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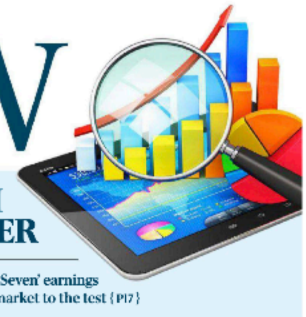
BUSINESS REVIEW



S&P/ASX200 6844.1	▼	-56.6
GOLD $US1981.05	▼	-$US5.21
DOLLAR US63.1C	▼	-US0.01c

DATA ROOM
Spotlight on Catalano in Southern Cross Media contest {P14}

JAMES KIRBY
Consternation over Labor's 'nowhere else in the world' tax {P20}

TECH POWER
'Magnificent Seven' earnings to put sharemarket to the test {P17}

Microsoft to spend $5bn 'turbocharging' AI in Australia

JARED LYNCH

Microsoft will spend $5bn building nine new data centres in Australia to power the explosion in cloud computing from the rapid uptake of artificial intelligence, while bolstering the nation's cyber defences.

The investment – Microsoft's biggest in its 40-year history in Australia – comes as the $US2.43 trillion ($3.85 trillion) tech titan is set to launch its AI copilot for business next week as part of chief executive Satya Nadella's vow to "fundamentally change the way we work and unlock a new wave of productivity growth".

Microsoft has already been trialling its AI copilot across a select group of Australian businesses – including NAB, AGL Energy and Suncorp – and announced its $5bn investment with Anthony Albanese in the US overnight on Monday.

Microsoft has also committed to train 300,000 Australians to "succeed in the digital economy", and will launch a data centre academy in a partnership with TAFE NSW early next year.

Additionally, it will collaborate with the Australian Signals Directorate to strengthen Australia's cyber defences, following a wave of high-profile assaults on local businesses, including Medibank, Optus and Latitude – and as state-sponsored hackers from Russia, Iran and China escalate attacks.

Microsoft Australia and New Zealand managing director Steve Worrall said the investment would create a "platform to foster growth and innovation in the era of AI" while providing a "safer and more secure digital economy".

"The infrastructure, skilling and cybersecurity investments and initiatives we announced build on our long-term commitment to Australia but are squarely focused on the future," he said.

The investment will lift the number of Microsoft's Australian data centres, spread across Sydney, Melbourne and Canberra, from 20 to 29, and increase its computing capacity by about 250 per cent in the next two years.

Crucially, it will allow Microsoft to meet the growing demand for cloud computing services, which are expected to almost double from $12.2bn to $22.4bn by 2026, according to International Data Corporation.

The rapid uptake in AI – which spans all sectors of the economy from the big banks to $39bn design software giant Canva and architect firms – has come at a cost, which has been hanging over AI platform providers, including Microsoft. The technology uses graphic processing units and operates in the cloud, both of which are expensive to run, while the data centres are costly to build.

AI companies have implemented a range of models to cover costs and ensure the technology is profitable. Microsoft charges businesses a monthly fee of $US30 per user to access copilot, while Adobe has a credit system to access its AI Firefly platform.

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NATION 'ON TRACK' FOR 2030 GOAL

Supply surge 'will help hit green targets'

COLIN PACKHAM

Australia can still meet its 2030 green energy targets as new generation sources rapidly come to market in the second half of the decade, a senior government official has insisted, despite market concern that the nation is behind schedule.

The nation has set a target of having renewables generate 82 per cent for its electricity by the end of this decade, a key pillar in the legislated requirement that Australia reduce its emissions by 43 per cent by the same deadline.

Progress remains sluggish, with renewable energy generating less than 40 per cent of the nation's electricity needs

However, Federal Department of Climate Change and Energy deputy secretary Simon Duggan said the pace of the transition would quicken in the coming years.

"There is a pathway to 2030. We believe we can still get there," Mr Duggan said.

