



## **Sustainable Population Australia Inc.**

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### **Submission to the Environment and Communications Legislation Committee**

#### **Re: the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013**

The overwhelming emphasis of the Government's case against the carbon tax has focused on its impact on electricity costs for ordinary Australians.

The Government has just cause to review policy measures which increase the cost of living for Australians. However, this motivation must be applied consistently. The Government is using cost of living as an excuse for repealing the carbon tax, but is actively strengthening measures that increase cost of living in other areas, particularly cost of living.

This inconsistency invalidates the case against the carbon tax.

#### **Population growth is the greatest source of higher power bills.**

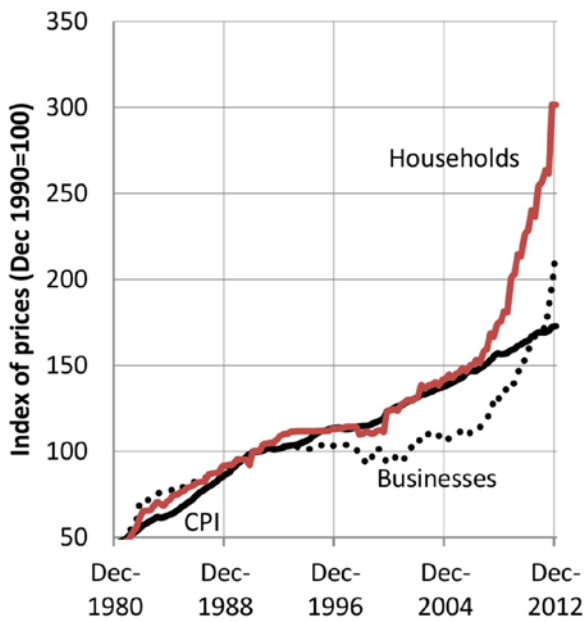
We are sure that the Committee will receive many submissions explaining the small effect of the carbon tax on electricity prices. Yet the facts remain that electricity prices did [almost double](#) under the term of the Labor government, and this has caused considerable public concern and significant hardship for some people.

This increase in electricity prices is overwhelmingly the result of Australia's accelerated population growth.

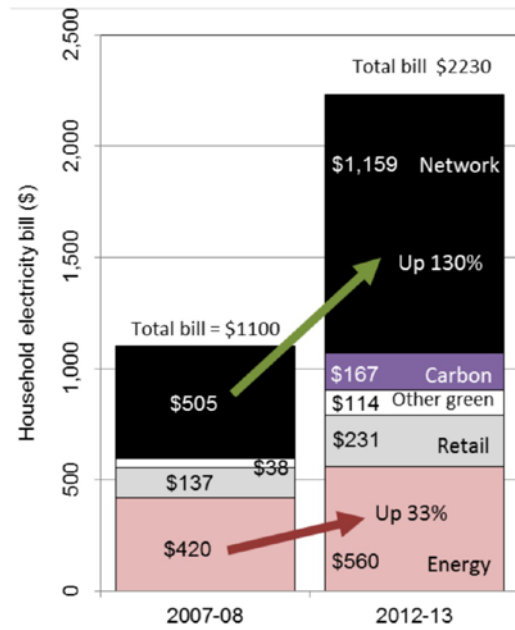
Between 2003 and 2009, the growth rate jumped from 1.2 per cent per annum to over 2 per cent per annum. Forward projections of Australia's 2050 population jumped from a 20 per cent increase over the 2003 population in Treasury's 2003 Intergenerational Report (IGR) to an 80 per cent increase in the 2010 IGR.

This shift corresponds with the shift of power price rises above the Consumer Price Index.

Electricity price index, December 1980 to December 2012 Electricity Network



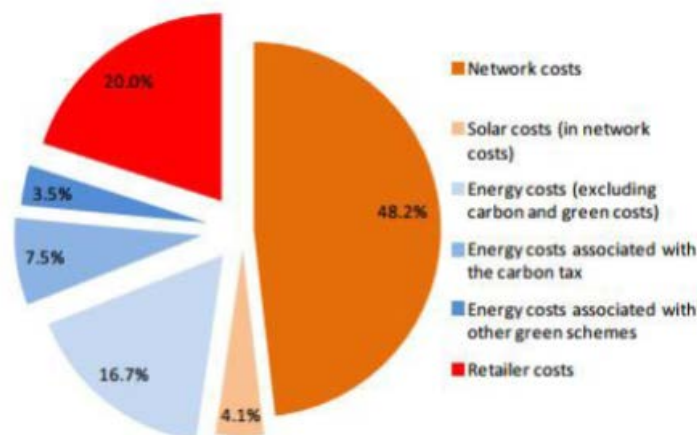
New South Wales household electricity bill 2007-08 and 2012-13



Source: [Productivity Commission 2013, Regulatory Frameworks, Inquiry Report, Vol 1](#)

