

Chapter Five

Conclusions and recommendations

5.1 It is widely accepted that measures need to be taken to reduce the impact of energy supply on the concentration of CO₂ in the atmosphere. Carbon capture and storage (CCS) can provide a means of reducing atmospheric CO₂. The Gorgon Project in northwest Australia is one example of a project that plans to reduce greenhouse gas emissions through storing CO₂ underground, on Barrow Island.

5.2 A clearly set out and competitive framework for CCS will potentially lower the cost of addressing the climate change challenge. Ultimately, this should translate into a smaller increase in household electricity bills to achieve the goal of limiting climate change.

5.3 There were those who questioned the safety of CCS technology, including both Greenpeace and the Australian Network of Environmental Defenders' Offices. There was no evidence from the Department of Resources, Energy and Tourism or Geoscience Australia to suggest that the technology was inherently unsafe. However the committee notes that it is appropriate that the onus of proof should lie with proponents to demonstrate that the technology is safe.

5.4 More questionable than the technological feasibility of CCS was whether it would be commercially viable on a large scale within Australia. In particular, the committee was concerned about the location of geologically suitable storage sites as many existing power stations are a long way from sites of capture, as is the case with the Hunter Valley.

5.5 Doubts remained as to whether CCS would be capable of sequestering enough CO₂, or be commercially operational in time, to mitigate climate change in the optimal time. These doubts reinforced the committee's view that CCS should not be considered the only answer to reducing CO₂ emissions, but rather that it be developed along with other technologies capable of reducing the impact of climate change.

5.6 It is important to get the legislation and regulations in place expeditiously to assist in providing certainty for possible investors.

5.7 As noted in Chapter 1, the commercial operation of CCS will require complementary legislation by the states. So far they have made varying degrees of progress on this. The committee hopes the federal and state departments, possibly under the aegis of COAG, will make quick progress on introducing nationally consistent legislation.

5.8 An important element of the bill is ensuring a balance between attracting investment to the new CCS industry and protecting pre-existing rights of oil and gas producers. The committee believes the bill seems to get this balance right, although

there is inevitably some uncertainty about this judgement given the path-breaking nature of the legislation.

Recommendation 1

The committee recommends that the Senate pass the bill.

Recommendation 2

The committee recommends that the operation of the bill be reviewed three years after its proclamation.

5.9 The committee notes concerns expressed about the degree of ministerial discretion conferred by the bill, which may give rise to perceptions that at some time in the future decisions may not be always be made in the public interest. The committee therefore sees merit in the government considering establishing an expert panel, or committee, to advise the minister on matters such as balancing competing resource use between CCS operators and petroleum titleholders. In order to offer transparency of decision-making and to help build stakeholder and community confidence, the advice of the panel should be made public.

Recommendation 3

That the government consider establishing an expert panel to advise the minister on matters of site selection, licensing, regulation, monitoring and environmental impact and site closures. Such advice should be made public.

5.10 The introduction of an emissions trading scheme, or a carbon tax, would provide an appropriate price signal for energy consumers to economise on energy usage and for energy producers to switch emphasis towards providing energy in ways involving less emission of CO₂ into the atmosphere. There is then no reason for the government to favour CCS techniques over other ways of reducing carbon emissions. For this reason, the committee is not convinced by arguments that the government should be subsidising users or providers of CCS by actively taking over long-term liabilities from them, either for demonstration or commercial projects.

5.11 As there appears to be some uncertainty around this point, it could be useful for this to be made explicit in either the legislation or accompanying statements.

5.12 Given that companies may not exist to take liability over the decades, or centuries, when stored CO₂ may leak out, the government should consider adding to the arrangements requiring companies to pay for future monitoring an amount as insurance to cover any future liability the company may be unable to meet.

Recommendation 4

The committee recommends that the government reject calls for it to assume explicitly longer-term liability for any leakage from carbon storage projects. Rather, it should investigate the means by which those companies undertaking such projects can contribute to the future costs of coping with any such leakage.

Senator Annette Hurley

Chair