CIS NEWSLETTER

NOVEMBER 2025

Why power prices keep climbing: The hidden costs behind the crisis

Australians were told that renewable energy would bring cheaper power. Yet, electricity bills remain high, with many households struggling to manage the additional pressure on their family budgets. Surveys show energy costs are now the second-biggest cost-of-living concern, just behind groceries.

As Australia loses our cheap energy advantage, taxpayers are being forced to subsidise energy-intensive industries, including smelters and steel works.

Why renewables aren't delivering cheaper power

The problem is not simply fuel prices or company profits. The deeper issue is that wind and solar are intermittent. They only generate energy when the weather allows. To maintain grid stability, governments and industry must invest in storage, transmission, and system stability measures. These additional costs are unavoidable and are passed through to households and businesses.

Paying more to keep the transition alive

The transition is proving more expensive as investment in new capacity slows. Capture prices for wind and solar are falling, reducing the commercial incentive for private projects. To keep the rollout on track, governments have scaled up subsidies and underwriting schemes, such as the Capacity Investment Scheme. Public financing through the CEFC and Rewiring the Nation is helping to fill the investment gap. International evidence is clear. As explained in a new CIS paper, *The Renewable Energy Honeymoon: starting is easy, the rest is hard*, countries with the highest shares of wind and solar consistently have higher household electricity prices. There are no examples of both low-cost power and high renewables penetration. Australia's path is not unique, and the global experience should be a warning.

The required transmission build-out this decade is unprecedented. Projects often face sharp cost blowouts arising from the challenge of delivering multiple large builds simultaneously. This adds further pressure to household bills and raises questions about feasibility of government targets. At the same time, the rapid exit of coal and gas is increasing price volatility in wholesale markets, which retailers must pass on to households.

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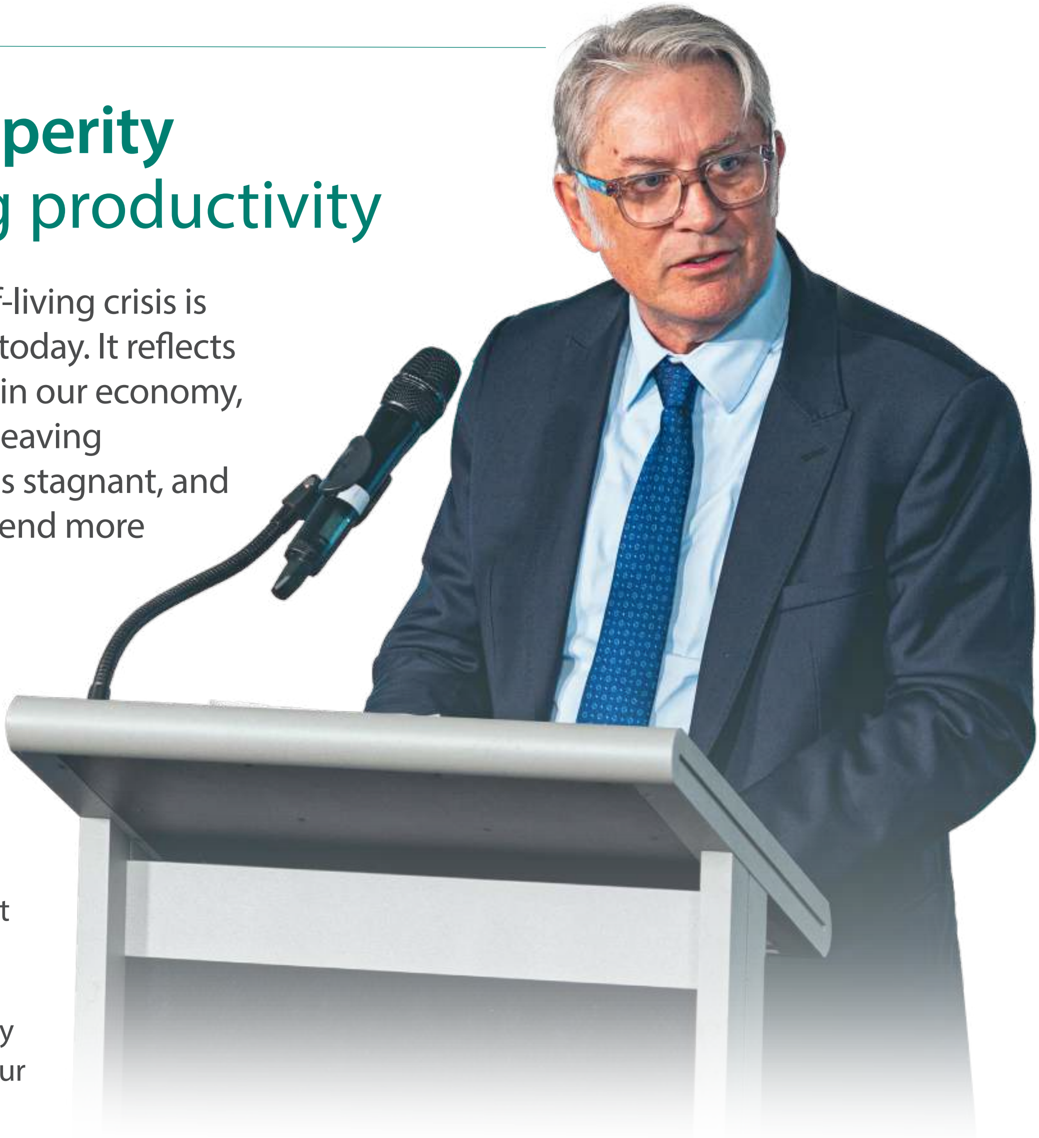
Restoring prosperity means tackling productivity

