

**NEW SOUTH WALES CLEAN COAL SUMMIT -- MAY 2008**

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MINISTER MCDONALD, THANK YOU FOR THIS OPPORTUNITY TO ADDRESS THIS NEW SOUTH WALES CLEAN COAL SUMMIT.

I AM SPEAKING TODAY AS A DIRECTOR OF THE AUSTRALIAN COAL ASSOCIATION AND IT HAS BEEN A PLEASURE TO HEAR PROFESSOR GARNAUT TALKING OF THE POLICY ISSUES HE IS DEALING WITH IN PREPARING HIS REPORT TO GOVERNMENT ON THE PROPOSED AUSTRALIAN EMISSIONS TRADING SCHEME.

I KNOW WE WILL CONTINUE TO LISTEN TO HIM WITH INCREASING KEENNESS AND PERHAPS, IN SOME CASES, TREPIDATION AS SEPTEMBER APPROACHES.

BUT, WE CAN ONLY BE HEARTENED BY HIS CONSISTENT ACKNOWLEDGEMENT OF THE IMPORTANCE OF CLEAN COAL TECHNOLOGY IN ADDRESSING GLOBAL CLIMATE CHANGE.

PROFESSOR GARNAUT'S REPORT IN SEPTEMBER WILL MAKE AN IMPORTANT CONTRIBUTION TO THE TRANSFORMATION OF OUR ECONOMY AS AUSTRALIA MAKES THIS ENORMOUS CHANGE FASTER, WITH GREATER COVERAGE AND WITH TOUGHER NEAR TERM TARGETS THAN ANY OTHER COUNTRY.

THE GOVERNMENT'S PROPOSAL TO INTRODUCE AN EMISSIONS TRADING SCHEME - BACKED BY MEDIUM AND LONG-TERM TARGETS - WILL SET IN TRAIN AN UNPRECEDENTED PROCESS OF STRUCTURAL CHANGE IN AUSTRALIA'S ENERGY INDUSTRIES.

THAT CHANGE WILL HAVE FLOW-ON EFFECTS TO MOST OTHER INDUSTRIES AND TO THE WAY OF LIFE OF MOST AUSTRALIANS.

THE CHALLENGE FOR THE GOVERNMENT IS TO IMPLEMENT AN EMISSIONS TRADING SCHEME AND COMPLEMENTARY POLICIES THAT MINIMISE THE COST OF TRANSFORMING AUSTRALIA TO A LOW EMISSIONS ECONOMY WHILE PRESERVING OUR INDUSTRIES' INTERNATIONAL COMPETITIVENESS.

WITHOUT APPROPRIATE AND REALISTIC APPROACHES TO LEVEL THE PLAYING FIELD, THE COST OF AUSTRALIA'S EMISSION REDUCTION

TARGETS WILL BE SUBSTANTIALLY HIGHER FOR NO NET BENEFIT TO THE ENVIRONMENT.

MAINTAINING THE NATIONAL CONSENSUS NECESSARY TO UNDERTAKE THIS TASK SMOOTHLY WILL NOT BE EASY - GIVEN THE COSTS AND LIFESTYLE CHANGES IT WILL BRING.

AND THAT'S JUST THE DOMESTIC CHALLENGE.

AUSTRALIA MUST ALSO CONTRIBUTE TO BUILDING AN INTERNATIONAL AGREEMENT ON A POST-2012 FRAMEWORK THAT ENSURES THAT GLOBAL EMISSIONS REALLY ARE REDUCED - AND NOT MERELY REDISTRIBUTED AWAY FROM OECD COUNTRIES.

THAT MEANS FINDING WAYS THAT ALLOW DEVELOPING COUNTRIES - PARTICULARLY RAPIDLY INDUSTRIALISING ECONOMIES SUCH AS CHINA AND INDIA - TO CONTINUE TO INCREASE THEIR PER CAPITA INCOMES WHILE - AT THE SAME TIME - CONTAINING THEIR EMISSIONS GROWTH.

HERE IN AUSTRALIA THE KEY TO RESTRUCTURING THE ECONOMY TO SUCCEED IN A CARBON CONSTRAINED WORLD LIES IN THE DEPLOYMENT OF EFFECTIVE LOW EMISSION TECHNOLOGIES ---- TECHNOLOGIES THAT WILL ALLOW AUSTRALIA TO CONTINUE TO EXPLOIT ITS COMPARATIVE ADVANTAGE AS A RESOURCE RICH ECONOMY WHILE REDUCING ITS GREENHOUSE GAS EMISSIONS.

EQUALLY, THE KEY TO ADDRESSING GLOBAL EMISSIONS ULTIMATELY LIES IN THE UPTAKE OF THE SAME TECHNOLOGIES - INCLUDING BY DEVELOPING AND TRANSITIONAL ECONOMIES.

