

Australian  
Coal Association



## **Impact of the proposed CPRS on the Australian Black Coal Industry – Implications for the Illawarra**

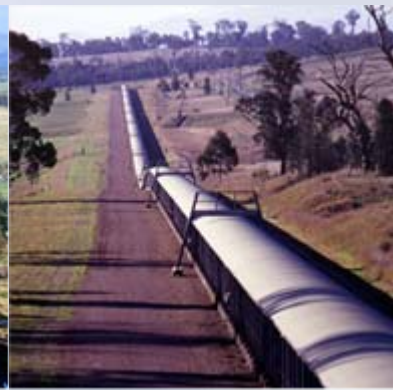
**Ralph Hillman  
Executive Director, Australian Coal Association**

**Wednesday 28 October 2009**

**LET'S CUT EMISSIONS. NOT JOBS.**

## Coal plays a pivotal role in the Australian economy

- Australia is the **world's largest coal exporter**
- Coal is **Australia's biggest commodity export** at around \$A55 billion in 2008/09
- Black coal produces 57% of electricity supply
  - over 80% when combined with brown coal
- Directly employs over 30,000 people and a further 100,000 indirectly
- The **Australian Coal Association** represents Australia's **black coal** producers



## The Importance of Coal to the Illawarra



- **Eight operating coal mines**
  - over 10Mt coal production in 2007/08
  - 6Mt was exported
  - over 2,600 direct employees
- **Iron and steel**
  - 3,400 direct employees
  - 2,500 plus contractors
- **Coke works**
  - over 50 employees at the Coalcliff and Corrimal operations

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## Coal and Climate Change

- Coal industry **accepts the science of climate change**. It also recognizes that emissions from coal fired power generation across the globe are a significant contributor to greenhouse gas emissions
- Climate change is a global challenge – not just an issue for Australia
- Low emission technologies, including **carbon capture and storage** are essential to reducing global emissions



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## Rudd Government Wants Low Emissions Coal Technologies Brought to Market Faster

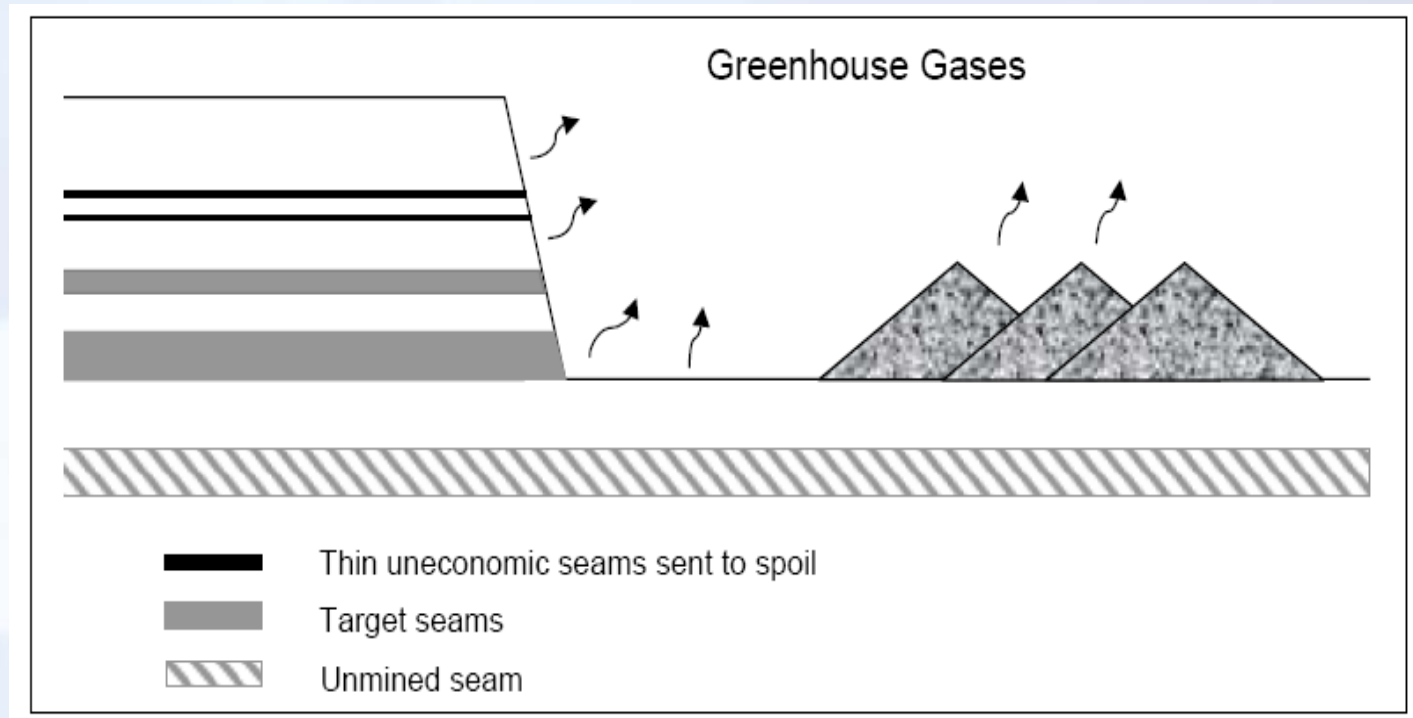
- The Australian Government has announced:
  - a new **Global Carbon Capture and Storage Initiative**
  - the **Low Emissions Coal Council** and
  - the **Carbon Storage Taskforce**
- Australia is making a **leading contribution** to the development of CCS for coal power
- **Coal 21 Fund**: \$1 billion plus from Australia's coal producers by 2015
- **World first** whole of industry low emissions research, development and demonstration fund