Australians know the cost-of-living crisis is not just about higher prices today. It reflects more profound weaknesses in our economy, a productivity slump that is leaving households squeezed, wages stagnant, and governments tempted to spend more rather than reform.

For decades, the reforms of the 1980s and 1990s gave Australia a competitive edge. We opened markets, cut tariffs, deregulated finance, and unleashed enterprise. That momentum built one of the most prosperous economies in the developed world. But since the global financial crisis, productivity growth has slowed sharply. Labour productivity has grown at only 0.5% a year since 2012–13, while government spending per person has grown almost four times faster.



CIS Executive Director, Michael Stutchbury

This imbalance matters. Productivity is not about working harder but about working smarter by focusing more on what we do best. Without it, higher wages and better services cannot be sustained. As CIS research has shown, Australia now risks drifting into a low-growth, high-debt future, with budgets structurally in deficit and real incomes going backwards.

The ongoing squeeze on families, from power bills to rents, is the sharp edge of this problem. The solution lies not in ever-larger subsidies or higher government spending, but in restoring the spirit of reform.

Australia has reinvented itself before. When CIS was founded in 1976, the country faced similar stagnation, high inflation, and policy drift. Bold reform then paved the way for decades of growth.

We can do it again. But it will take clear thinking, honest debate, and the courage to resist short-term fixes in favour of structural reform.

At CIS, we will continue to provide policymakers with the evidence and ideas they need to restore dynamism, boost productivity, and alleviate the cost-of-living pressures on Australian households. Prosperity is not automatic; it must be earned, protected, and renewed. None of this work would be possible without the commitment of our members and donors, whose support ensures CIS can remain independent and keep reform at the centre of Australia's future.

Michael Stutchbury, Executive Director

Why power prices keep climbing: The hidden costs behind the crisis

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As the cost of the renewables-heavy energy transition becomes clearer, it makes less sense to rule out zero emissions nuclear power and attempt to close coal plants without sufficient, new baseload power in place.

