

Submission: Coal-Fired Power Funding Prohibition Bill 2017

The Environment and Communications Legislation Committee is conducting an inquiry into the *Coal-Fired Power Funding Prohibition Bill 2017*. The Australia Institute welcomes the opportunity to make a submission to this inquiry highlighting our existing research on Australia's energy market and coal-fired power generation.

A coal phase out by 2030 is needed to meet our Paris Agreement commitments. Coal communities are better served by funding for a just transition than subsidies for coal plants. Australia's coal plants break down often, and new plants are some of the most likely to break down. Australia's poor history of carbon capture and storage shows that recent government involvement in coal power has been expensive and unsuccessful.

It should be noted that The Australia Institute has legal advice that suggests that the government's proposed Underwriting New Generation Investment Program is unconstitutional and lacks the legislative basis to proceed.¹

Even if that is the case, this Bill could still serve an important purpose in heading off this constitutional controversy, and focus money and policy attention on more important matters, including a just transition for coal communities.

The Institute would welcome the opportunity to discuss research findings in further detail at any committee hearing, should there be one.

COAL PHASE OUT NEEDED

Modelling by Jacobs for the Climate Change Authority shows that Australia needs to phase out coal-fired power generation by 2030 to meet its Paris Agreement

¹ McLeod & Barrett (2019) *Legal Advice: Energy Generation Program Unconstitutional*, <https://www.tai.org.au/content/legal-advice-energy-generation-program-unconstitutional>

commitments.² Delaying climate action will only make our future abatement task greater.

There is public support for a coal phase-out. Polling research by The Australia Institute shows that three in five Australians (60%) support phasing out coal power by 2030.³

The need to manage the transition to future industries is a strong reason to prevent the expenditure of public funds on coal.

There are strong economic arguments for preventing public funds being used to expand or extend the coal industry.

Public funds spent on coal threaten the transition to Australia's future energy system. Public funds spent on coal cannot also be used to support jobs in other industries or new technologies.

The Committee will recall the Northern Australia Infrastructure Facility's attempt to provide up to \$1 billion of subsidised finance to Adani for its coal railway. As The Australia Institute argued in its submission to the inquiry into the governance of the NAIF, such a coal subsidy should not have even been on the table and should be ruled out by legislation, regulation or mandate.⁴

There is a clear precedent for restricting the use of public funds in the Clean Energy Finance Corporation Act. The CEFC Act contains a prohibited technologies clause:

62 Prohibited technology

An investment for the purposes of the Corporation's investment function is an investment in a **prohibited technology** if it is an investment in:

(a) technology for carbon capture and storage (within the meaning of the National Greenhouse and Energy Reporting Act 2007); or

(b) nuclear technology; or

² Jacobs (2016) *Modelling illustrative electricity sector emissions reduction policies*, <http://climatechangeauthority.gov.au/sites/prod.climatechangeauthority.gov.au/files/files/SR%20Modelling%20reports/Jacobs%20modelling%20report%20-%20electricity.pdf>

³ The Australia Institute (2018) *Poll shows Australians want stronger emissions reduction targets and 60% want phase out of coal*, <https://www.tai.org.au/content/poll-shows-australians-want-stronger-emissions-reduction-targets-and-60-want-phase-out-coal>

⁴ Swann (2017) *Not an independent fund? Submission to Inquiry into the governance and operation of the Northern Australia Infrastructure Facility (NAIF)*, <https://www.tai.org.au/content/not-independent-fund-submission-inquiry-governance-and-operation-northern-australia>

(c) nuclear power.⁵

Legislation has been tabled to repeal the carbon capture and storage aspect of this schedule. The Opposition did not support this legislation.

HARMING OTHER COAL COMMUNITIES AND DELAYING A JUST TRANSITION

If anything, the Bill is too narrow in scope. Rather than focusing only on power plants, it should include preventing any new public funding from being used to finance or underwrite infrastructure enabling the expansion of the coal industry.

Public funds spent on coal creates uncertainty and economic risks for coal communities. While ABS figures show coal makes up less than 0.5% of Australian jobs, in a small number of regional communities coal is a more significant employer. The ability of these communities to plan for a future beyond coal is put at risk by subsidising the expansion or extension of the coal industry.