FOSSIL FUELS -- COAL, OIL AND NATURAL GAS-- HAVE UNDERPINNED GLOBAL ECONOMIC DEVELOPMENT FOR MORE THAN 150 YEARS AND WILL BE REQUIRED FOR A LONG TIME YET TO MEET RAPIDLY GROWING ENERGY DEMAND.

RENEWABLES WILL CLEARLY HAVE A GROWING ROLE BUT WILL ACCOUNT FOR A RELATIVELY MODEST PROPORTION OF THE GLOBAL ENERGY MIX FOR THE FORESEEABLE FUTURE.

COAL WILL CONTINUE TO PLAY A PIVOTAL ROLE IN UNDERPINNING GLOBAL ENERGY SECURITY AND ECONOMIC GROWTH THROUGH PROVISION OF LOW-COST ELECTRICITY.

AS PROFESSOR GARNAUT HAS POINTED OUT – WE ARE NOW IN THE PLATINUM AGE, WHERE CONSISTENT RATES OF ECONOMIC GROWTH HAVE BEEN HIGHER THAN THE “GOLDEN AGE” OF THE 1950S AND 60S.

THIS GROWTH IS HEAVILY “ENERGY DEPENDENT” AND THAT IS REFLECTED IN THE FACT THAT WHILE THE GROWTH IN CO2 EMISSIONS FROM OECD COUNTRIES IS SLOWING, THE RATE IN NON-OECD COUNTRIES IS RISING SIGNIFICANTLY.

THE IEA PROJECTS THAT GLOBAL ELECTRICITY DEMAND WILL DOUBLE BY 2030 AND THAT THE SHARE OF COAL-FIRED POWER WILL INCREASE FROM 40 TO 45%.

COAL'S SHARE OF GLOBAL ENERGY EMISSIONS WILL ALSO INCREASE FROM 41% IN 2005 TO 45% IN 2030 WITH CHINA AND INDIA ACCOUNTING FOR MOST OF THAT GROWTH.

LOW EMISSION COAL TECHNOLOGY WILL BE ESSENTIAL IN ADDRESSING GLOBAL GROWTH IN EMISSIONS WHILE AT THE SAME TIME ALLOWING CONTINUED ECONOMIC GROWTH IN BOTH DEVELOPED AND DEVELOPING COUNTRIES.

THE IPCC, AL GORE, SIR NICHOLAS STERN, PROFESSOR GARNAUT AND FEDERAL AND STATE AUSTRALIAN GOVERNMENTS ALL SUPPORT THE USE OF CARBON CAPTURE AND STORAGE.

FURTHER, IT HAS BECOME CLEAR THAT - IF WE ARE TO CURB GLOBAL EMISSIONS - THE TECHNOLOGIES THAT WILL ALLOW CARBON CAPTURE AND STORAGE FOR COAL FUELLED POWER GENERATION WILL ALSO BE ESSENTIAL FOR THE OTHER FOSSIL FUELS -- GAS AND OIL.

IN AUSTRALIA, COAL ACCOUNTS FOR OVER 80% OF ELECTRICITY GENERATION AND 32% OF AUSTRALIA'S EMISSIONS FROM THAT SOURCE.

IT IS ALSO OUR LARGEST COMMODITY EXPORT VALUED AT \$22 BILLION IN 2007 AND SET TO INCREASE NEXT FINANCIAL YEAR.

IN NEW SOUTH WALES, COAL ACCOUNTS FOR 90% OF ELECTRICITY GENERATION, WITH THE COAL MINING INDUSTRY VALUED AT \$8.5 BILLION AND CONTRIBUTING \$6.7 BILLION TO THE STATE'S EXPORT INCOME.

COAL-FIRED ELECTRICITY GENERATION WILL CONTINUE TO UNDERPIN NEW SOUTH WALES' ENERGY SECURITY AS THE INDUSTRY MOVES TO INTRODUCE COMMERCIAL SCALE CARBON CAPTURE AND STORAGE TECHNOLOGIES.

THE AUSTRALIAN COAL INDUSTRY HAS LONG ACCEPTED THE SCIENCE OF CLIMATE CHANGE.

IT ACKNOWLEDGES THE ROLE THAT REDUCING EMISSIONS FROM COAL FUELLED POWER CAN PLAY IN ADDRESSING CLIMATE CHANGE GLOBALLY AND IS INVESTING IN VIABLE SOLUTIONS.

IN 2003 THE INDUSTRY ESTABLISHED THE COAL21 INITIATIVE, BRINGING TOGETHER THE COAL AND ELECTRIC POWER INDUSTRIES, UNIONS, FEDERAL AND STATE GOVERNMENTS AND RESEARCHERS.

