



## Clean Coal Administration Bill 2008

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Extract from NSW Legislative Council Hansard and Papers Tuesday 24 June 2008.

#### Second Reading

**The Hon. IAN MACDONALD** (Minister for Primary Industries, Minister for Energy, Minister for Mineral Resources, and Minister for State Development) [9.23 p.m.]: I move:

That this bill be now read a second time.

The Clean Coal Administration Bill 2008 puts in place a key strategy to substantially reduce New South Wales's greenhouse gas emissions. In doing so, it will help secure our future energy needs, our economy and our environment. The New South Wales Government has demonstrated a longstanding commitment to reducing greenhouse gas emissions. The Clean Coal Administration Bill builds on that commitment. The bill establishes a fund for research into, and development of, clean coal technologies, including demonstration projects. The fund will also be able to be used to increase public awareness of clean coal technologies, and for the commercialisation of clean coal technologies. The Government will contribute substantially to the fund. In addition, there is provision for voluntary contributions to the fund. This means that the coal and electricity industries or other non-government organisations can contribute to reducing greenhouse emissions through development of clean coal technologies.

The bill will establish the Clean Coal Council, which will make recommendations to the Minister for Mineral Resources on the funding of projects. The council can also make recommendations on policies to encourage the development and implementation of clean coal technologies. The Minister will report to Parliament annually detailing allocations of funds for specific projects and other activities. Members of the council will be drawn in equal numbers from the Government and from the coal industry. This is important as the mining industry has made a major financial commitment to the development of clean coal technology. The industry has committed \$1 billion over 10 years through the COAL21 fund. Of this amount, \$400 million will go towards projects in New South Wales. Industry will work with government to allocate the funds from both sectors. By working together, industry and government will be able to achieve much more than each sector working alone. While I am talking about funding, I advise that the Commonwealth has put up substantial funds for the purposes of clean coal technology.

The Clean Coal Administration Bill will ensure that funds are available and allocated for the best research into these important technologies. When established, these technologies will significantly reduce greenhouse gas emissions from the generation of electricity. We are all aware of the pressing need to reduce the production of greenhouse gases by modern societies. The 2006 Stern report on the economics of climate change has highlighted to the world the need to reduce global emissions. The report also talks of the necessity of taking action now to protect national economies in the future. The report of the International Panel of the United Nations is also clear that a country's capacity to mitigate greenhouse gases is tied closely to its social and economic development.

Turning to the situation in New South Wales, it is well known that more than 90 per cent of this State's energy needs are generated from coal. Coal provides us with an abundant source of very cheap energy. The downside is that in 2004 New South Wales produced approximately 10 per cent of all Australian greenhouse gas emissions from its coal-generated energy production. The challenge for New South Wales is the issue highlighted in the report of the Intergovernmental Panel on Climate Change—that is, to mitigate greenhouse gases in ways that avoid conflict, to the greatest possible extent, with sustainable development.

The Government has already set a target of cutting greenhouse gas emissions by 60 per cent by 2050 and returning to year 2000 levels by 2025. As an important step towards these targets, we need to find effective ways of reducing emissions from coal-fired power stations. We need to develop clean coal technologies. It is evident that coal is not the only means of producing energy. Other sources of energy do not have the same greenhouse gas emissions as those that are associated with coal-based energy. However, we cannot suddenly stop producing energy from coal. It will take time to implement other energy sources on a scale that can sustain a large, industrial economy such as that of New South Wales.

We cannot go back to the Dark Ages while other energy sources are established. Approaching the problem this way could lead to economic and social disaster. Therefore, the Government is taking steps to ensure continuity of energy supply in the most environmentally and economically responsible way. We are supporting and exploring a range of means of producing renewable energy. For example, hydro, biomass, landfill methane, wind

and solar energies are all being developed and used. Significantly, the Government has set mandatory targets that require an increase in the amount of energy from renewable sources. Currently, about 6 per cent of the State's total energy usage is provided from renewable energy sources. The Government has set mandatory levels for renewable energy of 10 per cent of the State's energy usage by 2010, and 15 per cent by 2020. The Commonwealth Government has since introduced a target of 20 per cent. These targets will help reduce greenhouse gas emissions and boost the renewable energy sector.