"We would expect to see an acceleration towards that target in the second half of the decade. We are only now starting to see some significant policies that are starting to hit the ground and have an impact."

Australia was "well behind the pace" to hit Labor's 2030 renewables target, the nation's green bank warned in May, with a major wind farm needing to be built each month until the end of the decade to hit the ambitious goal.

Still, Mr Duggan highlighted the capacity investment scheme, agreed to late last year by national and federal energy ministers, as one policy that would drive the development pace in the coming years. The policy is the centrepiece of Australia's plan to ensure sufficient power generation is available as traditional coal power stations are retired. The scheme sees the government underwrite revenue for a mix of zero emissions dispatchable generation and storage projects.

The scheme expects to bring at least $10bn of new investment and 6GW of renewable energy generation and storage to Australia by 2030.

The scheme will focus primarily on so-called firming capacity, which are assets that can dispatch electricity on demand during periods of low renewable energy output, such as during cold, grey days.

Mr Duggan's assessment bucks a market narrative that Australia will not meet its transition targets and that the country may need to slow the closure of coal generators to avoid price rises or the threat of blackouts.

The Australian Energy Market Operator expects two-thirds of the nation's fleet of coal power to be retired in a decade, but NSW in September said it would seek a deal with Origin Energy to delay the closure of the state's largest coal power plant after accepting there would insufficient amounts of renewable generation when it was due to close in 2025.

The Eraring coal power station generates about a quarter of NSW's energy needs.

Renewable energy developers insist they are keen to develop multimillion-dollar projects, but transmission remains the biggest obstacle.

Some 10,000km of high voltage poles and wires must be built to deliver the nation's energy transition, and renewable energy developers insist they cannot proceed with new generation projects until they have assurance that they can connect to the grid.

The Australian Energy Market Operator has called for faster work on five projects worth al-

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'We believe we can still get there'

SIMON DUGGAN
FEDERAL DEPARTMENT OF CLIMATE CHANGE AND ENERGY DEPUTY SECRETARY

Australia has world's most volatile electricity market

COLIN PACKHAM

Australia has the world's most volatile electricity market, as the country's energy transition sputters, a report from Rystad Energy has found.

The report's findings illustrate why households and businesses have endured two consecutive years of price rises of more than 20 per cent and the scale of the challenge facing the nation in meeting its target of rapidly weaning the country's $2.5 trillion economy off its coal dependency.

Rystad said it had analysed the difference in price between the highest and lowest points during a given hour of 39 electricity markets and found Australia had the most significant volatility, caused by natural disasters such as cyclonic winds or bushfires, which have become more frequent and devastating in recent years.

Extreme price fluctuations were also down to high solar power penetration, Rystad said.

Outside Australia, the other markets that exhibited high volatility in the research were Japan and The Philippines, plus select regions of the US such as California and Texas.

David Dixon, senior analyst with Rystad Energy, said the volatility would trouble Australia's broader energy market and the nation must move to unlock a pipeline of renewable energy generation.

"Volatility can be unsettling for retailers who lack proper hedging strategies and for consumers who bear the brunt of resulting cost fluctuations," Mr Dixon said.

"To tackle this, Australia should prioritise the enhancement of transmission infrastructure and invest in

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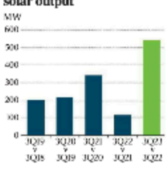
Highest year-on-year growth in Q3 distributed solar output



US bank run has slowed to a walk, but instability remains

JACLYN LICHT

Ravi Chopra's Azora Capital had its best month in March when it shorted the US banks that failed

DAVID ROGERS
MARKETS EDITOR

When Ravi Chopra reveals his stock pick at the prestigious Sohn Hearts & Minds conference at the Opera House in Sydney on November 17, it could well be a short bet on a US bank.

Chopra is the chief investment office and founder of Azora Capital, a long-short hedge fund investing only in US financial services companies. As the US 10-year Treasury yield soars to 5 per cent, he says the interest rate and liquidity risk that caused the regional banking crisis in March is still out there.

