

# Energy Update

*Tennant Reed*

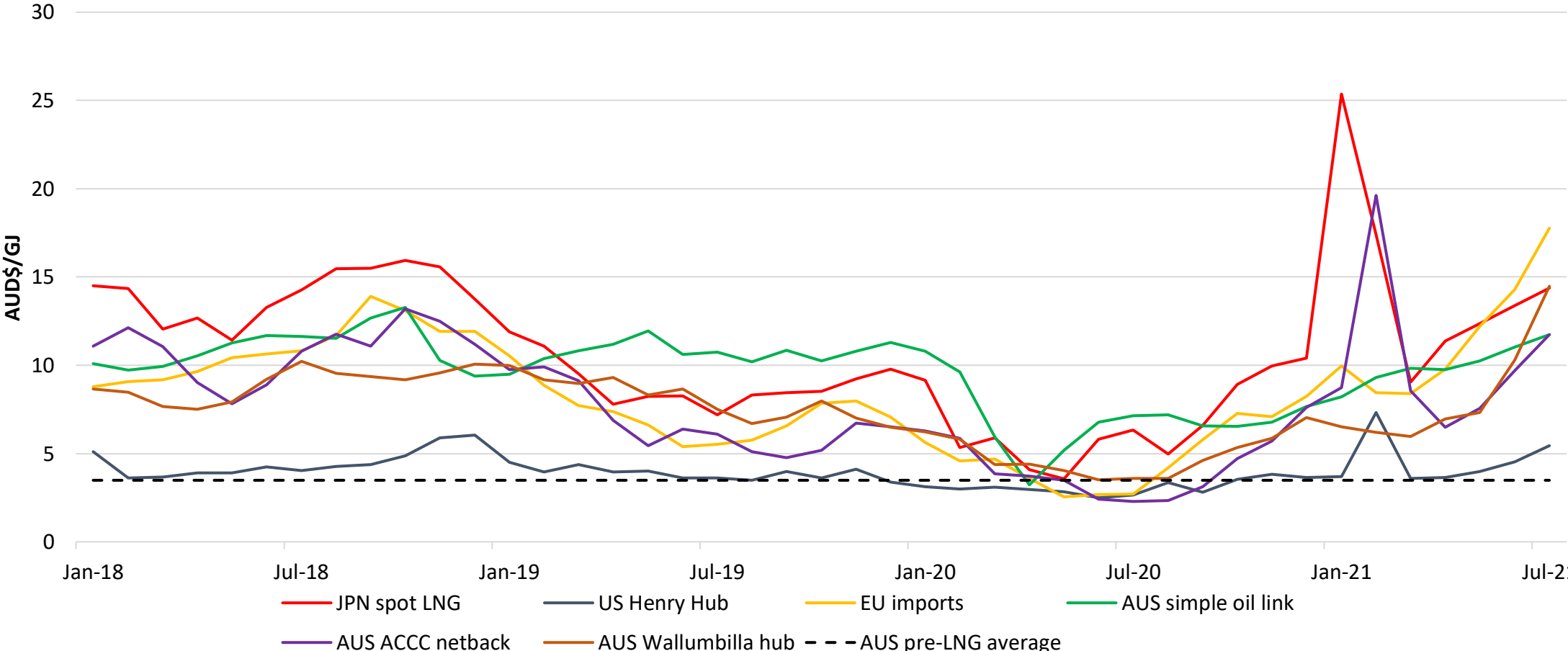
*17 August 2021*



# Summary

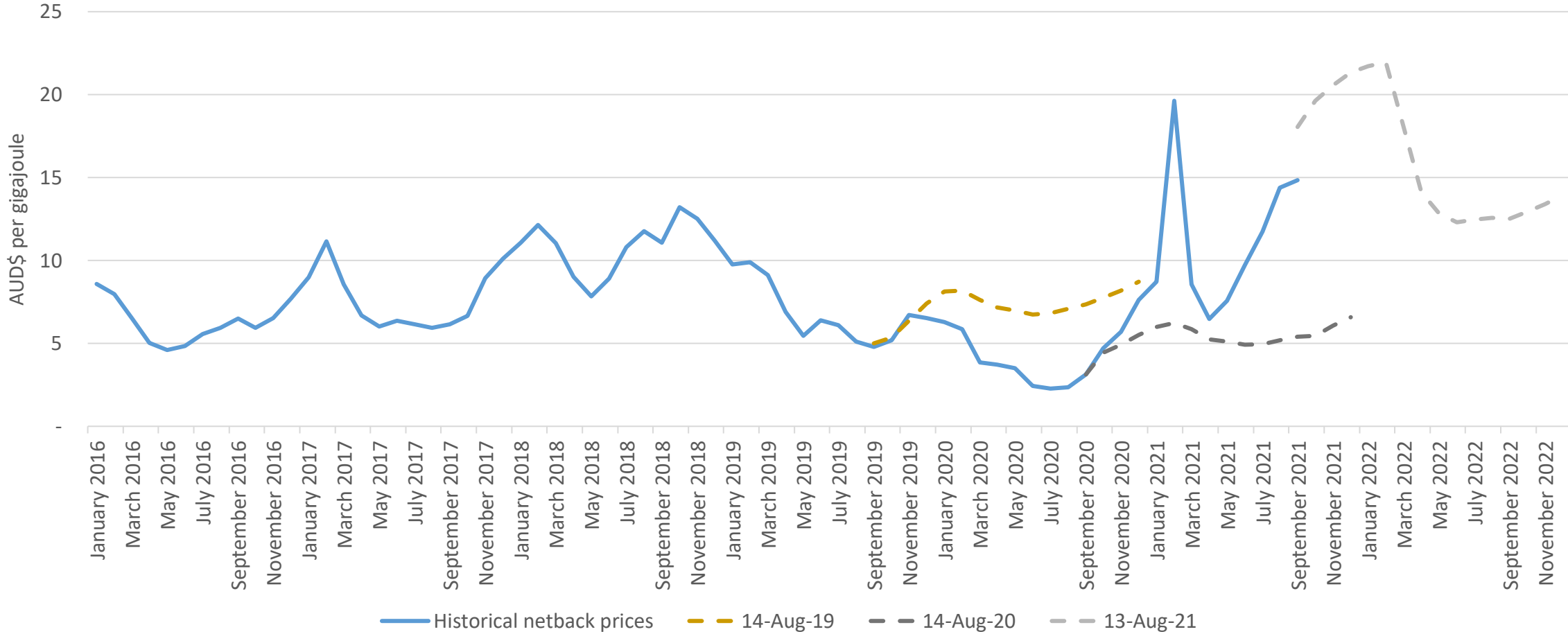
- Gas price spikes on top of broader resurgence
- Wholesale electricity – spot high, futures up
- Energy policy roundup: nothing to see here
- Climate policy:
  - Significant international developments
  - Australia – Federal level is stuck