Exposing the flaws in energy modelling

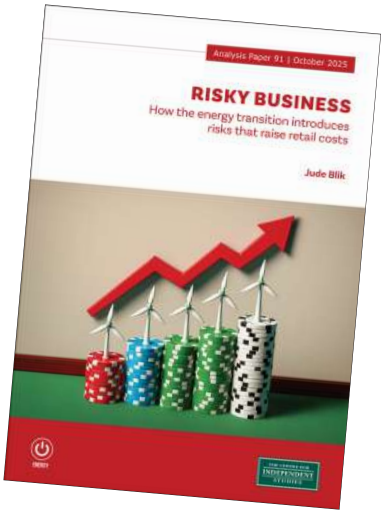
CIS research has shown that many energy models underestimate these costs. Our paper *The Six Fundamental Flaws Underpinning the Energy Transition* demonstrates that models often assume ideal conditions and fail to fully account for storage, transmission, and grid stability. This makes renewables appear cheaper on paper than in practice. Rooftop solar provides another example. In *Rooftop Solar: Paradise Lost*, CIS shows that while households with panels benefit, the overall system cost increases. Non-solar households effectively subsidise solar owners, while system security problems become more prevalent.

Facing the hard trade-offs of net zero

Energy is not just another industry. It underpins every other sector, from food to housing to manufacturing. Higher energy costs ripple through the economy, lifting the price of groceries, housing materials, and everyday goods. The cost-of-living crisis cannot be separated from energy policy.

Australians have voted for net zero by 2050. Yet as the costs of this become clearer, there surely will have to be a new political bargain to deal with the reality of the trade-offs.

Our electricity market and **rising power costs**



A new CIS research paper shows that Australia's wholesale electricity market is now the most volatile in the world and explains how this has pushed up the cost of power.

In *Risky Business: How the energy transition introduces risks that raise retail costs* senior CIS policy analyst **Jude Blik** says every risk indicator in the electricity market is moving in the wrong direction. With volatility, average prices and intraday distortions are all worsening simultaneously, he says.

"This instability is making the core business of retailers — converting volatile wholesale prices into stable household bills — far more expensive and riskier."

Jude says government and regulators are blaming the wrong people for the price rises.

"They are targeting retailers for price increases even though the root cause is structural system design, not retail margins," he says.

"The core problem is structural. The systemic pressure of forcing intermittent wind and solar into the grid while retiring dispatchable generation has made the entire system riskier, more complex, and more expensive to run."

"Ultimately, consumers bear these costs, meaning rising volatility, hedging costs, and policy-induced risk premiums will continue to flow through to household electricity bills."

Scan here to read Jude's paper or visit **cis.org.au/publications**

Sussan Ley's tax cut pitch: A CIS conversation with Michael Stutchbury

In October, Opposition Leader **Sussan Ley** brought a big contingent of Liberal shadow ministers to her speech at CIS. She spoke to an audience packed into our main conference room and began with her headline announcement that the Coalition would take a package of personal tax cuts to the next election.

"Every instinct in my being tells me that Australians should keep more of what they earn."

After her speech, I sat down with Sussan to explore her case for lower personal income taxes — and how she hopes to redefine the Coalition's economic message ahead of the next election.

The pledge seeks to politically brand the Opposition Leader as standing for lower taxes. Ley has work to do on this after **Peter Dutton** went to the May election promising *higher* income taxes than Labor.

Sussan needs to reframe the hip-pocket political debate away from Labor's established trope that a Coalition government stands for slashing popular government services, such as Medicare.

Instead, when she opposes Labor's 2028 election spending promises — such as for 'universal' childcare — Ley wants voters to think the Libs will lower their taxes. "I want Australians to have this pledge front of mind," she says.

Exploiting the ongoing cost-of-living squeeze, Ley promises to focus the tax cuts on low and middle-income voters.

She also seeks to change the debate on government spending. Federal outlays have ratcheted up from a bit above 24% of GDP before the pandemic to an historically high 27%.

So far, voters seem fine with Labor's bigger 'care economy'. But Ley wants them to instinctively ask, "why would we spend public money on that?"

She points to CIS senior fellow **Robert Carling**'s estimate that more than 50% of voters now get most of their income from government salaries or subsidies as evidence of a growing culture of dependency.