Modelling conducted by the owners of the Port of Newcastle, the world's biggest coal terminal, found that subsidising the Galilee Basin coal developments would harm mines in other regions, including the Hunter Valley. 10 NSW Hunter Valley mining projects or mine expansions would be shelved or delayed. Eight Queensland mining projects or expansions would be delayed or shelved. Hunter Valley thermal coal output would fall by 86 million tonnes a year; Queensland's Bowen Basin and Surat Basin coal output would fall by about a third each.⁶

Research from The Australia Institute analysed the Port of Newcastle modelling to estimate that if the Galilee Basin is developed, it could reduce employment by 9,100 jobs in the Hunter Valley, 2,000 jobs in the Bowen Basin and 1,400 jobs in the Surat Basin.⁷

⁵ *Clean Energy Finance Corporation Act 2012* (Cth), s 62, <https://www.legislation.gov.au/Details/C2017C00265>

⁶ Long (2017) *Galilee Basin mines will slash coal output, jobs elsewhere, Wood Mackenzie says*, <https://www.abc.net.au/news/2017-07-06/galilee-basin-mining-project-will-reduce-coal-output-research/8682164>

⁷ Murray, Browne, & Campbell (2018) *The impact of Galilee Basin development on employment in existing coal regions*, <http://www.tai.org.au/content/impact-galilee-basin-development-employment-existing-coal-regions>

While the Galilee Basin mines are planned for mostly export coal, Waratah Coal – the largest tenement holder in the Galilee Basin – has announced that it plans to build a coal-fired power plant in central Queensland.⁸

We note the Bill contains explicit provisions to allow the Commonwealth to finance:

financial or other support provided in connection with a program that provides transition assistance to workers affected, or who may be affected, by the retirement of a coal-fired power station.

Coal communities are better served by government funding for a just transition to encourage diversification and new industry than spending on coal plants or other coal industry infrastructure.

UNRELIABILITY OF EXISTING COAL GENERATION

The Australia Institute tracks and analyses breakdowns at gas and coal plants in the National Electricity Market. The unreliability of coal-fired power plants, including of the newest plants equipped with supercritical technology, is an important consideration for legislators. Kogan Creek, Australia’s newest coal plant, is one of its most unreliable.

Key reports and briefing papers include (from the most recent):

Breaking brown (June 2019), which shows that Victoria’s brown coal-fired power stations suffer from frequent breakdowns.⁹

Meltdown (February 2019), which analyses the 135 breakdowns at gas and coal power stations in 2018. Brown coal plants broke down most often, relative to capacity, but new supercritical black coal plants actually broke down more often than older subcritical plants.¹⁰

The heat goes on (February 2019), which analyses breakdowns at NSW gas and coal plants and shows that the Liddell black coal plant had the greatest number of breakdowns in NSW in 2018, and the greatest number relative to capacity.¹¹

⁸ Burt (2019) *Clive Palmer announces plan for new coal-fired power station amid criticism idea is “just crazy,”* <https://www.abc.net.au/news/2019-05-08/clive-palmer-new-coal-mine-plan-waratah-coal-central-queensland/11092102>

⁹ <https://www.tai.org.au/content/breaking-brown-gas-and-coal-plant-breakdowns-victoria>

¹⁰ <https://www.tai.org.au/content/meltdown-2018-breakdowns-gas-and-coal-plants-over-2018>

¹¹ <https://www.tai.org.au/content/heat-goes-breakdowns-gas-and-coal-plants-nsw-2018>

Suboptimal supercritical (January 2019), which shows that Australia’s newest coal plant (Kogan Creek) is one of the least reliable. Its breakdowns occur often, are the biggest in the NEM, have contributed to price spikes and have caused frequency losses outside of the safe operating band.

It also shows that new proposed supercritical brown plants would be more polluting than most current coal plants in Australia.¹²

POOR RECORD OF GOVERNMENT COAL SUBSIDIES

The failure to build any large-scale coal plant with carbon capture and storage, despite significant taxpayer subsidies, shows that the government has a fraught history with supporting coal projects.

Australian governments have been closely involved in the failed roll-out of several carbon capture and storage projects, including at proposed coal-fired power plants. This poor record warns against government involvement in coal plants.

Money for nothing (May 2017)¹³ shows that the federal government has given over \$1.3 billion to carbon capture and storage initiatives, and yet there are no large-scale coal with CCS operations.

Failed large-scale coal projects that received or were set to receive government money include:

- ZeroGen (\$39–\$48 million from federal government; \$103–\$116 million from Queensland government)
- Wandoan IGCC Plant (\$8–\$50 million from federal government)
- Hazelwood 2030 (\$30 million, withdrawn, from Victorian government; \$50 million, withdrawn, from federal government)
- IGCC Clean Coal Demonstration (\$50 million from Victorian government; \$100 million from federal government)

Sunk costs (November 2018)¹⁴ shows that carbon capture and storage will miss every target that has been set for it.

The Australia Institute has appended to this submission the full reports referred to.

¹² <https://www.tai.org.au/content/suboptimal-supercritical>

¹³ <https://www.tai.org.au/content/money-nothing>

¹⁴ <https://www.tai.org.au/content/sunk-costs-carbon-capture-and-storage-will-miss-every-target-set-it>