# Gas – local, international prices spike

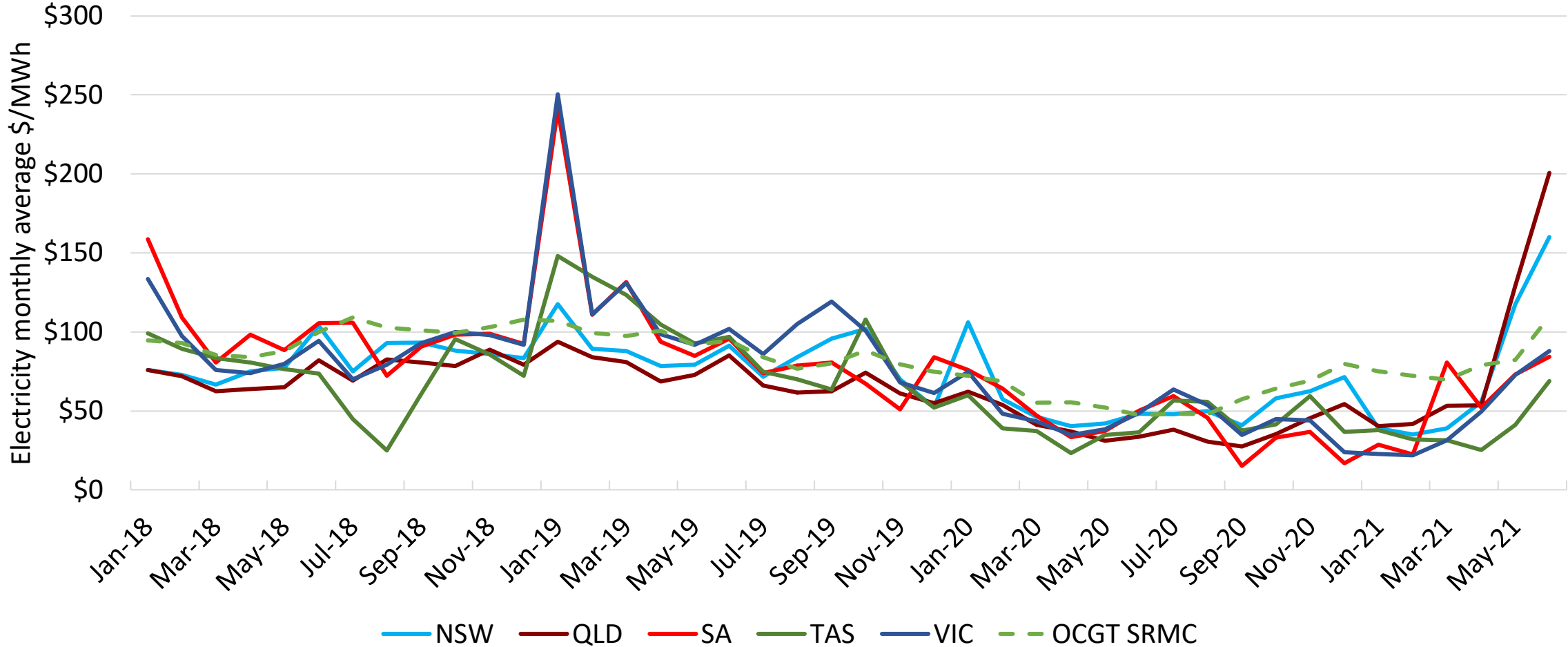


# Gas – ACCC netback metric – spike visible, futures well up

ACCC netback gas price metric - historic and futures

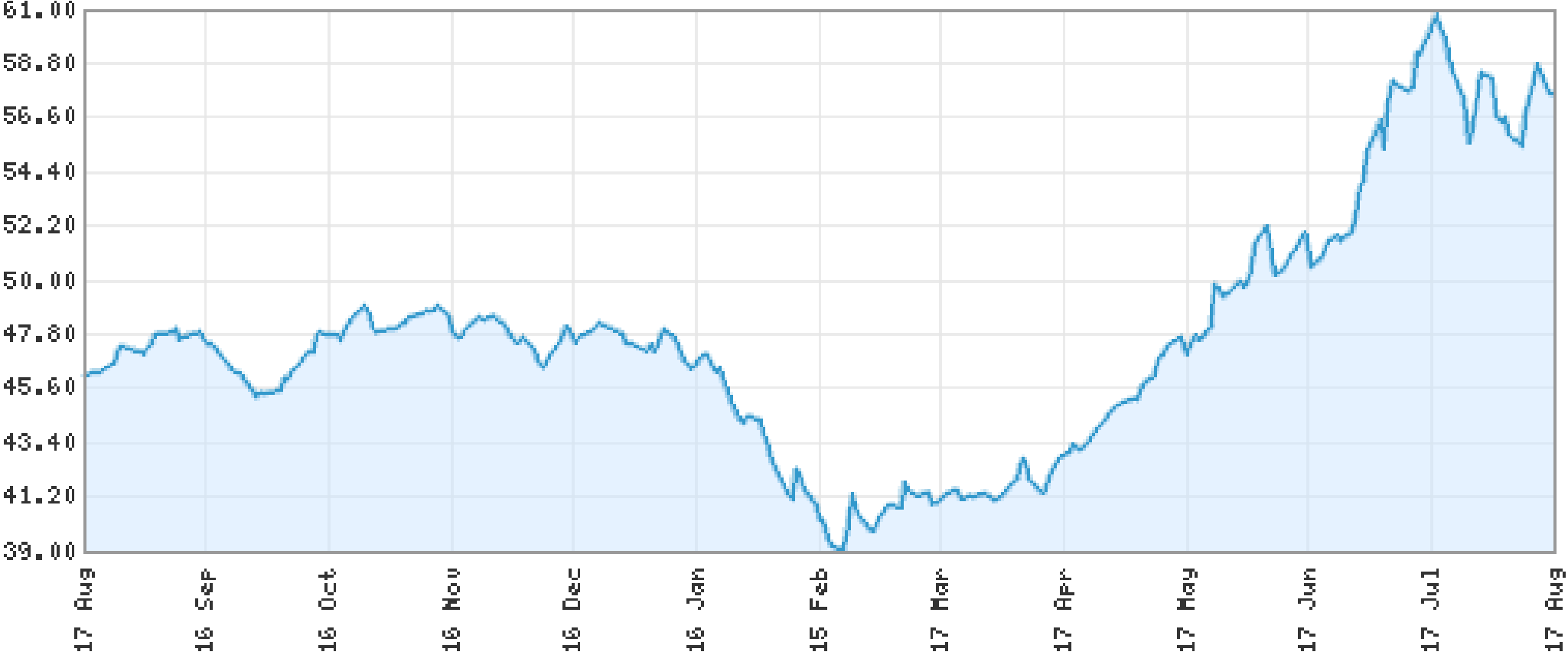


# Electricity – expensive winter '21



# Electricity – futures are well up

Australian Power Index (Eastern) 2022 17.08.2020 to 16.08.2021



# Energy policy roundup

- Nothing is likely to be done about gas prices.
  - ACCC Netback Price Series Review
    - User arguments for Henry Hub reference and removal of full cost of export infrastructure
    - Draft decision essentially is for no change
  - Code of Conduct – negotiations continue but challenging to alter price outcomes
  - National reservation – no word since November 2020
- What else could be done on gas?
- Electricity: Capacity market? Son-of-COGATI?

# Climate policy roundup - international

	USA	China	EU	Japan	India	Canada	Korea	Australia
2030 goal	-50-52% (prev -26-28% by '25)	Peak < '30 (prev peak in '30)	-55% (prev -40%)	-46% by '30 (prev -26%)	-33-45% off '05 <u>intensity</u> (no update yet)	-40-45% (prev -30%)	-40% (prev -24%)	-26-28% (no update yet)
2050 goal	Net Zero (Prev -80%)	Net Zero <u>by 2060</u>	Net Zero	Net Zero	< rich world per capita emissions	Net Zero	Net Zero	Not so far (hazy language)
Actions now	\$\$\$, regs, Clean Energy Standard?, CBAM?	Coal limits, industry policy, ETS	\$\$\$, deepen ETS, new ETS, regs, CBAM	Lift RE share; looking at C tax, ETS, CBAM	450GW renewable goal; US/India coinvest	\$\$\$, raise C price to CA\$170/t by '30	\$\$\$, industry policy, ETS	Tech \$, infra to ease hi-RE



