



Mr John Hawkins  
Committee Secretary  
Senate Economics Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

18 August 2008

Dear Mr Hawkins

The Australian Coal Association (ACA), the Construction, Forestry, Mining and Energy Union (CFMEU), the Climate Institute and the World Wildlife Fund (WWF) are pleased to make a joint submission to the Senate Economics Inquiry into the *Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill 2008*.

Our organisations are united in calling for the urgent demonstration and commercialisation of carbon capture and storage (CCS) technologies in Australia. Almost 90 percent of Australia's electricity is fuelled from coal and gas and large scale storage is the only available means of significantly reducing emissions from use of our abundant fossil fuel resources.

The deployment of CCS technologies will be dependent upon a legislative and regulatory framework that is transparent and provides certainty for investment. The ACA, CFMEU, Climate Institute and WWF welcome the Australian Government's initiative in developing this world-first legislation, which will set an important precedent for state-based legislative frameworks as well as internationally. However we believe the legislation requires significant amendment if it is to be effective in facilitating the development of offshore storage facilities. In this regard we offer the following recommendations for the Committee's consideration:

- ***The legislation must reflect Australia's national interest in the deployment of CCS:***

The draft legislation does not adequately recognise the significance of carbon storage within the broader climate change policy framework. The legislation should allow for the national interest test to be applied for all CCS activities, in both the pre-commencement and post-commencement environment. In the interests of transparency, the national interest test should also be defined in the regulations, and include considerations such as energy security and proximity of storage sites to emission sources.

- ***The legislation should create a level playing field for storage interests:***

As currently drafted, the legislation places a priority on the protection of existing petroleum rights to the point where petroleum licence holders can 'veto' greenhouse gas (GHG) injection licences. This represents a significant barrier to investment in CCS, and undermines the overall intent of the Bill to provide for offshore GHG storage.

The veto right should be removed and petroleum and GHG storage interests should be considered on an equal footing, regardless of when the petroleum title was granted.

- ***A mandatory negotiation process is required:***

The legislation requires the relevant Minister to have regard to any agreement between a GHG storage proponent and petroleum titleholder in granting a GHG storage injection licence. However, there is no mechanism to require the parties to reach an agreement or stipulate any process to facilitate such agreement. We recommend that a mandatory negotiation process, similar to that provided for in the Queensland coal seam gas regime, be incorporated into the legislation.

- ***Remediation requirements for all highly prospective storage sites:***

When issuing remediation directions to petroleum titleholders, the Minister should have regard to the principle that plugging or closing off wells should be carried out in a way that restores or maintains the suitability of a GHG storage formation. This should apply to existing petroleum titles as well as future titles to ensure valuable storage resources are not sterilised.

This principle is consistent with the existing remedial powers of state governments in the case of onshore mines, where mine owners must remediate their mines to contemporary community and environmental standards which will often have changed over the life of the mine.

- ***Treatment of demonstration projects under the legislation:***

There is an urgent need to promote a range of CCS demonstration projects by 2013-2015, leading to commercial-scale projects in Australia by 2015-2020. To assist in overcoming some of the barriers to investment in these projects, the Government should consider providing special treatment to early demonstration projects in relation to monitoring and liability. This could include indemnifying early projects from long-term liability.

- ***Greater transparency around the acreage release process:***

Officials from the Department of Resources, Energy and Tourism have indicated that the factors for consideration in releasing storage acreage will not be formalised or published, however the proximity of petroleum activities will be a key consideration. This may result in highly prospective acreage being denied to storage proponents before the bid process has even commenced.

We submit that greater transparency is required and the legislation or regulations should allow for national interest criteria to be considered in releasing acreage. This is to ensure prospective storage sites located near major emission sources are not withheld.

- ***Greater transparency around environmental and safety requirements:***

The legislation or regulations should detail requirements relating to environmental considerations, risk assessment, risk management and monitoring activities. Currently, these issues are left largely to Ministerial discretion. Given the importance of ensuring the legislation responds to community concerns, greater transparency is required.

- ***Timing for introduction of the legislation:***

While emphasising the importance and urgency of implementing a legislative framework, we caution against rushing this legislation through without adequate consultation on the regulations and the environmental guidelines being developed by the Environmental Protection and Heritage Ministerial Council and Ministerial Council on Mineral and Petroleum Resources.

In making these submissions, we note that the legislative framework will need to be complemented by support for research, development and demonstration (RD&D) and a commercialisation policy framework for CCS.

In April this year, our four organisations launched a proposal for a CCS taskforce to accelerate the deployment of CCS in Australia. One critical element of our Taskforce proposal was:

*Government CCS policy needs to ensure that the necessary RD&D and market-pull mechanisms are in place to achieve 10,000 GWh of power generation from integrated CCS technologies in 2020.*

*This aspirational target is necessary to drive the required level of commitment from governments and industry.*

We welcome the Australian Government's recent announcement of a National Low Emissions Coal Council and a Carbon Storage Taskforce to develop a national strategy for low emission coal technology. A commercialisation policy framework will need to be an essential part of this strategy to ensure CCS is commercially available by 2020. RD&D alongside storage and infrastructure planning are critical but alone will be insufficient to position Australia as a global leader in CCS deployment.

We look forward to the Committee's deliberations and would welcome the opportunity to discuss our submission with the Committee.

Yours sincerely



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