

IPA MEDIA RELEASE

Institute of Public Affairs | Australia's leading free market think tank
Level 2, 410 Collins St. Melbourne ph: 03 9600 4744 ipa@ipa.org.au www.ipa.org.au

Wednesday 15 Feb, 2006

WIND POWER SUBSIDIES WILL COST THE VICTORIAN ECONOMY JOBS AND MONEY

The Victorian Government should not be trying to artificially stimulate interest in wind power, according to a report released by the Institute of Public Affairs today. Dr Alan Moran, Director of Deregulation at the Institute of Public Affairs said,

“The Victorian Government is proposing a major expansion in wind power. It intends to boost renewable energy to 10 per cent of the total electricity supply by 2010. This is double the likely share of renewable energy under present trends at current subsidy levels.

“The cost impositions of this additional generation will double when compared with commercially produced electricity—from \$34 per MWh to \$78 per MWh. In addition, there are other expenses associated with back-up plant made necessary by the poor reliability of wind energy.

“The Victorian Government proposal would require new subsidies to selected projects, adding to those already in place. These new subsidies will cost Victorian consumers between \$108 and \$135 million per annum. Because the government's proposal would require assurances of subsidies for at least 15 years, it involves a “wealth tax” on Victorians of between \$980 and \$1,230 million.

“It has been argued that such measures will create new jobs. However, protectionist policies involving job subsidies have proven to be unsuccessful in Australia and elsewhere. This is because the increased costs result in job losses that more than offset any jobs that are created. Each “new” job will cost Victorians taxpayers between \$600,000 and \$1,000,000.

“Policies regarding greenhouse gas emissions are the responsibility of the Commonwealth Government. State Governments do not have the appropriate national perspective or the expertise to undertake such activities. To the extent they seek to implement separate policies, they are likely to encourage a job migration to jurisdictions that avoid incurring the costs.”

The IPA report is in response to the Victorian Government's issue paper *Driving Investment in Renewable Energy in Victoria*.

The Report is available on the IPA website: www.ipa.org.au

For further information and comment:

Alan Moran

Author of the Submission 0411 511 145