

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: CC62

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

Topic: Coal mine transitional assistance

Hansard Page: Not relevant for written QoN

Question: (Senator Cash)

The White Paper states that only a small number of coal mines are very emissions intensive and will face significant cost impact from the Scheme. The White Paper then allocates a \$500 million Coal Mining Transitional Assistance Fund to assist with transitional issues for gassy coal mines. How many mines will be sharing in this \$500 million fund? How was it calculated that this amount was adequate?

Answer:

The majority of emissions from the black coal mining sector come from methane released during mining operations. Differing geological factors mean that there is a considerable difference in the methane content of black coal seams in different locations, which leads to widely varying emissions intensities of mines across the industry.

The variation in emissions intensity across mine types means that it is problematic to treat the coal industry as eligible for EITE assistance since estimates of the average emissions intensity will be significantly inflated by the relatively small amount of coal produced by underground 'gassy' type mines. Providing EITE assistance would lead to insufficient levels of assistance for the gassiest mines and may lead to significant windfall gains for the less gassy mines.

Underground gassy type mines release considerably more methane than the industry average. Mines of this type produce only around 12 per cent of Australia's black coal but between 60 and 65 per cent of all fugitive emissions. Mines of this type all have an emissions intensity of greater than 0.1t CO₂-e per tonne of saleable coal produced and the Department of Climate Change has estimated that there may be up to around 25 operational underground gassy-type mines.

The Government has not finalised the details of the assistance threshold for the Coal Mining Transitional Assistance Fund as it is continuing to consult with the industry. That said, the operators of the gassy-type mines eligible for this assistance are likely to face greater cost burdens than other coal mines under the Carbon Pollution Reduction Scheme (CPRS). For example, the average NSW open cut black coal mine will face a cost impost of less than \$2 per tonne of saleable coal at a \$25 carbon price while the most emissions intensive underground mines will face a cost approaching \$25 per tonne.

An industry average EITE assistance allocation would therefore lead to insufficient levels of assistance for the gassiest mines and may lead to significant windfall gains for the less gassy mines. However, the Coal Mining Transitional Assistance Fund will target a much greater level of assistance to the operators of the gassy-type mines.

The CPRS White Paper outlines the high level principles that will frame the design of the adjustment scheme. The detailed design of this stream will be determined following further consultation with stakeholders.