

## Question 1

**Senator CAMERON:** *Mr Thompson, how long has Loy Yang Power been discussing the impost of a carbon price on the company?*

*The issue I am asking you about is whether the company is seriously dealing with the need to reduce its carbon pollution and actually taking issues to the board and making decisions about that. What did you do when the Shergold report came out?*

*We have got a company now saying, 'Look, our future is in jeopardy because of the imposition of a carbon price,' but you have known that a carbon price has been coming for over a decade and it is only in the last four years that you have been seriously addressing the issue. Would I be in turn to say that is a failure of governance by the board of Loy Yang?*

*Well, maybe if you want to provide more detail about the board discussions, that would be helpful.*

The Loy Yang Power (LYP) shareholders have considered the importance of environmental performance since the late 1990's. Despite significant uncertainty over the nature and timing of a Carbon Pricing Scheme as an abatement mechanism, the LYP Board and management have undertaken a range of initiatives which have included:

- Participation in a coal-drying pilot plant ("CoalDry") in 1998,
- Establishing a Deed of Arrangement with the Australian Greenhouse Office in 2001 to participate and comply with the Generator Efficiency Standards program,
- Pursuit of accreditation under the NSW Greenhouse Gas Reduction Scheme (with almost 500,000 tonnes of carbon dioxide equivalent abated since 2005),
- Exploration of various studies on possible schemes and pricing mechanisms, including the States proposed trading scheme developed in 2005, the National Emissions Trading Taskforce in 2006-2007, and the Prime Ministerial Taskforce on Emissions Trading in 2006-2007,
- The establishment of a pilot plant for a new coal drying technology called Mechanical Thermal Expression in 2007,
- The provision of an engineering study by SKM into the emission abatement options and costs for LYP in 2007,
- Following the election of the Rudd Government, the establishment of an Emissions Trading Implementation Group within LYP to prepare the business for the proposed Carbon Pollution Reduction Scheme, and
- The establishment of a post-combustion carbon capture pilot plant at the Loy Yang site in 2009.

These activities demonstrate a strong commitment to pursuit of appropriate responses for this business to carbon policy development and implementation.

## Question 2

**Senator CAMERON:** *Part of the direct action policy is to propose \$50 million towards a \$360 million pilot for brown coal drying and post combustion carbon dioxide carbon capture and storage. Has the coalition spoke to you about this? Has the coalition spoke to anyone in the company in relation to this proposal for carbon capture and storage? Could you provide details of any discussions you have had with the coalition in terms of their direct action policy? You could take that on notice—if you have had any discussions and what those discussions are about?*

Loy Yang Power Management representatives have attended a range of meetings / functions whereby members of the Coalition have outlined their direct action policy however LYP has not participated in any formal discussions. Whilst there have also been various discussions and visits to the LYP site over an extended period with members and representatives of the Coalition, these have been of a general nature relating to national electricity market matters and government policy developments at a State and Federal level.