

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: CC61

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

Topic: Coal Mining and EITE assistance under the CPRS

Hansard Page: Not relevant for written QoN

Question: (Senator Cash)

The White Paper states that since the majority of coal mines are not emissions intensive, the Government will not provide EITE assistance to the activity of coal mining. It bases this on the assertion that the vast majority of coal production comes from mines that are significantly below the EITE eligibility threshold of 1000 tonnes CO₂ equivalent per million dollars of revenue. This is at odds with the results of the ACIL Tasman report commissioned by the Australian Coal Association which says that in fact 57% of mines are above this threshold. The ACIL Tasman report is based on data from a survey covering 86% of Australian coal production. What is the Government's assessment based on? Where did this data come from?

Answer:

Although it has been requested, the Australian Coal Association has not permitted ACIL Tasman to supply the data underpinning their analysis of coal mine emissions intensities to the Department of Climate Change. Without access to the emissions, revenue and production data supplied to ACIL Tasman by industry, it is impossible for the Department to independently assess the accuracy of their analysis. The Government cannot assess, for example, the impact of the potential sample selection bias that has occurred due to the incomplete coverage of production from the industry.

On the face of it, however, the ACIL Tasman data confirms the Government's assessment of the wide variation in emissions intensity across coal mines due to differing fugitive methane emissions. It also confirms the Government's assessment that a significant proportion of coal mine production is associated with mines that have a very low emissions intensity and that application of the emissions-intensive, trade-exposed (EITE) assistance policy as outlined in the White Paper would lead to insufficient assistance to the most emissions intensive mines and windfall gains to the least emissions intensive mines.

Using National Greenhouse Accounts data along with publically available production and price data, the Department can confirm its assessment that the majority of coal production comes from mines that are below the EITE eligibility threshold.

The White Paper stated that:

- “the variation in emissions intensity [across coal mines] means that it is problematic to treat the coal industry as eligible for EITE assistance, since estimates of the average emissions intensity of coal mining will be significantly inflated by the relatively small amount of coal produced by very gassy mines. Providing EITE assistance may lead to significant windfall gains for the less gassy mines and for gassy mines that subsequently under take substantial low-cost abatement.” White Paper p. 18.8