

WARS AND POLITICIANS IN WAY OF ENERGY EXPORTS

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With the rest of the world, Australia is hoping to reach the goal of net zero greenhouse gas emissions by the end of the century.

At the same time, Australia's trading partners are hoping that Australia remains a reliable supplier of their energy needs.

However, wars and politicians are getting in the way.

Many Australian politicians and climate activists have been claiming that Australia is a renewable energy "superpower". It is a ridiculous claim. As if Australian renewable energy could make a material difference to the net zero goal by itself.

Former chief scientist Alan Finkel wrote a book in 2023 estimating that Australia would need to scale up its clean energy technologies by a factor of 20 if it were to become a renewable superpower. God forbid the impact this would have on the landscape and the environment.

Before making decisions on matters of concern to the public at large, governments need to seek out and listen more to the views of the average voter.

The unsuccessful outcome of the recent voice referendum conducted by the government is at least partly attributable to the failure to inform and consult the broad public about the purpose and effect of the referendum.

Last month, I warned in these pages that voters would punish governments that made energy unaffordable.

Now we must add another warning. With this month's outbreak of war in the Gaza Strip, it is apparent that it is impossible for any country to

control the forces that affect global energy security.

We might recall the origins of the modern energy security problem, the shortage of oil during and after World War II.

In 1960, the Organisation of Petroleum Exporting Countries, OPEC, was formed. Not many people took very much notice at the time.

In 1961, the Berlin Wall went up. A lot more people took more notice of that.

From the late 1960s, the oil industry experienced a complete transformation of government-investor relations. The change was forced by a process of creeping confiscation, and sometimes outright expropriation, of oil fields in the Middle East.

In 1973, Arab OPEC members imposed an embargo on the export of oil to the US, triggering a major global oil crisis.

Importers of oil were caught by the 1973 oil crisis with their pants down. Until then, the industry operated on the assumption that the supply of oil was secure and the producer price was predictable.

In 1974, at the instigation of Henry Kissinger, the International Energy Agency was formed as a countermeasure to OPEC.

In the 1970s, reliable data on the oil industry was confined to the non-communist world. It was only after the Berlin Wall fell in 1989 that reliable data on the entire global oil industry became widely available.

There has since been a proliferation of multilateral and bilateral investment protection treaties, many aimed at promoting and protecting foreign investment in oil-exporting countries.

There have been many forces at work. In recent times, there has been a proliferation of concerns about the environmental effects of using fossil fuels and the build-up of greenhouse gases in the atmosphere.

The “precautionary principle” emerged at the Rio Earth Summit in 1992. The precautionary principle was, many said, just an extension of the common law duty of care. Many investors warned, however, that it was a paralysing principle that would dampen any investment that involved the taking of risk.

In recent years, there has been an incredible proliferation of non-governmental organisations, or NGOs, seeking to impose, regulate or enforce behavioural standards such as human rights, Indigenous rights and environmental issues.

The publication by the UN of its Sustainable Development Principles (SDPs) has done much to promulgate universal standards for enforcement of human rights, environmental protection and investment protection.

Climate activism nonetheless abounds. There are hundreds of thousands of NGOs and activist groups around the world.

Much of their recent activity has been concerned with the reduction of greenhouse gas emissions.

For half a century, Australia's economy has prospered from its ability to supply energy and natural resources to the growing economies of Asia.

In recent years, Japan has expressed some concern about the reliability of Australian energy exports. It has made upstream investments in Australia to reduce the risk of interruptions.

It may have made more investments if the investment climate were less troubling.

A climate of green activism is the geopolitical context in which the energy industry has been operating for some time.

The threat of war is the latest concern.

Superimposed on these factors is an increasing level of scorn shown by some politicians to proposals that threaten their re-election prospects. The energy industry is not well served by this.

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