> *Every instinct in my being tells me that Australians should keep more of what they earn.*

Labor seeks to validate the structural increase in the size of government through a bigger tax

Opposition Leader, The Hon. Sussan Ley addresses the CIS audience including Liberal shadow ministers, Ted O'Brien, Anne Ruston, Kerrynne Liddle, Angie Bell, Simon Kennedy and Cameron Caldwell

Michael Stutchbury with Sussan Ley during a Q&A after her speech at CIS

burden, including on superannuation, other forms of 'wealth' and income-tax bracket creep.

When **John Howard** left office in 2007, Ley noted, average workers lost 22.3% of their income in tax. That average tax rate has increased to 24.3%. And the Parliamentary Budget Office projects it will climb further to 27.7% over the next decade.

The Opposition Leader wants to portray this as saddling the next generation of Australian workers with higher public debt and increased taxes.

Promising to cut personal income taxes sounds obvious and welcome, particularly delivered at CIS. But committing to cut income tax this far out from a likely 2028 election comes with potentially-tricky trade-offs.

After all, the first Abbott-Hockey government *increased* income taxes in its ill-fated first budget that, like now, confronted at least a decade of projected deficits.

And, given today's more threatening geo-strategic circumstances, the Coalition also vows to lift defence spending from not much above 2% of GDP to 3%. That could cost $20 billion or more a year.

Ley nominates "two primary goals: lower personal income taxes and budget repair". But these twin goals of rewarding enterprise and fixing the books are at odds.

Which would come first?, I asked. Ley's answer leaned toward income tax cuts.

However, she wouldn't bite on whether the Libs could pledge to index the personal tax scales for inflation and end the stealth tax of bracket creep.

Tax indexation would have the advantage of imposing structural discipline on the budget. But it also could get hairy if global investors imposed a public debt crisis on Australia.

In the end, there's unlikely to be any easy way of getting Australian governments to live within taxpayers' means.

Scan here to watch a video of the event or visit **cis.org.au/commentary/video**

CIS Chief Economist, Peter Tulip in conversation with NSW Premier, The Hon. Chris Minns, and NZ Minister for Housing and Infrastructure, The Hon. Chris Bishop

How housing policy makes homes unaffordable. And what must change

Housing is now at the frontline of Australia's cost-of-living pressures. Rents and mortgage payments are two of the largest items in household budgets, and both are rising faster than other prices. For renters, buyers, and aspiring homeowners, affordability is a constant source of stress. But the deeper causes of this crisis are often overlooked.

How planning rules drive up prices

CIS research shows government restrictions on supply are a significant contribution to the rising cost of housing. Zoning and land use regulations on height, density, setbacks, and heritage mean the market cannot respond to rising demand. Instead of more dwellings, we get higher prices and rents.

The social costs are severe: rental stress, homelessness, long commutes, overcrowding, inequality, declining home ownership rates, slower family formation, labour market misallocation, and increased carbon emissions.

More homes, not more spending

The solution is more buildings. Economists' rule of thumb is that every 1% increase in housing stock, holding other factors constant, reduces the cost of housing by 2.5%. This does not require government spending; it only requires the government to step aside.

Our evidence-based research has already shaped policy. The New South Wales and Victorian governments have fast-tracked approvals and allowed higher-density apartments near transport centres. While supported by many voters, these moves face resistance from residents. At the federal level, Canberra has talked about the right goals but not backed them with serious policy. Social housing spending has risen, but it has produced very few additional dwellings. The focus must be on the 96% of Australians in market-supplied housing.

Scan here to view the event on YouTube or visit **cis.org.au/commentary/video**

The panel take questions from the floor at the CIS Housing event

Former Prime Minister, The Hon. Malcolm Turnbull, and his wife and former Sydney Lord Mayor, Lucy Turnbull, with The Hon. Chris Bishop

Leading the push for reform

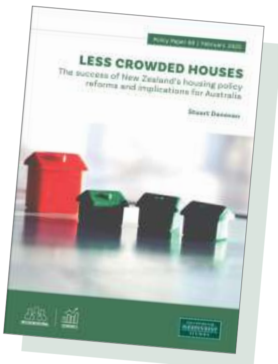
CIS continues to play a leading role in this debate. We regularly appear in the media, public forums, private meetings, and official inquiries. Our work has been publicly recognised by the NSW Premier and Treasurer, as well as the New Zealand Housing Minister.