COAL21 ACHIEVED CONSENSUS ON A NATIONAL ACTION PLAN TO DEMONSTRATE AND IMPLEMENT LOW EMISSIONS TECHNOLOGIES FOR COAL-BASED ELECTRICITY GENERATION.

THE AIM IS TO DEMONSTRATE THE TECHNICAL AND ECONOMIC VIABILITY OF THE CLEAN COAL TECHNOLOGIES AND BE READY TO DEPLOY THEM ON A COMMERCIAL SCALE FROM 2015 IN AUSTRALIA AND OVERSEAS.

IN ORDER TO DRIVE THIS DEMONSTRATION PROGRAM - THE COAL INDUSTRY IN 2006 ESTABLISHED THE COAL21 FUND, A VOLUNTARY LEVY ON COAL PRODUCTION THAT WILL RAISE MORE THAN ONE BILLION DOLLARS OVER THE NEXT DECADE.

THE COMMONWEALTH AND STATE GOVERNMENTS ARE ALSO PROVIDING SUBSTANTIAL FUNDING TO THE DEMONSTRATION PROGRAM.

THE COAL INDUSTRY WELCOMES THE ESTABLISHMENT OF THE NEW SOUTH WALES CLEAN COAL FUND VALUED AT ONE HUNDRED MILLION DOLLARS AND THE INTRODUCTION OF LEGISLATION TO ESTABLISH THE NEW SOUTH WALES CLEAN COAL COUNCIL TO DRIVE A LOW EMISSIONS COAL DEMONSTRATION STRATEGY IN THE STATE.

WE BELIEVE THAT NEW SOUTH WALES CAN BE A WORLD LEADER IN THE DEPLOYMENT OF POST COMBUSTION CAPTURE TECHNOLOGY

THE COAL21 FUND HAS ALREADY COMMITTED \$50 MILLION TO THE PROPOSED NEW POST COMBUSTION CAPTURE AND STORAGE DEMONSTRATION PROJECT TO MATCH THE \$50 MILLION FROM THE COMMONWEALTH AND \$50 MILLION FROM THE NEW SOUTH WALES GOVERNMENT.

WE AIM TO SEE A COMMERCIAL SCALE PLANT WITH POST COMBUSTION CAPTURE AND STORAGE OPERATING IN NEW SOUTH WALES BY 2017.

BUT, NATIONALLY THERE REMAINS A LARGE TASK TO COMPLETE IF WE ARE TO SUCCESSFULLY DEMONSTRATE THE TECHNOLOGIES BY 2015 AND PREPARE THE WAY FOR THEIR DEPLOYMENT BEFORE 2020.

THE RUDD GOVERNMENT'S NATIONAL CLEAN COAL INITIATIVE AND IMMINENT DECISIONS ON AN EMISSION TRADING SCHEME PROVIDE A UNIQUE OPPORTUNITY TO PUT IN PLACE THE NECESSARY NATIONAL COORDINATING STRUCTURES AND POLICIES

WE NEED:

- A NATIONAL STRATEGY FOR DEMONSTRATION PROJECTS;
- A NATIONAL STRATEGY FOR A SUSTAINED R&D EFFORT;
- A NATIONAL STORAGE STRATEGY THAT POSITIONS AUSTRALIA TO BE STORAGE READY AND;
- AN EMISSIONS TRADING SCHEME WITH COMPLEMENTARY POLICIES THAT PROVIDE THE INCENTIVE TO POWER GENERATORS TO INVEST IN FIRST OF A KIND DEPLOYMENT OF COMMERCIAL SCALE LOW EMISSION COAL TECHNOLOGIES.

IF I COULD JUST EXPAND ON THOSE POINTS FOR A FEW MINUTES:

AUSTRALIA IS BUILDING A CREDIBLE PORTFOLIO OF LOW EMISSIONS COAL DEMONSTRATION PROJECTS COVERING CAPTURE TECHNOLOGIES AND STORAGE.

THESE INVOLVE STATE GOVERNMENTS, THE FEDERAL GOVERNMENT, RESEARCHERS AND INDUSTRY.

WE BELIEVE THE MOMENT HAS COME TO ESTABLISH A NATIONAL COORDINATING MECHANISM TO DEVELOP A NATIONAL STRATEGY ON DEMONSTRATION AND ENSURE A RATIONAL ALLOCATION OF RESOURCES.

WE ALSO BELIEVE CONTINUING R&D EFFORT WILL BE REQUIRED TO IMPLEMENT DEMONSTRATION PROJECTS, UNDERPIN THE DEPLOYMENT OF SUCCESSFUL TECHNOLOGIES AND DEVELOP NEW TECHNOLOGICAL OPPORTUNITIES.

