

# Labor gas deal will hasten shift to renewables: Garnaut



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Ross Garnaut has called out as “stunning” Labor’s recent deal to [avoid imposing export controls on gas producers](https://www.afr.com/link/follow-20180101-p5blyp) [https://www.afr.com/link/follow-20180101-p5blyp], but said the decision will be positive for the long-term transition to renewables as it kills forever any notion of a “[gas-led recovery](https://www.afr.com/companies/energy/gas-fired-recovery-hopes-are-flickering-out-20210128-p56xic)” [https://www.afr.com/companies/energy/gas-fired-recovery-hopes-are-flickering-out-20210128-p56xic].

In an interview to mark the release of the prominent economist’s latest book on Australia’s zero-carbon future – *The Superpower Transformation* – Professor Garnaut also said the government’s pending industrial emissions reforms [\[https://www.afr.com/link/follow-20180101-p5bkui\]](https://www.afr.com/link/follow-20180101-p5bkui) should be regarded an interim step towards an inevitable economy-wide carbon price by 2035.



Ross Garnaut has edited a follow-up to his 2019 book *Superpower* on the nation's potential as a renewables powerhouse. **Louise Gronold**

Outlining both the scale of the challenge and opportunities of turning Australia into the world's biggest exporter of renewable energy, the new book makes the case for an expanded Renewable Energy Target on the energy sector and a federally led temporary "energy reserve" company that would be open to the use of gas as a baseload backstop.

The book's launch comes just days after Resources Minister Madeleine King signed a deal [<https://www.afr.com/policy/energy-and-climate/labor-strikes-gas-deal-avoids-export-threat-20220929-p5blyp>] with the three east cost LNG exporting giants to close a forecast shortfall in 2023. The decision dashed manufacturer's hopes for lower prices.

*The Superpower Transformation* warns that the globally induced energy crisis that greeted Labor from the day it was elected in May threatens to cause the "largest declines ever in real wages between 2022 and 2025, with gas and electricity prices contributing much of the decline".

"Poor reaction to the crisis could undermine the prospects of the new government", and has the "potential to knock Australian decarbonisation and the building of the Superpower off-course," Professor Garnaut writes in the book.

In his interview with *AFR Weekend* this week, the economist described the heads of agreement deal [<https://www.afr.com/link/follow-20180101-p5blf0>] this month as a

“stunning victory for the gas companies”.

“Their management will deserve every bit of the bonuses that they will get as a result of it.

“What the government has promised the Australian users of gas is that prices will be little lower in Australia than in countries whose energy markets have had the stuffing knocked out of them by the Russian invasion of Ukraine.

“With a different approach, we could have had much lower prices.”

Professor Garnaut said the decision would be devastating for gas-intensive manufacturing industries in Australia and the jobs they sustain.

“But as I say in the book; it’s not a bad thing for the energy transition as in some areas it actually increases the strong incentives high prices will create for the emergence of new industry based on zero emissions energy.”

While reluctant to generate headlines that suggest Labor will rush to introduce a carbon tax, the Professor Garnaut-edited book makes clear that Australia will eventually end up with one.

“The Australian Secretary-General of the OECD, Mathias Cormann, is currently leading efforts to establish an emissions trading system across the developed economies,” he writes.

Predicting that Europe, Canada, the US, Japan and Korea will all eventually join that movement, Professor Garnaut says Australia will not be able to maintain for long its status as a “conscientious objector”.

“The economic advantages are immense, and we’ll get ourselves into a big tangle if we don’t do it,” he said in the interview.

Meanwhile, he said, Labor needed as an important first step to deliver a credible safeguard mechanism reform to get moving on emissions cuts across the country’s top 200 or so mining and industrial giants.

He predicted the safeguard alone would not be enough in the longer term to ease pressure on Australia to join an eventual global carbon price system, saying the country was “not yet out of the woods” of the negative perception it earned under the previous Coalition government.

“The safeguard mechanism won’t last once everyone gets used to the idea that we and the rest of world are heading reasonably quickly to zero net emissions, and start accepting that it’s very costly to the community to have all of these arbitrary imposts and exemptions. So, it can only ever be a transitional thing.”

Professor Garnaut cautioned the government against excessive featherbedding of safeguard facilities exposed to offshore competition.

The legitimate policy and economic solution was to “provide support for trade-exposed industries up to the level that will leave them no worse off than they would have been if everyone had similar carbon constraints as Australia”.

“Now if other countries are doing more than Australia, particularly in countries that at the margin are setting world prices, and that’s the case for many industries now, then no support is warranted at all.”

He also agreed that a “case can be made” for Australia to establish an EU-style carbon border adjustment mechanism to create a level playing field for trade exposed businesses, but only if it does not become a vehicle for protectionism.

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