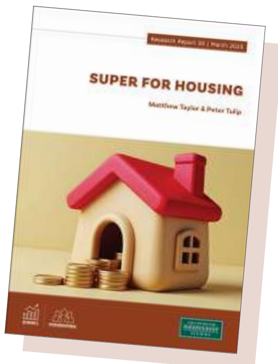
Looking to the future, our research is focusing on housing affordability in regional areas and the flaws in heritage legislation. With reform, we can support a fairer system, ease pressure on families, and inspire confidence that home ownership is within reach.

*The Australian Financial Review named our Chief Economist, **Peter Tulip**, as one of Australia's five most powerful people in property policy.*

The Hon. Chris Minns with CIS Executive Director, Michael Stutchbury

CIS Economics Program Director, Peter Tulip





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Holding back **Leviathan**

Australians cannot afford endless government expansion and rising debt.

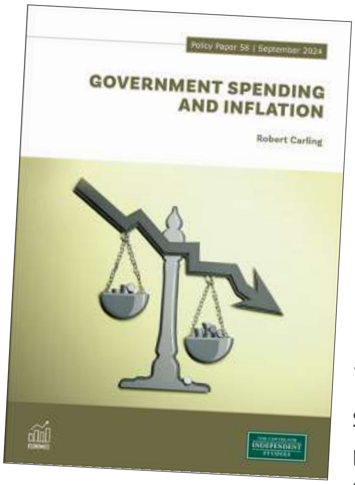
Australians are living through the sharpest squeeze on household budgets in a generation. Over the three years to mid-2024, consumer prices increased by 17%, while wages rose by only 11%. Real incomes have gone backwards, and even as interest rates begin to ease, families remain under pressure. Bracket creep has pushed up income tax, further eating into disposable incomes.

How big government fuels inflation

Fiscal policy is at the heart of this problem. Government spending at all levels now consumes nearly 39% of GDP, up from 34—35% before the global financial crisis. As **Robert Carling** outlined in his CIS paper *Government Spending and Inflation*, government spending has clearly fed excess demand in the economy and the inflation that the Reserve Bank has had to tame with higher interest rates.

> *It is now likely that more than half of voters rely on government for most of their income.*

Short-term relief, long-term pain



As inflation has increased the cost of living, relief measures have become central to fiscal policy, not only at the federal level but also in state budgets. However, relief measures — such as electricity bill rebates — only address the symptoms rather than the root causes of inflation. Even worse, they can exacerbate the underlying problem by encouraging consumer spending demand.

Debt, dependency & unsustainable promises

The consequences are already being felt. Pandemic-era deficits resulted in hundreds of billions of new debts, driving up interest costs. Major programs such as health, aged care, and the NDIS continue to expand year after year.

The high cost to the budget is fiscally unsustainable; however, the political reality is that once in place, costs are difficult to remove. In line with other signs of a deepening culture of dependency on government, opinion surveys indicate strong support for the proposition that the government should do even more to alleviate cost-of-living pressures. Without reform, Australia risks drifting toward the European model of high spending, high debt, and low growth.

Reform, not handouts, drive real wage growth

The way forward is clear. The only sustainable way for governments to help revive real wage growth is not to get (nominal) wages moving again by rigging the labour market, nor to hand out more fiscal support, but to make economic reforms that will help fuel productivity growth, which is the ultimate wellspring of real income growth.

It is no coincidence that real wages have declined or stagnated, while productivity has also declined or stagnated. In this sense, the cost of living crisis is a real income and productivity crisis.

