

The Bill for the Centrally Planned Economy

A briefing note on Queensland's Clean Economy Jobs Bill 2024

Summary

The Clean Economy Jobs Bill (the Bill) will push Queensland towards a low productivity, low wage, low quality of life economy under the guise of lowering carbon dioxide (CO₂) emissions. Rather than give industry certainty, it increases the risks of investing in Queensland.

The Bill is poorly conceived as it:

- is not consistent with Queensland's existing legislation limiting emissions;
- legislates emission reduction targets without apparent consideration as to whether they are achievable;
- would see the Minister for Clean Economy and Jobs become a "Minister for Central Planning", i.e. a second Minister for State Development; with the ability to set 5-year plans and impose them on industry - the former Union of Soviet Socialist Republics demonstrated that this sort of economy does not work, even with the smartest people in control; and
- is named the *Clean Economy Jobs Bill* but appears to take no account of jobs which will be lost in Queensland and whether the replacement jobs will be greater in number or higher or lower paying.

Emissions targets

1. **The bill nominates 30% as its emissions target for 2030 (Cl 5(1)(a)). If the government is seriously committed to its legislative program, then mathematically that figure has to be at least 50%.** Queensland's emissions have already dropped 29% since 2005. Add to that the 21.7% of emissions to be reduced by 2030 through the *Energy (Renewable Transformation and Jobs) Act 2023* by switching some electricity generation to renewables and the figure should be at least a 50.7% reduction.
2. **By 2035, 5 years later, emissions are to reduce another 45%, and then by 2050 a further 25%.** That will be difficult, if not impossible. Totally eliminating fossil fuel electricity generation will only lower emissions another 20% to 70% below 2005 levels. How many Internal Combustion Engine (ICE) cars, trucks, planes and ships will still be operating? What about emissions from manufacturing concrete, plastics, explosives and farming the land? Command and control, centrally planned economy

Command and Control

1. **The Clean Economy Jobs minister will be able to impose "emissions reduction plans" on any industry sectors he chooses.** He does not need to consult anyone and must set out his program for formulating the plans by December this year so they can be in place by December next year. The legislation is clear (ss 10 and 11) the government has set targets without any idea whether they can

be met as it:

- a. does not know what sectors they will make plans for;
 - b. what emissions those sectors currently make;
 - c. what reduction in emissions would be reasonable; and
 - d. how the reductions might be achieved.
- 2. Central planning is the worst way of running an economy and the worst way of reducing emissions.** “Sectors” is a classification imposed on businesses for the purposes of analysis, but every business is different. Their CO2 emissions occur not because they are in a sector but because they consume products that either emit CO2 in their creation or in their use. The best way to reduce emissions is not to try to impose plans on “sectors” but to create costs for the use of products which emit CO2. This is best set at a federal level. Not only is each business unique, but many businesses operate across state borders so it would be impossible to catch them in a sectoral plan.
- 3. The Minister for Clean Economy Jobs will become a second and more powerful Minister for State Development. He will have extraordinary and arbitrary powers and be second in power to the Premier.** He can determine:
- a. which ministers have to produce Energy Reduction Plans, and by when (s 11);
 - b. what emissions targets should be for 2035 and 2040 (s 6);
 - c. how emissions are to be measured (s 7); and
 - d. what matters to take account of in setting targets in addition to those in the statute (s 6)

Jobs

- 1. The title of the bill includes the word “jobs” but apart from the title that word is nowhere in the bill. Employment also appears only once, in s 6(4)(d).** The Bill is not about jobs or employment and it is dishonest to refer to it as a “Jobs” act. While it requires the minister to consider jobs being created by restricting emissions, it doesn’t require consideration of the jobs destroyed. The supporting document “Queensland’s 2035 Clean Energy Pathway” sees employment rising in line with population growth.
- 2. A command and control economy is not the way to create jobs, let alone high-paying ones.** We know from history that central planning has produced fewer well-paying jobs than competing, free market economies.
- 3. The Bill does not provide any opportunity for corporations affected adversely by a Minister’s decision, to seek relief through the Courts.** At very least a business should have an opportunity to appeal a decision which may end its existence and the jobs of its employees.

Economic modelling

- 1. Economic modelling to support the bill is flawed – electricity will cost more and economic growth will be lower.** The modelling was conducted by Ernst and Young using EY’s 2-4-C electricity market model to model the National Electricity Market and their EYGEM global economic model to model the Queensland economy. The modelling predicts lower electricity prices which are fed into the economic model, combined with higher fuel prices. The economic model assumes lower electricity prices lead to a stronger economy. It also assumes a “green premium” for Queensland being greener than other, unspecified, jurisdictions resulting in lower interest rates. This combined with an increase in capital spending caused by replacing current power assets leads to a better outcome than a comparison scenario.
- 2. Power prices will rise, not fall.** Ernst and Young doesn’t have a good track record in predicting electricity prices. In 2018 it modelled Australian power prices and predicted a drop in Queensland’s wholesale price to around \$40 per MWh by 2020/21. Wholesale prices were in fact about 50% higher at \$62 per MWh. Prices have gone up substantially again from there, but confounding factors like the Ukraine War did make coal and gas more expensive. Evidence from around the world says that power grids that rely most heavily on wind and solar are the most expensive.

3. **Capital spending will redirect capital from other areas of the economy.** Ernst and Young claims to have taken this into account, but this is hard to square with their economic model that adds the capital cost of the energy transition to economic activity to arrive at gross state product. Some other area in the economy, which uses the same skills and materials, like housing, will have to grow more slowly.
4. **There is no “green premium” to lower borrowing costs.** Australia has seen this most recently in the collapse in the nickel market where cheaper Indonesian nickel mined at greater cost to the environment than Australian nickel is displacing our nickel because of its cheapness.
5. **The modelling doesn’t take account of the emissions reduction sectoral plans and assumes transmission and storage infrastructure arrives on schedule.** This is unsatisfactory. It can’t take account of the emissions reduction sectoral plans because they don’t exist, which is a fault in the bill. Given the dependence of the system on massive pumped-hydro storage the real chance that it will arrive late and over budget should have been factored in.

Certainty

1. **The explanatory memorandum cites certainty for business as an aim of the bill but, as it stands, the only improvement will be to identify “known unknowns” which were previously “unknown unknowns”. For business, overall the Bill will increase uncertainty.** The Minister for Clean Economy Jobs has discretion to
 - a. change some of the emissions targets;
 - b. to determine how emissions are to be measured;
 - c. impose emissions reduction plans on unknown sectors; andis advised by a Clean Economy Expert Panel none of whom are stipulated to have expertise in electricity planning or electrical engineering.