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What Turnbull's new energy policy means for ASX-listed producers Resources

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Oil and gas producers are happy — but the future is uncertain for ASX-listed solar and wind producers after the Turnbull Government today scrapped the renewable energy target.

Prime Minister Turnbull's National Energy Guarantee — unveiled on Tuesday — requires energy retailers to buy a portion of energy from "dispatchable sources" (electricity sources that can be ramped up in minutes).

That means gas or pumped hydro, and to a lessor extent coal.

The measure would improve reliability and save households $110 to $115 a year while meeting emissions targets, the government said.

However it would likely result in the slower uptake of renewable energy sources. Solar and wind would gain only 5 to 13 per cent extra share of the energy market by 2050, according to clean energy news site RenewEconomy.

The Renewable Energy Target (RET) would finish as planned in 2020 and a "clean energy target" proposed by the Finkel Report would be scrapped.

Good news for hydro energy producers

Genex Power (ASX:GNX) executive director Simon Kidston told Stockhead the new policy was excellent news for his company.

Genex is building a pumped hydro energy storage system out of an old gold mine in Queensland. Stage one is underway and due to start generation by the end of this year and stage two funding talks are "advanced".

Mr Kidston says pumped hydro is one of the options retailers will be allowed to use in their dispatchable power quota.

Genex shares climbed 2 per cent to 23.5c.

Oil and gas producers happy

The new energy guarantee would level the playing field for coal and gas, Real Energy (ASX:RLE) chief Scott Brown said. Real Energy is currently involved in exploring a Queensland gas field.

"It puts gas power generation back in the game," Mr Brown told Stockhead.

"Previously, because of the [renewable energy] subsidies, gas power generation probably wasn't really something that made sense economically, because the subsidies were too high," he said.

"Now they're moving to reduce that it's good for people like us who have got a lot of gas in the ground."

By subsidies he was referring to the RET, which operated as an obligation to buy certificates. The NEG will also impose an obligation but instead of clean energy, it will be to buy that dispatchable power.

Lakes Oil (ASX:LKO) chairman Chris Tonkin says the new policy would make the real cost of different forms of energy apparent.

"It will allow a reasonable competitive arrangement in addition to having to meet certain guidelines, which seem to be guidelines for energy efficiency and energy that is more environmentally friendly."

More information needed, say analysts

Today's announcement raised more questions than answers, some analysts said.

Bloomberg energy storage expert Ali Ashgar says he's waiting for more information before forming a view.

Green Energy Market's Tristan Edis was also waiting for the details — but thought the new policy might be "alright for renewables".

"It's unclear whether it would be negative for renewables and it may provide an new source of demand after 2020 — but what the scale would be is unclear," Mr Edis told Stockhead.

"It will impose an emissions obligation of some kind on retailers consistent with a 26 to 28 per cent reduction on 2005 [levels]."

Projects potentially on hold

The Climate Council's Andrew Stock said the change would create uncertainty for the renewables industry — and therefore for the largely foreign investors who support that sector.

"It's likely to force potential investors to reassess their plans and potentially put projects on hold," he told Stockhead.

"It may be good for storage, but if it creates uncertainty it won't."

Even if the emissions reduction obligation on energy retailers reaches the 26-28 per cent recommended by the Finkel Review, it would still put a substantial burden on other parts of the economy to reduce their emissions in order to meet Australia's Paris commitments, he said.