He started out as an investment banking analyst at Goldman Sachs during the tech wreck, before working as a financial services analyst at Sigma Capital, a subsidiary of Steve Cohen's SAC Capital Advisers.

In the global financial crisis he was a partner and sector head of financial services at Sigma offshoot Samlyn Capital.

His most profitable times as a fund manager have been during crises – the GFC, the coronavirus crash of March 2020, and the US regional banking crisis of March this year.

Azora had its best year ever in 2020 when US interest rates were cut to the lowest level in history.

March 2023 was its best month ever – Azora was short each of the four banks that failed.

A full year before the US regional bank failures of 2023, Chopra warned of the "tragic positioning" of some banks in terms of their investment portfolios, concluding there was "no way out". Swift action by the Fed saved the day back then, but the warnings are still flashing red.

Chopra explains that the GFC stemmed from poorly underwritten credit and credit losses

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Betting on China is still a high-risk business

ERIC JOHNSTON

In a string of coincidences from China's pledge to review its near three-year regime of wine tariffs, the biggest state to benefit from the review is South Australia: home to Foreign Affairs Minister Penny Wong. The move by Beijing to potentially lift the crippling tariffs shows tensions between China and Australian have entered a new phase since the Covid-era freeze under the Morrison government.

And a planned visit by Anthony Albanese early next month for a meeting with President Xi Jinping speaks volumes, representing the first time an Australian prime minister has visited China in seven years.

China is indeed paving the way

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Former chief executive to exit PwC

DAVID ROSS

Stubbins

The former boss of PwC Australia, who was tapped to run the firm after the bombshell exit of the former chief executive, has announced she will leave the firm in January despite earlier signals she would hold a leadership position in the troubled audit and consulting giant.

In a note on LinkedIn on Monday, Kristin Stubbins said she would be retiring from PwC at the end of January next year "and move on to the next phase of my career".

Ms Stubbins revealed she was leaving the firm after setting up a transformation program for PwC, with the firm now preparing to launch a strategic plan at the end of November.

"Watch this space," she said, noting she was looking for "new challenges, commitments and outcomes to come".

"The last six months have been very challenging but I am proud I had the courage to make the decisions that needed to be made including holding people accountable for their actions, protecting people who needed protection, deciding to sell the government consulting business to protect jobs and embarking on the Dr Switkowski review to help PwC Australia understand how it needs to change," Ms Stubbins said.

"I am confident that the new management leadership team is

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MARGIN CALL

NICK EVANS

Chairman's Lounge confessions

How hard is it to understand that the largesse on offer from Australia's airlines might be worth actual money? Quite difficult, it appears, given the Australian Public Service Commission was forced to spell out the matter this week.

The APSC quietly updated its guidance on disclosing gifts to public servants on Monday, and the only change?

A pointed note to public agency heads that membership of exclusive airline membership lounges – the Qantas Chairman's Lounge, along with Virgin's Beyond Lounge – counts as a "gift" that should be disclosed.

"In circumstances where agency heads are gifted airline lounge memberships (including those which are invitation-only), these must be recorded in their agency's gifts and benefits register annually or when circumstances change, such as a new or cancelled membership," says the new disclosure guidance.

INSIDE MARGIN CALL
It's a hard life for Australia's most highly paid banker

Most people might think that should be merely a statement of the bleeding obvious.

But apparently not, given the recent slew of belated disclosures across the public service – prompted partly by the revelation in September that new Reserve Bank governor **Michele Bullock** had forgotten to disclose her membership of the exclusive invitation-only club at Qantas.

It seems the senior executives across a vast range of federal government agencies had somehow failed to notice that lounge membership might be worth slightly more than the $100 threshold for inclusion in their agency's gift register.

For those playing at home, $100 will buy you about four ham and cheese toasties (with coffee) at Melbourne airport.

Qantas admitted in early October it offered membership of its

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