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ENERGY IN AUSTRALIA: POLITICS AND ECONOMICS

HUGH SADDLER

Boston: Allen & Unwin. 1981. Pp. 205 + x. \$19.95.

In this book, the author set himself two main objectives. The first was to provide some basic facts about energy science and technology, and on the structure and operation of the Australian energy sector. The second—rated by the author as the more important objective—was to explain why the debate over energy policy was important.

The first objective is met admirably. Chapter 2 contains a concise account of basic energy technology. Chapter 3 marshals useful facts about the principal energy sources in Australia, with information on reserves, extraction rates and utilization. Chapter 4 provides an interesting description of the institutional framework applicable to these energy sources, oil, gas, coal, electricity, renewable fuels, and uranium.

However, the verdict on the second objective is another matter. There can be no doubt that the book underlines the importance of the debate over energy policy and makes a lively contribution to that debate. Nevertheless, the quality of that contribution is not beyond challenge.

At the outset, the author nails his moral colors to the mast. In the Preface he concedes the importance of personal values in the process of choosing facts for presentation, and states his position in the following terms:

“My personal values reflect the belief that society should accord very high priority to distributional equity, that people should have the opportunity to make decisions in all matters which affect their lives and that, given the opportunity, most people are innately capable of co-operating in creative harmony with others to do so. Readers who do not share these values may disagree with my conclusions. I trust, however, that such readers will nevertheless find my analysis of interest.”

But it is in the realm of analysis that the book is found most wanting. The basic approach is intuitive rather than analytical. In the result, the author's arguments lack compulsion. They may reinforce the existing beliefs of particular readers, but are unlikely to win many converts.

Perhaps the greatest disappointment is encountered in Chapter 5, entitled “Economics and Energy Policy.” Here the author discusses a number of important energy policy decisions as case studies: pricing and taxation of crude oil production; pricing of non-renewable energy resources; economics and scale in the transport and extraction of energy resources; prices, incomes and energy in the Australian economy; pricing

of petroleum products; and electricity pricing and its effects on the introduction of solar energy. Polemics abound. The author notes that "[o]ne observer of the international oil industry has commented that, of all the oil producing countries in the world, only Gabon is more completely the tool of the oil industry than Australia." An intriguing proposition, undoubtedly, but one which requires more than mere assertion to establish.

Take another example. At page 136, there is brief mention of the concept of the social discount rate, followed by the remarkable (to this reader) suggestion that "[a] society which gave future generations equal weight with the present would use a real discount rate of zero." No explanation is offered for this conclusion, nor is there any reference to the literature on the issue. The skeptical reader is left to wonder how far beliefs such as this affect the basic tenets of the author's argument.

In the final chapter, the author confronts various issues which lie at the heart of Australian energy policy. Making the oil industry serve the interests of the Australian community is one such issue. The preferred solution involves establishment of a state oil corporation with appropriate powers and responsibilities. But how does one ensure that the community benefits from public ownership of energy resources? How indeed, when the author is forced to admit earlier (pp. 115-116) that government-owned electricity authorities provide a far from perfect model for public participation in the energy sector! The question is crucial, but the answer weak: "The very important public interest would not, I believe, be sufficiently protected by institutionalizing the involvement of government in the management of State energy corporations. Far greater public availability of information about corporate operations and plans would be necessary. So too would regular public inquiries into the corporations' activities. The requirement for regular review by parliamentary committee at intervals of, say, five years could be incorporated into the enabling legislation when a new corporation was established. An opportunity and a right would thereby be provided for the general public to express their views and for the public's representatives (members of Parliament) to question corporation executives. Such change would imply a significant assertion of power by parliament against the executive arm of government." (p. 184)

One last remark. With a subject as broad as "energy in Australia," simplification of complicated issues is inevitable. Nevertheless, the (lack of) treatment of the Australian federal system requires mention. In a country where State ownership of the principal energy sources is the norm, it is not enough to lament that "[i]t would perhaps be ideal if national policy co-ordination were exercised by a joint Commonwealth and State agency . . . Unfortunately, in the light of past experience of

Commonwealth-State co-operation, it is hard to be optimistic about the prospects of success" (p. 181). Coherent policy seems impossible without clear identification of the respective interests of Commonwealth and States.

The energy debate in Australia has lost none of its sting. On a factual level, this book provides a useful backdrop for the debate. Its policy prescriptions, however, require analytical underpinning.

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