

Labor Senators' dissenting report

- 1.1 Labor Senators reject the views and recommendation of the committee report.
- 1.2 Labor Senators note the overwhelming evidence against the Bill in the committee report and that Government Senators relied on the false pretence of a 'technology neutral' approach to support the Bill. This Bill will not assist in achieving our long-term climate aims, or meet the criteria of the Clean Energy Finance Corporation (CEFC) for low-emissions investment.
- 1.3 Labor Senators note that the previous Labor Government excluded carbon capture with geological storage (CCS) from the CEFC's mandate as a result of the concurrently established research and development fund specifically for CCS to enable it to become commercially viable. It was the Abbott Government that scrapped the \$1.7 billion Carbon Capture and Storage Flagships program, returning \$460 million to the budget. Labor has no issues with further appropriate support for CCS research and development.
- 1.4 Largely because the Abbott and Turnbull governments neglected energy policy in general and CCS technologies in particular, CCS technologies remain at the research and development phase in Australia. Globally there are only two commercial CCS projects in operation. No coal power stations in Australia are suitable for retrofitting with CCS.
- 1.5 If this were a serious attempt at supporting the uptake of CCS technologies, the Turnbull Government, at any point in its term, would have supported further research and development into CCS in Australia through a comprehensive energy policy that implements a price on carbon. Instead, this one line Bill is a stunt to appease a bruised rump of grumpy backbenchers.
- 1.6 In order for CCS to be commercial in Australia, which is a necessary condition for CEFC support of any technology, CCS must offer a revenue stream or avoided cost to proponents that is greater than the significant capital and running cost of implementing CCS technology on a project. Currently there is no source for such a CCS revenue stream and the Turnbull Government has actively worked against implementing policies which would provide a CCS revenue stream, such as implementing a carbon price.
- 1.7 Labor Senators warn that passage of this Bill may impede the legitimate case for further research and development funding for CCS. If CCS is allowed under the CEFC investment mandate it would provide a false impression that CCS is commercially viable in Australia and undermine potential future research and development funding.
- 1.8 Further, the CEFC was never intended as a research and development fund, but as a mechanism to encourage commercial investment in new but fully-fledged technologies which met the requisite conditions of being renewable, low emissions or

energy efficient. Indeed, on this point, little has changed. The CEFC has high and strict investment criteria, which CCS is not currently at a stage to meet, and never will be without a comprehensive energy policy that includes a carbon price or similar financial incentive to cut carbon pollution.

1.9 Labor Senators are concerned that this Bill will potentially divert CEFC resources into assessments of applications for CCS support that are not commercially viable, and potentially divert clean technology funding to risky and expensive CCS projects that would be more appropriately supported by research and development funding, as initially envisaged by the former Labor Government through the CCS Flagships program. Further, the CEFC noted in its submission that it 'has no particular expertise in CCS technologies or their application...and would only acquire the necessary expertise...after the CEFC had been approached by one or more credible parties seeking bankable investment assistance with viable projects'.¹ Labor Senators share the concern of some submitters that if this Bill passes, the CEFC would have to find or develop additional expertise from within its existing resources.

1.10 If the Turnbull Government were serious about CCS they would reinstate support for a CCS research and development fund, rather than pursuing this ill-considered and blatant fig leaf to try to appease the Coalition Party Room coal lobby.

1.11 Labor Senators consider the performance of the CEFC staff and board in the face of relentless opposition from the Abbott and Turnbull Governments is outstanding. The CEFC must ensure a project complies with the CEFC Act, meets the CEFC's investment mandate, and satisfies the CEFC's Investment Policies and risk management practices. The role of the CEFC is to 'facilitate increased flows of finance into the clean energy sector',² which Mr Simon Holmes à Court noted is akin to the government 'crowding-in' private investment to clean energy.³ In its four years of operation, the CEFC's investments were matched at a rate of 2:1 by private investments, for total funding to clean energy projects at over \$11 billion. The CEFC expects these investments to realise a rate of return above the Government's costs of funds.⁴

1.12 Labor Senators are concerned that the high rate of return required under the Turnbull Government impedes the public policy purpose of the CEFC and risks holding back the crucial investment Australia desperately needs – right now – in new generation, new storage and other low pollution technologies. Under Labor, the investment mandate was set at the weighted average of the Australian Government bond rate. The Liberals pushed this out to the weighted average plus 4 to 5 per cent

1 Clean Energy Finance Corporation, *Submission 14*, p. 5.

2 *Clean Energy Finance Corporation Act 2012*, s. 3.

3 Mr Simon Holmes à Court, *Submission 13*, p. 3.

4 Clean Energy Finance Corporation, *Annual report 2016–17*, p. 12.

before backing down ever so slightly to the average plus 3 to 4 per cent. Labor Senators note that the Turnbull Government's high investment mandate will likely impact the ability for CCS projects to secure CEFC financing.

1.13 Labor Senators note the Government's proposed National Energy Guarantee (NEG) is still in a design, development and consultation phase, and it is not clear if or what impacts the NEG will have on incentives for R&D investment into CCS technologies. However, the NEG as proposed by the Government is expected to not incentivise any new large scale renewable energy projects over the decade of the 2020s, above those already supported by state based policies. As such, it is very unlikely the NEG will incentivise any new investment in CCS R&D, let alone commercialisation.

1.14 Labor Senators note the Abbott Government twice failed to abolish the CEFC in the last Senate, and even introduced a bill to do so a third time. The Abbott Government cut \$1.6 billion from the Australian Renewable Energy Agency (ARENA). The Turnbull Government created the Clean Energy Innovation Fund from the CEFC's finances and in doing so effectively subsumed ARENA into the CEFC.

1.15 All this Bill does is to remove the current prohibition on the CEFC considering applications for investment in projects that utilise carbon capture with geological storage. It does so under the false pretence of supporting a 'technology neutral' approach to CEFC funding decisions. This Bill will not assist workers in the coal power or coal mining sectors. It is simply about protecting Prime Minister Turnbull's job.

Recommendation 1

1.16 Labor Senators recommend that the Bill not be passed.

Senator Anne Urquhart
Senator for Tasmania

Senator Anthony Chisholm
Senator for Queensland