## Emissions From Coal Mining and the CPRS

- **The Australian coal industry is directly responsible for about 5% of Australia's greenhouse gas emissions**
- The major source of direct emissions – about 4% – are fugitive emissions

### 1. Open cut coal mining



- For open cut mines there are **very limited opportunities to abate** emissions  
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# Emissions From Coal Mining and the CPRS

## 2. Underground coal mining

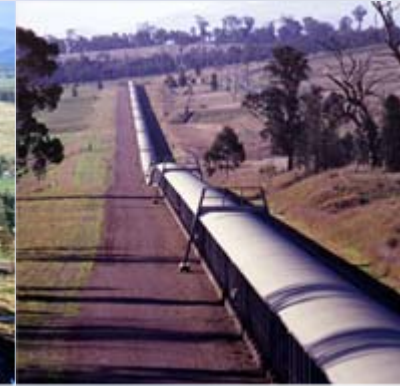
- In **underground mining** there are two types of fugitive emission:
  - *Pre-mine drainage of methane* – abatement through flaring and electricity generation
  - *Ventilation air methane* – limited options for flaring and application of other technologies such as Vocsidizers
- **Vocsidizer technology** proven in various industrial applications but only *demonstrated* in coal
- **Locational and technical difficulties restricting its application in coal mining**
- Australia leads world research in this area
- Available abatement opportunities for underground mines limited



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## How Coal is Treated Under CPRS

- Fugitive emissions (carbon dioxide and methane emitted from coal mining) will be covered under the scheme
- Estimated the Australian coal industry will need to pay **\$14.5 billion over first 10 years of the scheme**
- Coal has been **excluded unfairly** from the government package aimed to preserve the competitiveness of Australia's emissions intensive trade exposed industries (EITE) and prevent carbon leakage **even though it qualified for inclusion**
- Other industries that qualified, Aluminium, LNG and Cement will receive free permit allocations ranging from 66 to 95% of their emissions – coal will receive a rebate of just 4.5% over 10 years