The Australian Energy Markets Operator [recently revised down projections](#) for future power demand, due to decline in manufacturing, and anticipated a drop in wholesale price as a result. It’s managing director, Matt Zema, affirmed “**All of the growth [in demand] is driven by population.**”

Analyses repeatedly point to “poles and wires” as the main source of increased cost of power. It is not the expansion of generator capacity nor cost of power generation, but the delivery of power to new points of use – new homes and suburbs. Ross [Garnaut's 2011 climate change review](#) attributed 68 per cent of price rises to transmission and distribution infrastructure. According to the Australian Energy Market Commission’s [latest report](#) on electricity price trends, virtually all of the projected national price increases between now and 2014/15, is projected to be due to increased network costs.



Graphic from: Queensland Competition Authority

In contrast, [between 5 and 10 per cent of power bills may be attributable to the carbon tax](#). Modeling by the [Climate Change Authority](#) suggests that other sources of price increase will negate this saving. If power bills fall at all with the removal of the carbon price, they will soon overtake their previous level.

Politicians repeatedly blame air conditioning for the need for more power infrastructure. However, Australia's overall electricity consumption has barely risen for several years. Households are becoming more frugal power users, and many factories have been shut down. This withdrawal of demand has been countered by the growth in number of households. The revised projections of future population are also forcing electricity distributors to scale up infrastructure in readiness for future load.

### **Solar power has reduced the peak demand and the price**

Apart from the carbon price, domestic solar panels have become a [whipping-boy](#) for politicians drumming up angst about power bills. However, solar panels have demonstrably [reduced peak demand](#), especially on hot days, as they supply during the afternoon peak. This has resulted in a [decrease in the wholesale power price](#). [Wind power has also cut power costs](#) in NSW. Distributed renewable generation may even [reduce power market volatility](#).

### **Reduced demand per user x more users = higher infrastructure cost per kWhr**

With more efficient lighting and appliances, and the contribution of solar panels, the power delivered to each household has diminished. This means that the extra cost of providing poles and wires to new suburbs must be spread over fewer kilowatt-hours. A bigger price increase results.

In an effort to hide the increase in power charges, retailers have shifted price from the per-kilowatt-hour price to the fixed service charge. This reduces the incentive for households and businesses to conserve electricity. It particularly penalises those with solar panels.

If Australia's population were not growing, the shrinkage in demand would be a double benefit to Australians. Power bills would be reducing, and power providers could retire their dirtiest generators as renewable energy capacity rises. The carbon price would accelerate this process.

Because of our rapid population growth, the benefit of the carbon price is undone by increasing the number of power consumers.

We can't reduce our carbon footprint if we keep adding feet!

### **Population policy is impoverishing Australians**

Power bills are only one symptom of the stress placed on Australians through our population growth. Housing unaffordability is directly attributable to elevated demand for housing, and the poor utility of new suburbs on the urban fringe compared with established areas. Rising unemployment, diminishing paid hours per worker and casualization of the workforce are all increasing financial stress. Increasing commute times and road congestion are diminishing national productivity.

Poles and wires are only a fraction of the infrastructure needed to be provided for each additional Australian. Hospitals cost between \$2.6 million and \$4.2 million per bed, equating to \$10,000 - \$16,000 per added person, merely to keep hospitals at the current low level of 3.8 beds per thousand. All up, about \$150,000 of public infrastructure is needed per person added to our

population. This price tag is rising all the time, with the added cost of retrofitting built-up areas, expanding road capacity and desalinating water.

Australia's population policy is creating a demographic time bomb of old-age support. Many of today's young adults will spend their working lives with insecure and intermittent income, education debts and crippling rent payments, preventing them from saving. They will retire without the asset of a family home nor consistent savings.

This is a far greater threat than the much-maligned demographic ageing, which is inevitable whether the population grows or not. Japan and Germany, who already have the proportion of over-65s that we will reach by mid-century, show no reduction in proportion of people with jobs. They simply have fewer working age people out of the workforce. Accordingly, the pension burden is offset by the reduced unemployment and disability benefits. They also have greater job security and stable cost of living. Their building industry thrives on creating ever-better infrastructure, rather than ever-smaller shoe-box apartments.

### **Conclusions:**

The Government's claimed concern about power bills is insincere and dishonest.

To demonstrate sincere concern about Australian household cost of living, the Government should conduct an inquiry into the impact of population policy choices on the Australian economy.

This was not achieved in Minister Tony Bourke's "Sustainable Population Strategy" which contained no quantitative evidence of the claim that population growth benefits the economy.

If the Abbott government wants to meet international emissions reduction targets through direct action, it would be well advised to reduce immigration and birth incentives. This will not only alleviate the growth in energy demand, but also lighten the fiscal burden of new infrastructure, leaving more funds available for climate action.

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