

Submission No: 99

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The Committee Secretary
House of Representatives Standing Committee
on Industry and Resources
P.O. Box 6021
Parliament House
Canberra ACT 2600

RE: House of Representatives Inquiry into Renewable Energy in Australia

Dear Committee Secretary:

BP is pleased to make this submission to the inquiry into non fossil energy. Our submission comprises this summary note, and three appendices which cover in more detail the specific activities which BP is focused on, namely

- Solar Photovoltaics – to provide low carbon peak power
- Hydrogen Power – to provide low carbon baseload power
- Biofuels – to provide low carbon transport fuels

Aspects of all of these activities need to be seen as transitional arrangements. Hydrogen power, for example, will initially be based on deriving hydrogen from fossil fuels and sequestering the carbon; but the lessons we learn from this technology will be applicable to the use of renewably sourced hydrogen in the future. Likewise, some of the greenhouse benefits of biofuels such as ethanol in petrol are limited – but they begin the pathway to advanced biofuels where the gains could be much greater.

Consequently, we believe that these business initiatives should be helpful to the Committee's deliberations because, fundamentally, they are a start: they are proven technologies today; with the right policy settings we believe they are economic today; and therefore the challenge facing society is to bring these technologies forwards at scale.

In developing the policies that will help bring these technologies forward, Australia has recently made great strides by committing to market-based mechanisms as a means to reduce GHG. However, as the Prime Minister's Task Group on Emissions Trading discusses in Chapter 8 of its report, developing an effective

market for carbon emissions must not be the only component of the climate-energy policy mix. While markets are critical, they are not a sufficient condition nor the only means of greenhouse mitigation; there are limits on what the market can achieve in the near- and longer-term, and other policies and measures will be needed to overcome these limits.

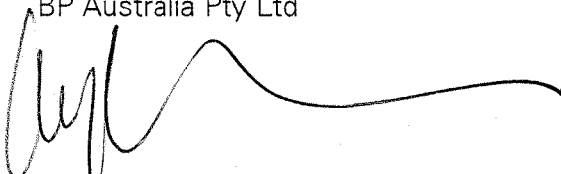
For example, low emissions technologies will not be commercialised or deployed fast enough to meet the (global) need for emissions reductions – in the short- and medium-terms – if we rely solely on a cap and trade scheme. Where trading schemes are currently operating they are not yet proving effective drivers of investment in new, low emissions technologies; nor do they provide incentives for investment in renewable energy sources like solar which are penalized by other (non environmental related) market failures such as their exclusion by power market structures from being able to capture the true value of the power they generate to meet peak demand.

Accelerating the commercialisation of low emissions energy technologies is an agreed objective for Governments and the private sector. The most effective policy responses should combine technology push with market pull. Government assistance programs (eg. R&D and tax incentives, one-off grants for material scale low carbon plant investment, targets for low carbon power generation, mandated standards) are necessary in the short term to provide the technology push, until the market pull (eg. emissions trading) can truly shape long term investments. In addition, continuing the successes that Australia has achieved with their solar policies to date is an important, complimentary measure.

In summary, we believe that your committee should endorse the report of the Prime Minister's Task Group on Emissions Trading and that it should encourage further development (at scale) of the policy options listed in Chapter Eight to accelerate the development of low emission technologies.

To highlight our own work in this area, and to illustrate the sort of business responses that will be encouraged by such policies, we enclose appendices on our Solar, Hydrogen Energy, and Biofuels businesses. We would be happy to discuss any of these initiatives with the Committee in more detail.

Yours faithfully,
BP Australia Pty Ltd



Ian Wiedner

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