

SENATE SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Inquiry into a carbon tax

Responses to Questions on Notice – from hearing Friday 29 April 2011 in Perth.

Senator CAMERON: You say that you are involved in a number of areas. I understand that carbon capture and storage is one of the models being looked at to ensure the viability of coal fired power stations in the future. How much investment has Verve Energy put into carbon capture and storage research and development?

Ms In't Veld: We have been working on a project for the last three or four years. I cannot tell you the exact dollar amount but we certainly have a couple of our people very closely involved in it. We are now also working on an integrated gasification project with Mitsubishi, and that has come up in the last three or four months.

CHAIR: You might like to let us know the answer to that on notice, perhaps.

Ms In't Veld: Yes, it is probably best to take that question on notice because I cannot tell you the actual dollar amount. I can only say that we have been involved in this project.

Senator CAMERON: Since Verve Energy has come into being, can you advise the dollar amount of what you have spent on carbon capture and storage research and development, how many people you have working on it, what you have done with the international carbon capture and storage initiative and any other carbon capture and storage work that I have not dealt with? I am just interested to know exactly what you are doing in carbon capture and storage, if anything.

Ms In't Veld: Yes, we will take that on notice.

ANSWER

Verve Energy is a member of a group known as the Collie South West CO₂ Geosequestration Hub which has investigated carbon capture and storage potential in the Lower Lesueur basin, between Mandurah and Bunbury, and in the vicinity of Harvey (south of Perth). The participant group was formed in 2007 to explore areas of common interest for both producers and users of Collie coal. It was rapidly determined that the most pressing matter was the development of viable technology around carbon capture and storage.

Earlier, Verve Energy (Western Power) had been an active supporter and participant in the CRC for Coal in Sustainable Development so the applicable research and development technologies were known to us.

In December 2009, the project was one of four successful round 1 candidates for funding through the Federal Government's \$2 billion CCS Flagships Program.

In WA, carbon storage response is led by the Department of Mines and Petroleum (DMP) which to date has funded much of the work. Collie Hub participants have directly funded about \$100,000 each plus in kind contributions so far.

The area has the potential to be developed as a storage hub for carbon dioxide from surrounding industry, including coal-fired power plants. The project developers aim to store up to 3.3 mega tonnes of carbon dioxide per annum.

A Joint Venture structure between DMP, Griffin Energy, Verve Energy, BHP Billiton Worsley Alumina, Wesfarmers Premier Coal, Perdaman Chemicals and Fertilisers, and Alcoa Australia aims to trial and develop the Hub provided it is succeeds to achieve funding from the Federal Government's National Flagships programme. This next phase of the Collie Hub work will require direct expenditures of approximately \$600,000 per participant over a 3 year period plus in kind contributions.

Verve Energy paid \$100,000 to include a sub-bituminous Collie coal into a group of four coals sent to Frieburg, Germany by the CCSD to investigate the suitability of gasification as a potential "clean coal" technology for WA.

One person has been, and continues to be, involved in the area of emerging coal technologies and the Collie Hub project in particular which will be crucial to the viability of clean fossil fuel consumption into the future.

Senator CAMERON: Can I ask Verve Energy to advise the committee whether they agree with the ACCI's view that market solutions have to be put in place on carbon pollution reduction. Does Verve Energy change its view if it can pass the costs on and if consumers are provided support for the increased prices? What is your understanding of the government's position on that? Could you also advise the committee as to, if there was a direct action approach as proposed by Tony Abbott, how much you would seek from a coalition government—if they were ever in place—as to how much direct action you would require to reduce your carbon footprint and how much that would cost the government.

ANSWER

Verve Energy is a member of the Energy Supply Association of Australia (esaa) and the National Generators Forum (NGF) which have done considerable work on the potential impacts of the various schemes which have been suggested.

Verve Energy the positions adopted by esaa and NGF which favour the development and implementation of an efficient, well-designed and equitable emissions trading scheme as the primary mechanism to reduce greenhouse emissions.

A market-based scheme will ensure the right environment for new investment by not destroying the value of existing generation capacity. Transitional assistance will reflect the loss of value and enable a smooth transition to a low carbon future while providing industry with policy certainty it needs to undertake investment.

The lack of detail about the various Federal schemes that have been raised during the debate make it virtually impossible to estimate, predict or model likely implications for Verve Energy. Verve Energy prefers to avoid speculating the potential implications.