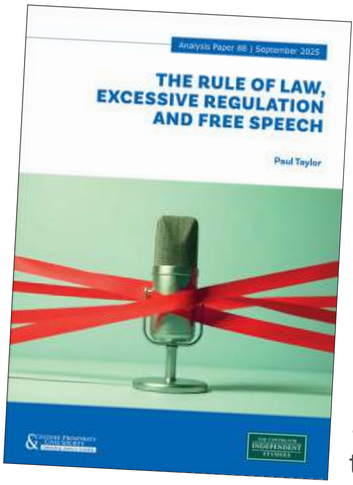
Scan here to access our latest research or visit **cis.org.au/publications**

When truth and law **are weakened**

Australia today faces a growing challenge that extends beyond the economy. It is about how we define truth, regulate speech, and uphold the rule of law.

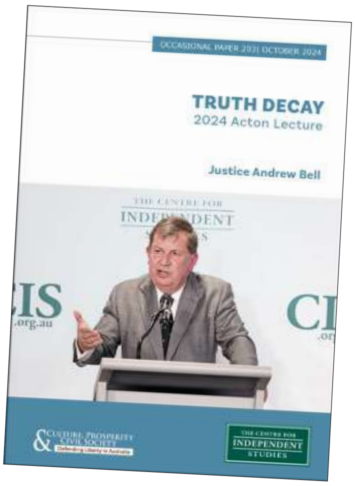
Two recent CIS contributions, **Dr Paul Taylor**'s paper *The Rule of Law, Excessive Regulation and Free Speech*, and **Chief Justice Andrew Bell**'s *2024 Acton Lecture, Truth Decay* point to the same danger from different directions. Together, they demonstrate that when vague regulation and shifting notions of truth intersect, the conditions for open democracy are compromised.

Eroding the rule of law through overreach



Dr Taylor argues that the rule of law depends on laws being transparent, predictable, and applied within strict limits of authority. Yet recent moves in Australia to legislate against misinformation, expand online safety powers, or broaden privacy offences are pulling in the opposite direction.

These laws grant regulators sweeping discretion, often without adequate safeguards. As Dr Taylor writes, "The tools of accountability that support the rule of law are enhanced when human rights are properly protected, especially freedom of expression … When they are undermined, so are crucial aspects of the rule of law."



In practice, vague rules invite selective enforcement and leave citizens uncertain about what speech is permitted. The effect is self-censorship and a shrinking of democratic space.

How 'truth decay' threatens justice

Justice Bell's lecture highlights a parallel concern: what he calls *Truth Decay*. Courts, he explained, rely on truth that is "grounded in evidence, rigorously tested through the adversarial system." However, in broader society, postmodern ideas of subjective truth and lived experience are increasingly competing with objective facts.

As Justice Bell notes, "the rise of postmodern ideas of subjective truth … is influencing society's understanding of truth, affecting how justice is pursued." If truth becomes fluid, the work of courts, and indeed, the work of democracy, is compromised. Without shared standards of evidence, both legal reasoning and public debate lose their anchor.

When weak laws meet fading truth

Taken together, these arguments point to a profound risk. Weak regulation gives authorities the means to silence dissent, while truth decay undermines the very idea of objective standards. The result is not only a threat to individual liberty, but a weakening of the institutions designed to hold power accountable. Citizens find it harder to question policy failures, journalists are discouraged from probing too deeply, and courts are pressured to interpret law in ways shaped more by sentiment than by evidence.

Democracy depends on truth

This is why CIS continues to defend free speech, institutional integrity, and the principles of the rule of law. Our work on regulation, civic society, and political accountability emphasises the importance of clear laws, limited discretion, and protections for open debate. The issues may appear abstract, but they strike at the heart of how Australians can discuss everything from energy to housing to education. If the conditions for free inquiry are lost, finding solutions to our cost-of-living crisis will become more challenging.

As Justice Bell's lecture and Dr Taylor's paper both warn in their own way, democracy cannot survive without respect for truth and without the rule of law that protects our right to speak it.

Dr Jennifer Buckingham awarded the **2025 McGregor Fellowship**

The Centre for Independent Studies is proud to announce that the 2025 McGregor Fellowship has been awarded to **Dr Jennifer Buckingham**, in recognition of her decades of leadership in education policy and her commitment to raising academic standards through the Science of Reading.

Jennifer embodies the spirit of the Fellowship — applying the principles of CIS in ways that have changed lives and reshaped education in Australia.

