking unco-ordinated action and the ripple effects are going to spread through the whole system," she says.

ECA warns that energy policy will spin out of the government's control as solar panels and battery costs keep falling.

Households and businesses will do their own thing and turn to the grid only for occasional top-ups.

"This is not leading-edge nerd type of people," Ms Sinclair says. "We've looked at the research. Environment comes about five on the list. The want to do their own thing for control over costs and independence from mainstream providers."

Angelo Di Lino says he's keeping an open mind on going independent.

"We've got no choice but to use the equipment and pay," he says.

"You have to be focused when you have 15 employees." ■

Save towns, not dying industries

Comment

Richard Holden, Rosalind Dixon

The United States' withdrawal from the Paris climate accord on Friday, by a president who campaigned on an anti-globalisation agenda, was a reminder of the connections between trade, energy and jobs.

Australia is no stranger to how those forces can put the squeeze on local industries.

This time it's aluminium smelting. The rising cost of electricity in Australia, combined with the rapid growth of low-emission electricity in Asia, is putting smelters from Tomago in NSW to Bell Bay in Tasmania and Portland in Victoria at risk of closure.

The calls for government to prop up this failing industry are equally familiar. And they are understandable, too.

The underlying premise of the benefits of free trade and globalisation is that there is always a way of "reslicing" the larger economic pie it creates to compensate those workers that are displaced.

Yet too often that doesn't happen. There's a little retraining here, a relocation subsidy there, but not nearly enough to make up for the loss of a livelihood in towns where a great many people are facing the same fate.

Fighting vainly against the unstoppable forces of globalisation never works. What if, instead propping up the industries of the past, we invested in the towns and regions of the future?

This could involve tax breaks for new, growing industries and firms to locate in regions hit by globalisation.

Along with that, significant investments in infrastructure and large-scale retraining of displaced workers could help these towns reboot, rather than slowly wither away, sustained only by increasingly expensive but ultimately futile subsidies.

In a sense, government doesn't have a choice. We have to address the needs of the victims of globalisation. The real question is how best to do that. It certainly isn't through subsidising the kind of cheap but dirty energy that gave rise to the smelting industry in the first place.

There is a key difference between towns or regions, and industries. Towns are a focal point of co-ordination in ways that industries are not.

An area that is prospering draws new residents to it, and along with those residents come new and vibrant local businesses. This virtuous circle of a thriving community lies in stark contrast to a narrative of decline in a town reliant on an industry that survives only because of government support.

It seems it's too late for aluminium smelting in Australia. Renewable energy targets in Australia combined with low-emissions electricity from our competitors have seen to that. But it's not too late for the towns and regions where those smelters are located.

It would be hard to get people there to move away from their roots – and communities as a whole can't be shifted.

But those communities can be reinvigorated. It will take a major commitment to reskilling and retraining, significant investments in infrastructure, and incentives for new and growing industries to locate there.

It probably won't be possible to save all the towns that bear the brunt of globalisation. But it's definitely not possible to save the industries where other countries are more efficient than Australia.

Old-style industry policy has been an abject and expensive failure.

Yet there is an alternative. We should pick towns, not industries. ■

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