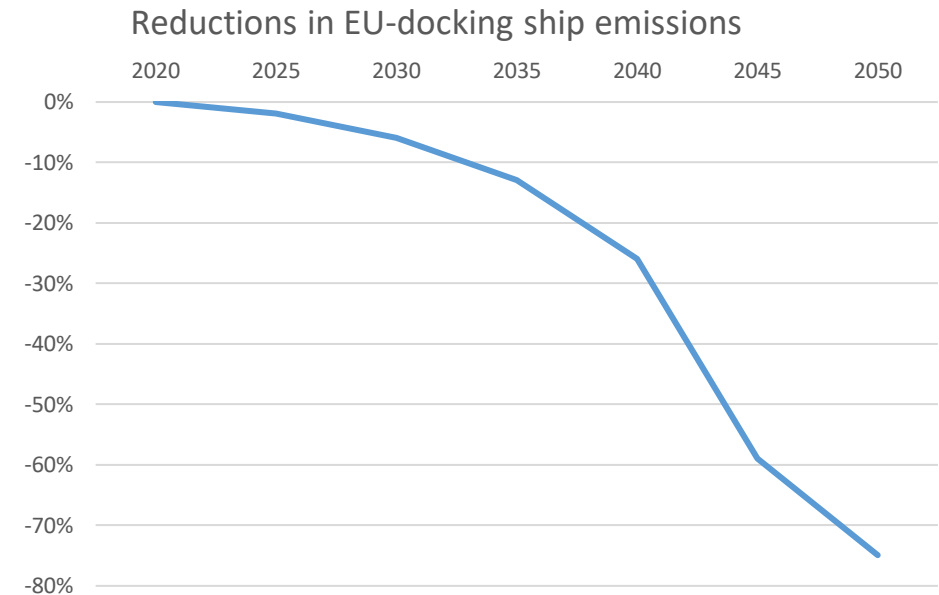
# Climate policy roundup - Japan

- **Japan** upgrading energy targets to reflect net zero push
- LNG impact: If met, would halve absolute LNG demand for power by 2030
  - Question mark over new export developments
  - Will prices moderate as supply rebalances?
- Targets are for electricity sector; rest of economy TBA
- H2 impact: If met, would mean power demand for 800kt/yr of H2 or 4Mt/yr of NH3 by 2030
  - That is a lot!
  - Huge for Green H2 projects and/or multiple Blue H2 projects

Electricity source	Actual 2019	Old 2030 goals	New 2030 goals
LNG %	37%	27%	20%
Coal %	32%	26%	19%
Oil %	7%	3%	2%
Nuclear %	6%	20-22%	20-22%
Renewables %	18%	22-24%	36-38%
Hydrogen / Ammonia %	0%	0%	1%
Electricity demand (TWh)	1,022	1,069	9

# Climate policy roundup - EU

- **EU** Commission launched 'Fit for 55' package towards 2030 -55% CO2 goal and net zero 2050
- \*many\* elements:
  - Carbon Border Adjustment Mechanism
  - Strengthen EU ETS, phase out free allocation to EITE covered by CBAM
  - New ETS on fuels for transport and buildings
  - Fuel emissions reductions mandates on international aviation & maritime
- Member States, EU Parliament need to approve. New ETS most controversial element. CBAM may be tweaked but likely to get up.



# Climate policy roundup - USA

- **USA** Congress considering two major climate-relevant packages:
  - Bipartisan Infrastructure Framework
    - USD\$1.2 trillion
    - EV charging, bus electrification, transmission, clean finance
  - Partisan Budget Bill / Reconciliation Bill
    - USD \$3.5 trillion
    - Clean Electricity Standard, procurement, tax incentives
    - “Polluter Import Fee” / CBAM
- Passage is not straightforward
- More initiatives coming: emissions regulations, financial reporting

# Climate policy roundup - Australia

- **Australia** under significant pressure to do more on climate
  - G20 called on all members to put forward ambitious commitments by COP26 (November)
  - EU, UK, US coordinating to encourage Australia
- However it seems unlikely much more is coming soon:
  - Crabwalk to Net Zero By 2050 firm commitment has stalled with Nationals
  - No groundwork laid for any other significant changes (2030 targets late run?, implementing policies)
  - No work underway to answer Govt questions about costs of action
  - Long Term Strategy is imminent but likely to simply repackage existing policy
  - Government's Climate Change Coordinator has no policy role, just messaging
  - Possible: more \$ for local and international technology & innovation

# Thank you

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