

Senate Standing Committee on Finance and Public Administration
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Additional Budget Estimates Hearing—February 2009

Written question reference: CC22 (a)-(g)

Outcome/Output: Response to climate change

Topic: ZeroGen

Hansard Page: Not relevant for written QoN

Question: (Senator Johnston)

In regards to ZeroGen:

I refer to a letter from ZeroGen CEO Dr Anthony Tarr of 12 January 2009 who said that under the Government's CPRS: "The perverse situation would be that projects such as ZeroGen would need to pay for the permits to emit whilst the dirtiest coal generators in Australia are given permits free of cost!" and that the CPRS would be a "significant barrier" to the development of clean coal in Australia.

- a) What have you done to overcome this disparity?
- b) What assistance will you provide to research organisations such as ZeroGen to ensure they are not unfairly dealt with under your emissions trading scheme?

Dr Tarr's letter went on to say: "Minister Wong's office seems to believe that the introduction of a CO2 price will provide the only necessary impetus to developing low-emissions technologies – but ignores the fact of economic and practical reality that alone this will simply not be enough."

- c) Do you concede that your office has failed to alleviate the concerns of one of the leading clean coal research facilities in Australia, praised by the Prime Minister, who at the time said clean coal was "critical for Australia's economic environmental future."
- d) How do such comments stack up in the face of such criticism of clean coal researchers?
- e) Why was the entire team of the Business Development and Corporate Affairs team at ZeroGen disbanded?
- f) Please provide details of the job losses
- g) Whose decision was it to retrench the workers?

Answer:

- (a)-(d) The price signal provided by the Carbon Pollution Reduction Scheme will play a key role in driving the deployment of low emission coal technology domestically. In the case of Carbon Capture and Storage technology, successful sequestration of carbon dioxide from electricity generation will allow generators to reduce costs of production and compete more effectively against high emissions alternative suppliers.

The Government also recognises that the successful deployment of low emissions technology requires additional support and that is why the Government is providing funding through the National Low Emissions Coal Initiative (NLECI), incorporating a \$500 million National Low Emissions Coal Fund, and the recently announced Global Carbon Capture and Storage Initiative (GCCSI). Up to \$100 million per year has been committed by the Government to establish a new global research institute under the GCCSI in Australia.

In relation to the assistance provided under the CPRS as part of the electricity sector adjustment scheme (ESAS), it is important to note that the assistance is committed up-front, in such a way as to continue to provide full incentive for generators to implement low emissions technologies.

It is not provided to all coal-fired generators, only the most emission-intensive generators will receive assistance as it these assets which are likely to face the most significant impacts on their asset values.

The eligible assets under ESAS will also not be receiving support for all of their permit acquittal requirements. Based on historical emissions, the ESAS support is equivalent to around 1/8th of the acquittal requirements of the electricity generation sector as a whole.

The ESAS support is also limited to 5 years and all generators, including those who may receive some support, will still need to purchase permits to meet their acquittal obligations.

Under the CPRS, ZeroGen will have a lower acquittal obligation than the other higher emissions generators, which means that ZeroGen will be advantaged under the CPRS, relative to a world without the scheme.

(e)-(g) In relation to questions about the operational details of ZeroGen, it would not be appropriate for the Government to comment. These issues are more appropriately directed to the company.