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Committee Secretary
Senate Select Committee on Fuel and Energy
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Submission via email to fueleenergy.sen@aph.gov.au

Dear Sir/Madam

SUBMISSION TO SENATE SELECT COMMITTEE ON FUEL AND ENERGY

Background

Plantation Energy Australia Pty Ltd (PEA) is a manufacturer and exporter of Densified Biomass Fuel pellets which are made from non-commercial timber or harvest residue sourced from sustainably managed plantations.

PEA will commence manufacturing fuel pellets in early 2009 from a facility with a capacity of 250,000 tonnes per annum located in Albany WA, using residues from surrounding plantations as feedstock. PEA is committed to expanding production in Australia through the establishment of several additional manufacturing facilities across Australia to create an annual production capacity of 1.625 million tonnes per annum by 2012.

The immediate market for PEA is the European power generation industry where co-firing of pellets with coal has become the preferred means of reducing carbon dioxide emissions from established coal fired power stations.

The European Experience

The European Union has adopted a target of 8% of total energy consumption being from biomass by 2020 as a part of its overall commitment to achieving a reduction in carbon dioxide emissions. This biomass is used as follows:

- For domestic heating purposes – direct combustion in private homes and in small municipal buildings (schools, offices, retirement homes etc). In many EU member states the use of biomass pellets is encouraged by means of fiscal subsidies.

- For co-firing with coal in power generation. Early experimentation of co-firing raw biomass has led to a strong current preference to use pellets. Pellets are an engineered product which provides consistent combustion properties, combined with ease of transport and handling. Blending ratios have increased in Europe from initial levels of 2-3% up to current ratios of 10%, with 20% being actively considered by several major users. The capital cost to the power generator is very low as the pellets are handled using the same infrastructure as coal. For the generators, the effective life of the coal-fired plant is extended indefinitely as the use of pellets enables existing plant and equipment to be used in a way that is fully compliant with the drive to reduce carbon emissions.
- A recent move in the EU has been to develop dedicated power generation facilities using pellets. This has followed the earlier establishment of dedicated biomass power generation facilities using raw biomass. The use of pellets provides superior combustion properties, more efficient transportation logistics and diversity of supply sources on a global basis.

The Opportunity for Australia

As Australia seeks efficient solutions to the challenges of carbon dioxide emission reduction, we have the opportunity to learn from the process that has evolved in the EU over a number of years. Australia has some 1.8 million hectares of hardwood plantation as well as vast pine plantations.

The use of biomass wood pellets is the most cost effective means of lowering emissions from Australia's extensive coal fired power generation industry – which currently produces in excess of 80% of Australia's electricity. To do so will preserve the coal infrastructure and the jobs in the supporting industries.

Such use of biomass pellets will complement Australia's large and growing plantation timber industry, using material that has no other higher value.

Conclusion

This is an opportunity for Australia to take action now to achieve carbon dioxide emission reductions in a manner that is easy to do and which complements existing coal mining, power generation and timber plantation industries.

While PEA is currently focussed on export markets, we welcome the opportunity to discuss the above with the Select Committee.

Yours sincerely



**Gavin Harper
Director**