

Senate Finance and Public Administration Legislation Committee
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Budget Estimates Hearing–May 2009

Written question reference: CC55

Outcome/Output: Outcome 1, Output Group 1.1 – Response to climate change

Topic: Waste coal mine gas

Hansard Page: Not relevant for written QoN

Question: (Senator Johnston)

I want to explore why the CPRS still doesn't take account of the abatement benefits of waste coal mine gas. (Background note: Questions below will refer to Qld company, Envirogen which owns four of the eight waste coal mine gas power stations currently operating in Australia.). The waste coal mine gas sector – including companies like Envirogen – are telling us that this bill unfairly penalises their industry

- a) They consider themselves a form of renewable energy – would you agree with this definition?
- b) If not, why not? What would you call them?
- c) We are told that unless this sector is able to be not penalised by the CPRS, they may simply burn, or flare, the gas. We are told this would result in some 85 million tonnes of CO₂ being released into the atmosphere each year. How is that a good outcome for the environment?
- d) How many tonnes of CO₂ be saved from one of the new solar stations you say you will construct?
- e) What is the point of spending billions on new solar stations if you are going to drive up 85 million tonnes of emissions elsewhere because a particular sector was left out of this proposed legislation?
- f) Before drawing up this bill, did the department meet with officials meet with officials from the Queensland based company, Envirogen?
- g) Did you hold discussions with the company's chairman and former Queensland Labor Government Treasurer, David Hamill?
- h) Did you take account his comments, such as when he said: "It would mean Australia would lose a valuable source of energy and put our industry at severe risk of an immediate shutdown."
- i) Are you not taking these warnings seriously? Are you ignoring them?
- j) Given these warnings, did the department recommend to the government that this sector not be punished by the CPRS?
- k) If so, did the Minister refuse to accept this advice?
- l) I would like to compare the situation with the government's recent back-down in relation to emissions from existing landfill sites. How is the situation different from that of the waste coal mine gas sector?
- m) If you go down the path of supporting the landfill gas sector, why won't you also support the waste coal mine gas sector?
- n) Isn't there a contradiction here?

Answer:

- a)-b) Electricity generated using waste coal mine gas is not eligible under the existing renewable energy target (RET) scheme as it is not a renewable energy source. Inclusion of coal mine methane in the RET would therefore involve a change in policy approach.
- c) The closure of NSW Greenhouse Gas Reduction Scheme (GGAS) and the start of the Carbon Pollution Reduction Scheme (CPRS) is expected to reduce Australia's emissions.

The CPRS for the first time places a cap on emissions. This is achieved by setting a national target and scheme caps which will decline over time and are, by design, lower than the projected level of emissions under a 'Business as Usual' scenario.

The CPRS, by covering waste coal mine gas, will provide strong incentives to burn this gas, thus converting these emissions to carbon dioxide and significantly reducing carbon pollution. Further, the application of a carbon price under the CPRS creates incentives to use the methane to generate electricity compared with coal-fired power generation. Hence, it would be highly unlikely that emissions from waste coal mine gas are likely to increase under the CPRS as suggested, and further the cap on carbon pollution under the scheme will ensure reductions in overall carbon pollution. In addition, the claimed figure of an 85 million tonne (Mt) per annum increase in emissions is not plausible. Firstly, the level of emissions from flaring waste coal mine methane and from generating electricity using waste coal mine methane are broadly similar; in either case, the methane is burned and converted to carbon dioxide. Secondly, the amount of coal waste methane that could potentially be flared or used in generation is significantly lower than 85 Mt of CO₂-e per annum suggested. To put the number in perspective, the 85 Mt of CO₂-e is equivalent to the annual abatement from all policies and measures and is broadly the level of emissions generated by the entire transport sector. As a further comparison total emissions from the brown coal sector in 2007 were around 61.5Mt CO₂-e.

The Department estimates that if all waste coal mine methane used for power generation was simply vented to the atmosphere, total emissions would still be well under 10Mt CO₂-e per year. However, it is far more likely that the methane would be flared by the mine operator. In this case, total emissions from fugitive emissions would remain the same compared to generation, although the electricity currently generated would need to come from another source. If this power was generated by the least efficient brown coal generator, (ie a worst case scenario, unlikely to be realised) emissions would increase by under 2Mt.

- d) The Solar Flagship program will contribute to meeting Australia's national emissions targets and to achieving the caps under the CPRS. The object of the Solar Flagships program is to support the construction and demonstration of 1,000 Megawatts of electricity generation by 2020. This would generate abatement of over 10 Mt CO₂-e over 10 years.
- e) As noted, it would be highly unlikely that emissions from waste coal mine gas will increase under the CPRS as suggested, and further the cap on carbon pollution under the scheme, which will tighten over time, will ensure reductions in overall carbon pollution.
- f)-g) The CPRS bill has been prepared following extensive policy development and stakeholder engagement – through the release of a Green Paper, followed by a White Paper and then by the CPRS exposure draft legislation. As part of this consultation process, the Department of Climate Change met with representatives of Envirogen to discuss their concerns on two occasions in February and May. Mr Hamill was present at the second meeting in May 2009.
- h)-i) The Government is continuing to work with the NSW Government to develop appropriate transition arrangements for the closure of GGAS, including providing assistance to adversely affected coal mine methane generators.
- j)-k) The White Paper clearly indicated that some waste coal mine methane and landfill gas projects may be adversely affected by the termination of GGAS. For this reason, the Government stated in its White Paper that it would continue to seek an agreement with the NSW and ACT governments on GGAS termination. However, should agreement not be reached on this approach, the Government will consider providing some limited assistance for the benefit of GGAS participants, with priority given to adversely affected cogeneration (being rewarded for avoided methane creation), landfill gas and waste coal mine methane generators directly, and, as a lesser priority, to holders of unused NSW Greenhouse Abatement Certificates. Therefore the Government is continuing to work with the NSW and ACT Governments to develop appropriate transition arrangements, including contributing to a financial assistance package.
- l) The Government has acted to provide equity and minimise competitive distortions in the coverage of landfill waste under the CPRS.

The White Paper indicated that emissions from 'legacy waste' would incur a liability under the CPRS, but that liability would not commence until 2018. Stakeholder consultation raised concerns about the financial burden of coverage of legacy emissions from waste which was deposited in the past, and the inability for landfill operators to pass on the costs of legacy emissions.

The Government subsequently announced on 14 May 2009 that there would not be any liability for legacy emissions under the CPRS; however these emissions will still count towards participation thresholds for landfill operators.

Some landfill gas projects may also be adversely affected by the termination of GGAS. These projects may also be eligible for assistance under the proposed GGAS transitional assistance package.

- m) The Government is continuing to work with the NSW Government to develop appropriate transition arrangements for the closure of GGAS, including providing assistance to affected coal mine methane generators.
- n) No.