



**OFFICE OF
THE HON MARTIN FERGUSON AM MP**

**MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR TOURISM**

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

C13/505

15 MAR 2013

Dear Mr Maksay

Thank you for your email of 15 February 2013 to Martin Ferguson concerning climate change and the coal industry. The Minister has asked that I respond on his behalf.

Coal is currently Australia's largest export commodity and plays a significant role in terms of export revenue and employment for many regional communities. Australia exports coal to both developed and developing countries. For developed countries, coal provides reliable and cheap base-load energy supply during the transition to cleaner energy futures incorporating mature and competitive clean energy technologies. For developing countries, access to cheap energy is vital to economic development, often reducing poverty and disadvantage.

Australia is a major coal exporter, supplying 30 per cent of the world coal trade market. The world coal trade market represents only 15 per cent of world coal consumption, with many large coal consumers also being large coal producers. Therefore, a restriction on Australian coal exports and investment would have a detrimental impact on the Australian economy and, importantly, would not necessarily lead to reduced greenhouse emissions. Coal buyers would simply look to other coal-rich countries for supply. Part of the reason for this is that poor and developing countries will still rely on coal, as a cheap and baseload power source, to fuel their economies.

In Australia, coal's share of future power generation is expected to decline relative to the growth in renewable energy and less greenhouse gas intensive fuels, such as natural gas. Coal currently provides almost 75 per cent of Australia's electricity generation capacity. It will take time to prove-up large scale renewable energy generation technologies and to construct alternative electricity generation capacity. Given this, as well as anticipated growth in future demand for electricity, coal will continue to play a vital role in meeting Australia's future energy needs.

The Government believes that technological solutions to reduce greenhouse gas emissions from coal use are essential. Coal will need to be part of a diversified energy portfolio going forward and low emissions technologies such as carbon capture and storage (CCS) will help to reduce emissions from coal fired power generation.

Telephone: (02) 6277 7930 Facsimile: (02) 6273 0434

The Australian Government is investing over \$2 billion in low emission technologies, including carbon capture and storage (CCS). CCS is the most prospective technology available to significantly reduce emissions from large-scale fossil fuel use. It can be applied to coal and gas-fired power generation, LNG processing, liquid fuel technologies and emission-intensive industrial processing such as iron and steel, chemicals and cement. CCS will be a key technology. This is recognised by the government through a number of significant initiatives already underway, including funding for the Global CCS Institute, the CCS Flagships program and the National Low Emissions Coal Initiative.

The Australian Government is working to reduce domestic greenhouse gas emissions in a way that secures our economic prosperity and achieves emissions reductions at least economic cost while maintaining both the international competitiveness of Australian industries and adequate, reliable and affordable energy supplies. To facilitate this, the government has set clear greenhouse gas emission reduction targets: a reduction of at least five per cent of 2000 levels by 2020 and 80 per cent of 2000 levels by 2050.

The government's Clean Energy Future Plan introduced a broad-based carbon price into the Australian economy. The carbon price commenced on 1 July 2012 with a three year fixed price period starting at \$23/tonne, and will transition to a flexible price cap-and-trade emissions trading scheme on 1 July 2015. The mechanism has broad coverage of emission sources and over 300 of Australia's largest emitters of greenhouse gases are participating in the scheme. These businesses encompass stationary energy, industrial processes, fugitive emissions and emissions from non-legacy waste. It is expected that the implementation of a carbon price will provide an incentive for industry to engage in activities that reduce their emissions.

In addition to this, the Australian Government has created a new independent statutory body, the \$3.2 billion Australian Renewable Energy Agency (ARENA) to improve the competitiveness of renewable energy technologies and increase the supply of renewable energy in Australia. ARENA manages a range of renewable energy investments and has around \$2.2 billion funding available to provide early stage grants and financing assistance to support the research, development, demonstration and commercialisation of renewable energy and related technologies.

Thank you for taking the time to write to the Minister. I trust this information has been of assistance to you.

Yours sincerely



Timothy Wilson
Adviser