The Government is supporting renewable sources of energy by providing funds for research into renewable energy technologies. This is entirely appropriate in our efforts to reduce our vulnerability to climate variability. It is important to make the point that however hard the Government works, and whatever the funds that might be committed, it cannot provide New South Wales baseload energy needs from renewable sources only within a foreseeable time frame. It will take a significant effort to meet the new mandatory renewable energy levels alone. It is virtually impossible for renewable energy to replace coal-based energy in the foreseeable future.

At the same time, the Owen inquiry has estimated that electricity demand in New South Wales will increase by 1.8 per cent each year over the next 10 years. Alternative energy sources and clean coal technologies together are expected to play an important role in satisfying the need for clean power in the medium to long term. However, clean coal technologies provide the best option for significantly reducing emissions while still providing stable, reliable baseload power. From this perspective, New South Wales needs the best technologies available to reduce greenhouse gases as soon as possible. At the same time, it is imperative to plan to grow our economy while we do this.

If we consider the State's economy, it is clear that coal and coalmining have played a significant role in New South Wales for a very long time. Further, coal currently supplies about 90 per cent of the State's energy needs. But its significance to the economy in other ways is as great as its critical role of supplying energy to New South Wales. The coalmining industry provides significant revenues for Australia through exports, and to New South Wales through the royalties it pays. The value of New South Wales coal production in 2006-07 was \$8.1 billion, and the industry paid royalties of \$412 million. From anyone's perspective, this is a major contribution to both the national and State economies. It is predicted to go up significantly in the next financial year.

At the same time, the industry plays a significant role in regional economies where coal is mined. It does this through job creation, investment and regional development. The mining industry employs about 47,000 people in regional New South Wales and a further 200,000 people are employed indirectly. It also makes substantial contributions to local infrastructure and local communities. All of these factors—national, State and regional—show clearly the important role this industry plays in the economy of New South Wales. Thus, while action must be taken to mitigate greenhouse gases, the approaches we follow must be sensitive to economic and social impacts, and ensure ongoing sustainable economic development.

One of the internationally recognised opportunities for adaptation in the energy sector is to provide stimulus to develop new technologies. This also means developing ways of adapting present energy technologies to use into the future while reducing greenhouse gas emissions substantially. Professor Garnaut made some very relevant comments on this point. In his recently released interim report on climate change, he noted that just putting a price on emissions will not generate optimal levels of investment in technological change. He said that the development of low-emissions technology for the energy sector is of particular importance to assist "Australia's transition to an emission-constrained future".

Clean coal technologies are already being researched and developed, both within Australia and internationally. These include combustion technologies, and capture and storage technologies. Capture and storage of carbon dioxide, or geosequestration, is already being used successfully in other industry applications. Well-known examples include Sleipner off the Norwegian coast, Salah in Algeria, and Weyburn in Canada. In Australia, clean coal technologies are at various stages of development. Some of the technologies have been developed at a research or pilot project level. For example, a pilot carbon capture plant is expected to be operational very shortly at Munmorah on the New South Wales Central Coast.

The plant will capture greenhouse gas emissions from the Munmorah power station using ammonia absorption technology. It is planned that the project will move to the demonstration phase by 2013. Another clean coal technology, carbon geosequestration, has been set up as a demonstration project off the coast of Victoria. Other worthwhile technologies are being researched and developed. They all need to be considered for funding to help in their development to commercial scale operations.

This is where the Clean Coal Fund, which is proposed in the bill, becomes critical. It can help the developing technology become a reality. If the funds are made available to encourage research, the implementation of clean coal technologies will happen sooner and more effectively. The proposed Clean Coal Council will assess projects and recommend priorities for the distribution of the funding to provide the maximum benefit to New South Wales. This legislation is an important means of ensuring continued energy supply for New South Wales in an economically and environmentally responsible way. I commend the bill to the House.