THE AUSTRALIAN

COMMENTARY

By BRUCE MOUNTAIN

Snowy 2.0: A monument to this nation's energy policy hubris

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It's Snowy 2.0 Groundhog Day and here's the well-known tune: costs have ballooned. It's all because of factors beyond our control and, even when that is not the case, it is someone else's fault. We have done much better than the last lot. Snowy is still a gem and it will reduce electricity prices, and the sooner it's finished the better.

I'll spare readers the equally well-known reposts – your AI assistant will summarise them better than I can. Let me instead draw attention to the underlying failure of mindset that explains this miserable situation.

Snowy 2.0 sticks out among Australia's energy policy failures because it is so big and its latest estimated cost is 12 times its initial claims (or 25 times when you account for its share of consequential transmission, other on-costs and financing cost).

Do failures get any bigger than this? Perhaps not as a proportion of the starting claim, but actually in dollar terms it is not that unusual in Australia's energy transition. Massive transmission interconnectors promoted by the Australian Energy Market Operator – and linked to Snowy 2.0 – are now estimated to cost, typically, about six times their initial estimates. The aggregate gap between their initial claims and likely outturn will be bigger than Snowy 2.0.

Huge, complex projects such as Snowy 2.0 or very high voltage powerlines reveal their true social and economic costs gradually, in the course of their development.

Prudent developers and regulators may not be able to predict everything accurately, but if they are doing their jobs properly they would have come up with much more realistic estimates at the outset. They have not done so because the grand plans that underlie those pipedreams are built on ideology and the supposed political advantage they offer.

Former prime minister Malcolm Turnbull's response to the latest Snowy Groundhog Day captures this perfectly. The problem, according to Turnbull, is that Australia lacks experience with big complex projects. There was nothing specifically wrong with Snowy 2.0, he says, and to fix the problem we should build more of them.

I doubt Australia lacks expertise in big complex projects: ours is a resource economy that thrives on successfully overcoming big complex engineering challenges.

But it is certainly true that the Australian government lacks experience in big, complex projects.

Despite the obvious non sequitur of Turnbull's argument, I suspect there are many in the Albanese government (and in the opposition) who are sympathetic to Turnbull's way of thinking. In the case of the government, this is evident in its wishful responses to the Snowy 2.0 train wreck and its trenchant defence of the giant transmission interconnection plan developed by AEMO.

It is evident also in the ever-greater centralisation of electricity regulation and industry subsidies, a ball that got rolling under the Howard government and that subsequent Coalition and Labor governments have repeatedly pushed along whenever they got the chance.

In the mind of the polity and the administrative elite, there has never been an energy policy problem that could not be fixed by taking ever more power for themselves.

What to do then? The starting point is a fundamental change of mindset by our political leadership and the public service that answers to them. Respect for what they don't know – and can't ever know – must take the place of defensive triumphalism and its conjoined twin, reluctance to learn from mistakes.

From that change in mindset will come greater respect for what others know, and healthy scepticism of grand plans and of the special-interest pleading of organised labour and big corporations that gain from such plans.

That change in mindset will find value in decentralised administration that respects what is actually going on in a decentralising power system.

It will also be evident in much greater respect for the many invisible factors of production that affect the selection of the best possible energy technologies in the best possible places.

Is it really too much to expect that our political class can't throw up leadership with the confidence to say: "I don't know and can't know the right answer. And if anyone else says they do, they are wrong. What I can do is put in place the arrangements that are likely to deliver valuable information, adaptation and accountability."

How would a minister of such mind respond to the giant Snowy 2.0 hole that the current and previous governments have dug themselves into?

Here is an idea. They would start by apologising profusely for the awful mess. Then the minister would set about asking others how much they would want to be paid to take the project over.

They would then ask for independent expert assessments of whether Snowy 2.0, taken over by others, might deliver something valuable that can't be provided more cheaply in some other way.

With this in mind the minister would then know whether to keep digging or to pull the plug. Something similar needs to be done with the hopelessly out of control transmission expansion, much of it driven by Snowy 2.0.

Of course a minister, or prime minister, of the mind I am encouraging would have asked these questions before committing large chunks of taxpayers' money. It is too late to dream of lemonade from these rotting lemons. But mindlessly flogging a dead horse does not make the best of a bad lot. The sunlight must be allowed in to begin to disinfect these weeping sores.

Australians seem to be fed up with the governing elite scrounging from the people's pockets to fund their failing grand-plan vanities.

Those who don't sniff this breeze and set their sails accordingly will get the comeuppance that is long overdue.

Bruce Mountain is director of the Victoria Energy Policy Centre.

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