Senator CAMERON: So these clauses you have signed with your customers that you say do not allow you to pass on increases through a carbon price, were they negotiated after 2006?

Ms In't Veld: Some of them were, some of them were not, because we did have existing contracts that continue to operate.

Senator CAMERON: How many were after 2006?

Ms In't Veld: I cannot tell you that.

Senator CAMERON: Can you take that on notice?

Ms In't Veld: Certainly.

ANSWER

Eleven

Senator CASH: It was put to you, and I believe it is accepted because it is a fact, that Verve Energy is listed as one of Australia's top 50 carbon emitters, as I will call you because that is actually the wording that is used. In accepting that, what steps—and you may wish to take this notice—has Verve Energy taken over the time that it has been in operation to actually reduce its carbon emissions? I know that it has been put to you to provide to us on notice various parts of what you have done, but I would like you to be able to give to the committee the total approach of what Verve Energy has actually done to reduce its carbon emissions given the fact that it is recognised as one of the top 50 carbon emitters in Australia.

Ms In't Veld: We will certainly do that. I should add that over and above looking at, or getting very heavily involved in, renewable projects and clean-coal technology we have also spent in excess of \$150 million on uprates and upgrades to our existing coal plant which do mean we can operate more efficiently.

Senator CASH: That is why I would like to give you that opportunity. It is one proposition to say you are one of the top 50 emitters, but you need to be able to respond to that to actually show what you have done to ensure that, whilst you are one of those top 50 emitters, you do have procedures in place to obviously offset those emissions.

Ms In't Veld: Yes.

ANSWER

Verve Energy has adopted a responsible attitude towards managing its greenhouse emissions and balancing that objective with the requirement to provide reliable, efficient and effective power supplies.

Verve Energy has:

- Shut down Kwinana Power Station Stage B (2x120MW generating units) and will shut down Kwinana Power Station Stage A (2x120MW generating units) in September 2011
- Shut down Muja Power station Stages A&B (4 x 60MW generating units)
- Built two 100MW high efficiency gas turbines at Kwinana Power station.
- Built Grasmere wind farm (12.8MW) which is an extension of the 22MW Albany wind farm.
- Proposes building Mumbida wind farm (55MW) south east of Geraldton by late 2012
- Proposes building Greenough River solar farm (10MW) also south east of Geraldton by early 2012. It will be the biggest utility sized solar farm in Australia.
- Invested \$150 million upgrading and refurbishing Muja Power Station Stages C and D to improve their operational efficiency while extracting an extra 27MW from each of the 200MW generating units.
- Refurbishing the Muja Power Station A and B machines for limited operation for the next 10 – 15 years as an energy security measure while new low-emission technology is developed.
- Participated in an innovative carbon capture and storage research and development project (Collie South West Hub) located between Perth and Bunbury.

CHAIR: I have just a few closing questions. You mentioned earlier how under the CPRS most of the compensation would go to brown coal operators over east and that there was not much left for operators like Verve Energy here in Western Australia. Why is that?

Ms In't Veld: It was just the way it was structured. I cannot give you the detail, Senator Cormann, because I was not right across the detail, but I know that in the work done by the National Generators Forum and also the Energy Supply Association of Australia that was the conclusion they had reached. They analysed it very closely and in some depth, and the conclusion they reached was that the black coal generators were going to be left out and a large proportion of it was going to the Victorian generators.

CHAIR: When you say 'large proportion', do you remember the percentages?

Ms In't Veld: No.

CHAIR: Would you be able to provide us with that information on notice?

Ms In't Veld: Yes.

ANSWER

The CPRS included an Electricity Sector Adjustment Scheme (ESAS) which was designed to assist electricity generators transition to a low carbon technology either in the form of direct assistance or allocation of free permits.

Energy Supply Association of Australia (esaa) calculated that ESAS would have about \$3.5 billion available for assistance to coal-fired generators. Of that amount, esaa calculated 85% would go to brown coal generators (all of which are in Victoria) and 15% to black coal generators (the bulk of which are in Queensland and NSW). Generators with a energy intensity of 0.86 would qualify. Calculations showed that Verve Energy would be entitled to assistance worth between \$70 million and \$100 million – or the equivalent of about 6% of the impost on Verve Energy.