

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: CC65a-g

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

Topic: Carbon Pollution Reduction Scheme and Greenhouse Gas Abatement Scheme

Hansard Page: Not relevant for written QoN

Question: (Senator Cash)

- a) What is the current status of the Greenhouse Gas Abatement Scheme (GGAS) transition process at present?
- b) How do discussions stand between the Commonwealth and the relevant states?
- c) How will any transitional issues be managed in terms of their synchronisation with the CPRS legislation that is, if there is financial support required will it be agreed before, or with the CPRS coming into effect?
- d) There is some concern that the Department of Climate Change has not adequately engaged with the waste methane sector and indeed that early movers who invested in good faith under the NSW GGAS regime will be effectively penalised by the CPRS without appropriate transition arrangements. What is the Government's response to this? Why has the Department not engaged the waste methane sector?
- e) Why is the Government not protecting and promoting the significant abatement of waste coal mine gas (WCMG), particularly when the private sector has established an industry generating hundreds of jobs in Australia and indeed offshore and delivering significant current abatement?
- f) What is the Department's attitude to the potential inclusion of WCMG in the RET as occurs in several jurisdictions overseas?
- g) What is the justification for excluding a non-emission, base load source of energy generation from the RET, particularly when countries such as Germany and France allow it under their RET equivalents? Is there not a danger that countries like China, Brazil and India will be able to include this source under RET equivalent, thereby creating tradeable credits which can be sold into Australia, but our own domestic industry won't be able to create similar credits? By definition does not this simply mean you will be exporting green jobs and investment despite the Government's claims to the contrary?

Answer:

- a) The Department of Climate Change 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.
- b) See answer to part (a).
- c) See answer to part (a)

- d) The Carbon Pollution Reduction Scheme (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 exposure draft legislation. The Department of Climate Change has held a number of meetings with affected stakeholders. These included meetings with:
- Energy Developments Limited (EDL) – 25 February 2009;
 - Envirogen – 25 February 2009;
 - Landfill Management Systems – 1 April 2009; and
 - Envirogen and EDL – 27 May 2009.
- e) Making coal mines liable for their methane emissions creates powerful incentives for them to reduce these emissions by either flaring or using the gas for electricity generation. In either case, the methane is burnt and converted to carbon dioxide, which would significantly reduce the coal mine's liability under the CPRS.

The Government recognises 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 Gas Abatement Certificates (NGACs). 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.

- f) 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 WCMG in the RET would therefore involve a change in policy approach.
- g) Electricity generated using waste coal mine gas is not eligible under the existing RET scheme as it is not a renewable energy source. Inclusion of WCMG in the RET would therefore involve a change in policy approach.

The German and French support for WCMG is by means of feed-in tariffs rather than via a scheme like Australia's RET scheme. In contrast to feed-in tariffs, the RET scheme legally obliges parties who buy wholesale electricity (retailers and large users) to source an increasing percentage of their electricity purchases from renewables-based generation in the form of annual targets, and includes a mechanism of tradeable renewable energy certificates (RECs).

Germany's feed-in tariff law (called the Renewable Energy Sources Act or "EEG") includes mine gas but it clearly differentiates this energy source from renewable energy sources.

There is currently no international market for RECs.