## Why is the Coal Industry Worried About this Proposal?

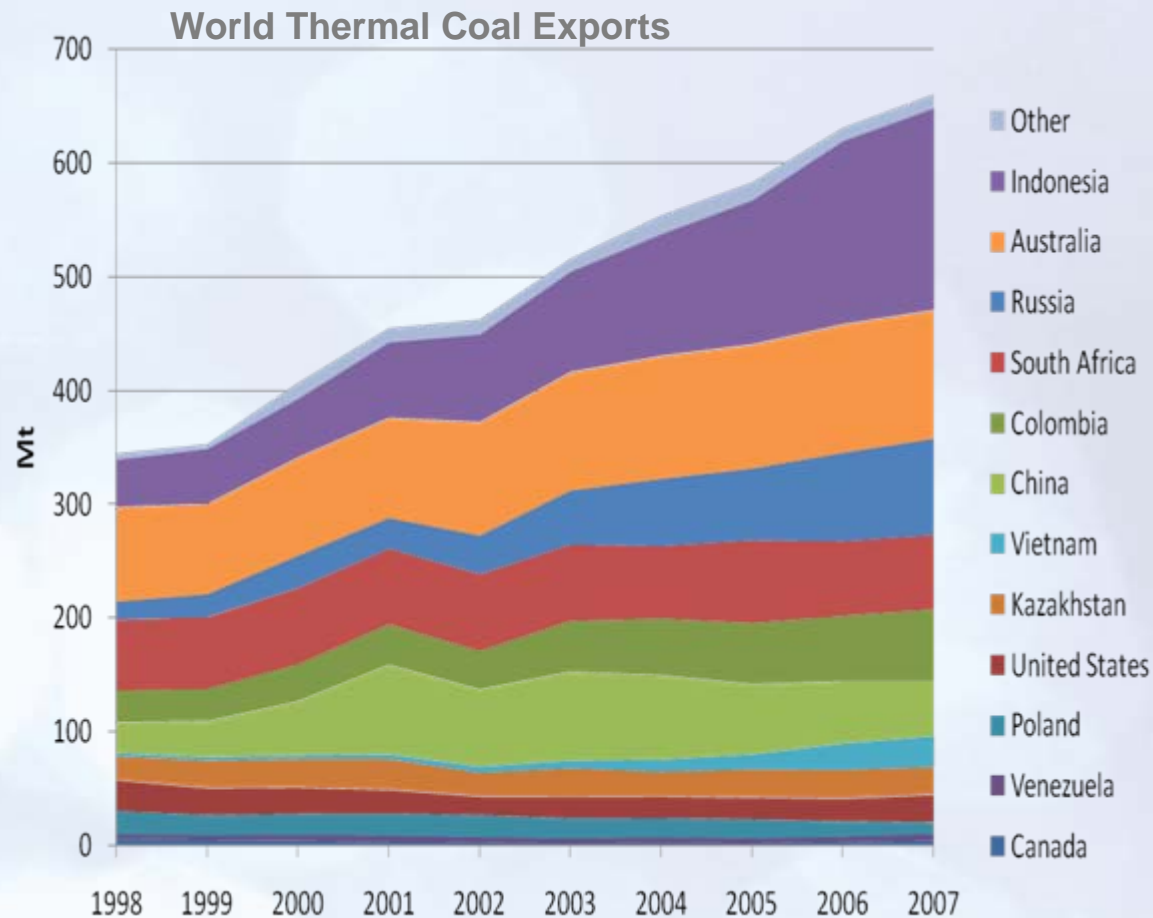


- The unfair treatment of coal will result in
  - reduced competitiveness of Australian coal industry – no other country will be imposing a similar tax on its coal industry – even the **US and EU schemes won't tax fugitive emissions** from coal mining
  - research projects **16 mines would close prematurely**, directly resulting in a **loss of 3000 jobs** and indirectly impacting more than **9000 jobs** that rely on the coal industry<sup>1</sup>
  - CPRS will also stunt investment in new mines in NSW and QLD
  - **no reduction in global emissions because a tonne of coal not produced here will simply be produced overseas**

1. ACIL Tasman, Economic Assessment of CPRS' Treatment of Coal Mining, May 2009. Full details available at [CutEmissionsNotJobs.com.au](http://CutEmissionsNotJobs.com.au)

# GLOBAL COAL MARKET IS HIGHLY COMPETITIVE

Global Demand is Growing but  
Australia is Losing Market Share



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## Coalition Proposed Amendments a Decisive Step

- 1. Exclude coal mine fugitive emissions from CPRS**
  - Consistent with US and EU approaches
  - Levels playing field with our overseas developing country competitors
  - Benefits domestic coal users such as steel and cement
- 2. Regulate fugitive emissions with the objective of achieving a 30% reduction by 2025**
- 3. Coal will still have to pay for permits for direct emissions and influenced by the full CPRS impact on fuel and electricity**

## The Proposed CPRS Will Impact Illawarra Jobs



- There may be up to four mine closures by 2020 in the NSW Southern and Western coal fields
- This may result in the loss of over 1600 direct and indirect coal mining jobs<sup>1</sup>
- Whether it's mines in the Illawarra or elsewhere the proposed CPRS will **unfairly impact coal communities**

1. ACIL Tasman, Economic Assessment of CPRS' Treatment of Coal Mining, May 2009. Full details available at [CutEmissionsNotJobs.com.au](http://CutEmissionsNotJobs.com.au)

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## What the Coal Industry Wants

- To be treated fairly
  - the coal industry is being treated differently to other EITE industries
  - coal should be included in EITE arrangements and receive an allocation of permits to cover 65% of its emissions
  - coal will still need to pay its fair share – 35% equivalent to around \$5 billion over 10 years
- Alternatively coal should be treated as it is in the US and EU where fugitive emissions from coal are specifically excluded – the Turnbull Proposal



# Five Excuses for Discriminatory Treatment of Coal

## **1. *Coal needs to pay its way.***

Coal wants to pay its way, fairly. Including coal in EITE will cost industry \$5 billion over 10 years

## **2. *This will shift the burden to households***

To the extent that this argument is valid, it applies to all EITE assistance, why single out coal?

## **3. *Inclusion of coal from EITE will result in windfall gains to less gassy mines***

This is easily fixed by a small change to the permit allocation rules – allocate based on mine emissions not production

## **4. *Growth in coal is endless in Australia***

Australian coal is already losing market share and this proposal will lose us more

## **5. *Cost impact on coal will be only 80c per tonne***

80c is the median / average is \$4. One large company reports average cost across its mines of \$7 per tonne

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Questions and Answers



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