

## **INQUIRY INTO GENTRADER TRANSACTIONS**

**Organisation:** Greenpeace Australia Pacific and  
Nature Conservation Council of NSW

**Date received:** 17/01/2011

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The Greenpeace logo, featuring the word "GREENPEACE" in a bold, white, sans-serif font against a green background.

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# SUBMISSION

**Greenpeace Australia Pacific and Nature  
Conservation Council of NSW submission  
to the Legislative Council Inquiry into the  
Gentrader Transactions**



The Director

General Purpose Standing Committee No. 1

Parliament House

Macquarie St

Sydney NSW 2000

Fax: (02) 9230 2981

14 January 2011

Dear Sir/Madam

**Submission to the Legislative Council Inquiry into the Gentrader Transactions**

Greenpeace Australia Pacific and the Nature Conservation Council of NSW (NCC) welcome the opportunity to make this submission to the above-named NSW Legislative Council Inquiry.

We note that the terms of reference for the Inquiry ask that the Committee inquire into and report on:

- the details of the energy reform transactions completed on Tuesday 14 December 2010;
- impact the transaction will have on current and future electricity prices, competition in the electricity market, and the value obtained for NSW taxpayers; and
- other related matters.

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***Impact on NSW carbon emissions***

We welcome parliamentary scrutiny of the energy reform transactions, and encourage the Inquiry to consider the impact of the transactions on the ability of the NSW Government to meet its carbon emission reduction targets. In particular, we urge the Inquiry to consider the climate change implications of the following aspects of the privatisation package:

- the sale of development sites for two new coal-fired power stations; and
- establishment of a state run coal mine to provide coal at an artificially reduced price.

The Government's decision to establish and operate the Cobbora coal mine, in order to supply heavily subsidised coal to electricity generators, is directly relevant to the Inquiry as the Cobbora mine is to be funded from the \$5.3 billion raised from the sale of state electricity assets.

***Impact on current and future electricity prices, competition and value obtained for taxpayers***

The Cobbora coal mine proposal will have a strong impact on electricity market competition by artificially reducing the price of coal supplied to relevant electricity generators from the current market price of \$70-\$100 per tonne to \$30-\$40 per tonne. By delivering a massive effective subsidy for coal-fired power generation, the proposed mine will create a strong barrier to entry for new market participants, especially those using renewable energy sources.

The substantial financial risks associated with operating the mine under these conditions will be borne by the taxpayer. Development of the mine will impose an estimated direct cost to taxpayers of \$1.3 billion, with further losses in the form of (a) revenue forgone from sale of the coal mine, and (b) royalties forgone by not selling coal from Cobbora into the export market.

Whilst the decision to run the Cobbora mine may provide a short term fix for the politically difficult issue of electricity price rises and enable the sale of generating assets during a period of cost uncertainty, in the long run this decision will lock in NSW dependency on a costly and polluting fuel source. The impacts of this perverse incentive to highly polluting energy sources on NSW climate policy and the costs of implementing those policies should be examined.

The real price for thermal coal can be expected to continue to rise over time, driven by external factors such as the world export price for thermal coal and the soon to be introduced carbon price – both are expected to trend upwards over time. The Inquiry is encouraged to examine these trends and their impacts on electricity prices.

In our opinion, the economic interests of the state's citizens are not best served by new power generation investment decisions being made on the basis of artificially suppressed price of fuel.





**Yours Sincerely,**

Jeremy Tager  
Political Advisor  
Greenpeace Australia Pacific

Pepe Clarke  
Chief Executive Officer  
Nature Conservation Council

Attachments:

1. **Complaint to ACCC against Joint Venture Agreement for Cobbora Coal Mine Project, 21 December 2010**
2. **'Canary in the coal mine' *Climate Spectator*, Published 1 Nov 2010, Updated 2 Nov 2010**
3. **'Coalmine subsidy will harm competition, say conservationists' *Sydney Morning Herald*, 22 Dec 2010**