THE IMPORTANCE OF THE ROLE OF GOVERNMENT IN SUPPORTING R&D HAS BEEN CLEARLY RECOGNISED BY PROFESSOR GARNAUT AND THE RUDD GOVERNMENT.

AUSTRALIA NEEDS TO MANAGE AND FOCUS ITS SCARCE RESEARCH ASSETS AND TO ENSURE A COORDINATED NATIONAL EFFORT.

WE PROPOSE THE ESTABLISHMENT OF A NATIONAL LOW EMISSIONS COAL COUNCIL TO COORDINATE A STRATEGIC APPROACH TO DEMONSTRATION PROJECTS AND TO DEVISE AND IMPLEMENT AN R&D STRATEGY SUPPORTING DEMONSTRATION AND DEPLOYMENT OF LOW EMISSIONS, FOSSIL-FUEL BASED POWER GENERATION.

THEN THERE'S THE QUESTION OF STORAGE.

THE AVAILABILITY OF SAFE, VIABLE STORAGE WILL BE CRITICAL TO DECISIONS TO INVEST IN LOW EMISSIONS COAL AND GAS POWER STATIONS.

VALUABLE WORK HAS ALREADY BEEN DONE IN IDENTIFYING POTENTIAL LARGE-SCALE STORAGE SITES AND IN ESTABLISHING THE NECESSARY LEGISLATIVE AND REGULATORY FRAMEWORK.

BUT A LOT MORE NEEDS TO BE DONE TO REMOVE THE CURRENT LEVEL OF UNCERTAINTY ABOUT THE AVAILABILITY AND LOCATION OF LONG-TERM STORAGE SITES AND THE TERMS OF ACCESS.

WE WILL NEED A DETAILED PLAN FOR COMMON-USER PIPELINES AND INJECTION INFRASTRUCTURE TO LINK MAJOR STORAGE SITES WITH LARGE EMISSION SOURCES.

THE ACA HAS PROPOSED JOINTLY WITH THE CFMEU, WWF AND THE CLIMATE INSTITUTE THE ESTABLISHMENT OF A NATIONAL CARBON STORAGE TASKFORCE BRINGING THE COMMONWEALTH, STATES AND INDUSTRY TOGETHER TO DEVELOP A NATIONAL STORAGE STRATEGY.

FINALLY, HOW DO WE MOVE FROM SMALL SCALE DEMONSTRATION PROJECTS TO INDUSTRIAL SCALE PLANTS INCORPORATING CARBON CAPTURE AND STORAGE?

BUILDING A COMMERCIAL SCALE POWER PLANT WITH CARBON CAPTURE AND STORAGE IN AUSTRALIA OR EVEN RETROFITTING EXISTING PLANT WILL ENTAIL LARGE CAPITAL INVESTMENT.

THAT INVESTMENT WILL BE FACED BY THE SUBSTANTIAL RISKS ASSOCIATED WITH FIRST-OF-A- KIND COMMERCIAL SCALE DEPLOYMENT.

THE PRICE SIGNAL GENERATED BY THE EMISSIONS TRADING SCHEME IS UNLIKELY TO PROVIDE ALL OF THE INCENTIVE REQUIRED TO TAKE ON THOSE RISKS.

PROFESSOR GARNAUT AND OTHERS HAVE RECOGNIZED THAT THE GOVERNMENT WILL NEED TO DEVELOP POLICY MEASURES TO ACCELERATE THE DEPLOYMENT OF LOW EMISSIONS POWER ON A COMMERCIAL SCALE.

THERE IS A RANGE OF OPTIONS INCLUDING DIRECT FINANCIAL SUPPORT TO FLAGSHIP PROJECTS, A TARGET FOR LOW EMISSION FOSSIL FUEL TECHNOLOGIES OR OTHER FISCAL INCENTIVES.

THESE ELEMENTS - TECHNOLOGY DEMONSTRATION - R&D - A NATIONAL STORAGE STRATEGY AND - INCENTIVES TO DEPLOY - MAKE UP THE POLICY FRAMEWORK THAT WILL BE NEEDED TO ENSURE THAT LOW EMISSIONS FOSSIL FUEL ELECTRIC POWER BECOMES A REALITY BEFORE 2020.

WE LOOK FORWARD TO CONTINUING TO WORK WITH THE NEW SOUTH WALES AND FEDERAL GOVERNMENTS AND OTHER INDUSTRY SECTORS AND INTEREST GROUPS IN DEVELOPING A SOUND AND EFFECTIVE NATIONAL APPROACH THAT SEES CLEAN COAL TECHNOLOGY DEPLOYED TO MAKE THE EARLIEST POSSIBLE IMPACT OF AUSTRALIAN AND GLOBAL CO2 EMISSIONS.

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