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Submission No:	.....19.....
Date Received:	.....1-7-08.....
Secretary:	..... <i>[Signature]</i> .....

30 June 2008

Committee Secretary  
House of Representatives Standing Committee on Primary Industries and Resources  
[pir.reps@aph.gov.au](mailto:pir.reps@aph.gov.au)

Dear Sir/Madam

**Submission from the National Generators Forum on the Draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill**

The National Generators Forum (NGF) welcomes the opportunity to provide comment on the Bill. The NGF is the industry body which directly represents the 21 major power generators in Australia's National Electricity Market (NEM). Verve Energy and Griffin Energy in Western Australia are associate members.

The installed capacity of the NGF members was 44,129MW in 2006, with an asset value of more than \$40 billion. Annual sales are over 192,000 GWh, with a value of \$11.5 billion. This is more than 95 per cent of the total Australian market. The NGF's membership encompasses coal, gas, diesel, wind and hydro electricity generators. As the peak industry body for Australia's electricity generators, the NGF has a strong interest in the development of energy and climate change policies which impact on the sector.

Given that more than 90% of Australia's electricity generation is fossil fuel based (black coal, brown coal and natural gas), the NGF is vitally interested in ensuring viable long-term carbon dioxide storage facilities, including in offshore areas. Indeed, without carbon capture and storage, transforming Australia's electricity supply from one with high emissions to one with low emissions, whilst retaining Australia's competitive advantage, would be an impossible task.

It is therefore essential that Australia's climate change objectives are achieved in ways that maintain the advantages of an affordable, secure and reliable electricity supply that does not undermine Australian industry competitiveness.

The NGF was fortunate in participating in the development of the Regulatory Guiding Principles for Greenhouse Gas Capture and Geological Storage in Australia. With respect to CCS storage, these principles have been well translated into the legislative action with its focus on a consistent, transparent and flexible regulatory regime.

Apart from these attributes, the legislation aims to provide investment certainty, ensure public confidence and promote technology transfer, research and development. The Bill's guiding principles concentrate on the key issues of access and property rights, assessment and approval process, finance, carbon dioxide transport, monitoring and verification. Although limited to offshore waters, the Bill is likely to provide a template for similar legislation by the states and territories for onshore storage. As such, the legislation takes on wider national significance.

The NGF supports the Federal Government in drafting this far-reaching legislation well in advance of major carbon dioxide storage proposals. In particular, the NGF supports the amendments to the Offshore Petroleum Act aimed at providing equal standing particularly for new petroleum and greenhouse gas storage proposals in terms of exploration and assessment, production and injection, and special authorities and consents.

However, the Bill fails to establish sufficient legal certainty for access and property rights for the injection and permanent storage of carbon dioxide, particularly in relation to the various levels of agreements needed from existing petroleum licence holders and the Ministerial discretions in the application of risk impacts and public interest tests.

The NGF is concerned that the principle of equal standing will not be applied effectively to areas of current petroleum exploration and production acreages or areas in close proximity to such fields. Here, existing petroleum exploration and production licence holders are given excessive privileges and veto powers over storage prospectors and potential injection licence holders, creating significant uncertainty about access to storage resources and for related investments. Even basic exploration activities, such as seismic surveys and making a well for injection and storage appraisals, are subject to such powers under the proposed legislation.

The Bill recognises the rights of petroleum production licence holders to inject and store carbon dioxide for the purposes of petroleum recovery. However, petroleum rights to inject and store do overlap with proposed greenhouse gas injection licence requirements and it is unclear how these overlaps will be resolved, particularly when non-petroleum licence holder are involved.

Excessive levels of protection to pre-existing petroleum operators are likely to discourage investment in carbon dioxide storage exploration and potential commercial injection and storage. Current petroleum acreages were not licensed with third party carbon dioxide storage in mind. Guaranteeing existing petroleum licence holders rights and veto powers, even when the acreage has been exhausted, is likely to lead to very limited access to suitable storage areas, particularly in light of the fact that almost all offshore storage areas overlap, or are likely to overlap, with petroleum exploration areas.

In addition, NGF members express concern that carbon dioxide storage title rights may be less secure than petroleum title rights and it is essential that the legislation should be modified to provide greater regulatory certainty.

The regulatory regime set out in the Bill is unlikely to satisfy the requisite level of certainty required for investment in carbon dioxide injection and storage operations. This will also have the potential effect of reduced investment in new technologies that require capture and storage, particularly for fossil fuel based electricity generation.

The above issues are particularly important for brown coal based electricity production due to the close location of potential storage areas in Bass Strait. Brown coal based electricity provides about one-quarter of the National Electricity Market. As one of the most carbon dioxide intensive fuels per unit of electricity produced, it is imperative that Australia finds a future for brown coal electricity production in a carbon constrained world, particularly given the vastness of the brown coal resource and its significant cost advantage over other carbon fuels.

Exploiting the synergy between advanced brown coal based electricity production and cost-effective carbon dioxide capture, transport and storage involving Bass Strait storage areas is an issue of national significance and the legislation should be better framed to advance, and not hinder, such opportunities.

In summary, the Amendment Bill significantly advances regulatory certainty with respect to offshore greenhouse gas storage, particularly for new exploration areas where petroleum exploration and operation are given equal standing with carbon dioxide storage assessment and injection. However, such standing is less secure for storage proponents in existing petroleum exploration and production areas where existing licence holders have extensive veto powers over storage prospectors. This is likely to impede investment in storage area exploration and also reduce investment in new low emission technologies.

Yours sincerely

A handwritten signature in black ink, appearing to read "JBoshier". The signature is written in a cursive, flowing style.

John Boshier  
Executive Director