Jennifer joined CIS in 1998 as a research assistant, fresh from the University of Newcastle. It was, she later said, life-changing to be thrust into the intellectual milieu that CIS founder **Greg Lindsay** had established.

While updating the *State of the Nation* compendium, she uncovered an anomaly: contrary to popular belief, it was boys — not girls — who were falling behind at school. Backed by evidence, Jennifer "said out loud what many people had suspected."

Her work caught the attention of then Liberal backbencher **Dr Brendan Nelson**, who launched a parliamentary inquiry into boys' education. The inquiry led to a new national focus on taking policy for children seriously and showed how a think tank can change the world for the better through non-partisan, evidence-based research.

In 2016, as head of the CIS education program, Jennifer set up the Five from Five initiative, focusing on the five essential elements of reading instruction from a child's first day of school. Her insight was simple but transformative: while children naturally learn to speak, learning to read and write is far more complex.

So began the reading wars — between the newly fashionable *whole-language* model, and the more traditional phonics approach. Cognitive science showed phonics to be far more effective.

Jennifer approached this national debate with focus, toughness, and disarming warmth. As Greg Lindsay noted, "She got on with people even when they disagreed with her."

Her influence crossed political lines. Then Education Minister **Simon Birmingham** said: "Without Jennifer's courage, conviction and consistency, Australian students may not have seen improved teaching of the most fundamental building block of a good education: the ability to read."

Jennifer's achievements in education have been widely recognised, including the Medal of the Order of Australia. Today, as Executive Director for Policy and Evidence at the NSW Centre for Education Statistics and Evaluation, she continues her mission — and remains, as ever, a cherished part of the CIS family.

Jennifer receiving her award from Executive Director, Michael Stutchbury (at left), and Chairman, Nicholas Moore

Listen up! CIS podcast update

The Stutchbury sessions
with Michael Stutchbury

Why Australians vote for big government

Join CIS Executive Director, **Michael Stutchbury**, as he questions why voters back policies that expand public spending, debt, and taxes, noting that cost-of-living relief measures — like energy rebates, cheaper medicines, and student debt cuts — benefit even the well-off, adding to long-term fiscal burdens. Post-pandemic inflation, fuelled by massive government handouts, has led to a cycle of crisis-driven spending and voter dependency on state support.

Drawing on CIS research, Liberal leader **Sussan Ley** highlighted that over half of Australians now rely on government income, while just 10% of taxpayers fund two-thirds of all income tax. Public sector and government-funded jobs dominate employment growth, reflecting what CIS economist **Robert Carling** calls a shift toward voting for a living. Government spending has surged from 34–35% to nearly 40% of GDP, contributing to falling productivity, persistent deficits, and $1 trillion in debt.

This growing dependency risks European-style stagnation. To reverse it, CIS argues Australians must be persuaded that smaller government and greater individual initiative — not expanding welfare — lead to lasting prosperity.

Listen now on *The Stutchbury Sessions*.

Liberalism in question
with Rob Forsyth

Peter Costello on the Case for Liberalism

Former Treasurer Peter Costello joins **Rob Forsyth** to reflect on how he came to embrace classical liberalism and why it still matters today.

Peter recalls discovering liberal ideas in his twenties — learning how free markets, individual responsibility, and the rule of law together form the foundation of a prosperous and fair society. He says liberalism's strength lies in its respect for the individual and its insistence that government power be limited, transparent, and accountable.

As Treasurer, he championed reforms that put those principles into practice: tariff cuts, the GST, competition policy, and Reserve Bank independence. Each, he argues, aimed to sharpen government's focus and protect economic freedom.

Peter warns that liberalism has faded since the global financial crisis and COVID-19 lockdowns, when Australians "gave up their liberty too easily." Yet he remains optimistic that as state control proves unsustainable, citizens will again see that freedom and personal responsibility are the true sources of progress.

"Liberalism needs defenders," he concludes. "If you don't argue for it, it will atrophy."

Listen now on *Liberalism in Question*.

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Cost-of-living pressures are policy failures

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