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Premier of Victoria
Climate Change Submission
GPO Box 4912
Melbourne 3001

Sent by email to: climatechange@dpc.vic.gov.au

Dear Premier

Response to A *CLIMATE OF OPPORTUNITY* Summit Paper

We welcome your government's initiative in holding the Climate Summit and the detailed Summit Paper, **A *CLIMATE OF OPPORTUNITY*** and wish to provide our comments on some of the key strategic issues.

The Australian Energy Company Ltd (AEC) is an unlisted public company formed to develop amongst other activities, the Latrobe Urea Project, details of which are described in the attached Brochure. The majority owners in AEC were the creators and driving force behind what is now known as the Monash Energy Project (being developed by the major international companies, Anglo-American and Shell).

The original proponents of the Monash Energy Project were the first company in Australia to wholeheartedly and publically embrace the need for carbon capture and storage (CCS) to be part of any new, large brown coal processing project in Victoria.

The AEC Latrobe Urea Project (AEC-LUP) is a \$ 2 billion coal to urea plant which will significantly reduce the need for Australia to import this essential agricultural input. The direct carbon dioxide equivalent (CO₂e) emissions of the project are expected to be about one million tonnes per annum. The facility is being designed to readily enable the capture and then the geological storage of the great majority of these emissions once the necessary infrastructure becomes available. However, studies have shown that the economies of scale mean that the AEC-LUP proponents are unable to independently develop the required infrastructure. It is simply not economically viable to attempt this for a CO₂ quantum of this size.

It is from this background that AEC believes that they can comment in a very authoritative manner on the questions raised in the Summit Paper.

In responding to the Summit Paper we will focus on those areas in which we have particular experience and expertise. Thus our key focus will be on clean coal technology and carbon capture and storage. Rather than comment in detail on a range of issues, we are addressing one strategic question; which we regard as critical to Victoria's future. That question is:

What are the key barriers that exist, which hinder the deployment of low emissions technology? Are there barriers unique to Victoria?

While different barriers are likely to be associated with the various low emission technologies, our comments are directed at clean coal technology and carbon capture and storage. We believe that there are three main barriers, as follows;

1. Access to secure sites for the geological storage of greenhouse gases, principally CO₂, is perhaps the major challenge. The Australian Government's recently released draft legislation covering greenhouse gas storage in offshore waters does not provide a process which will allow onshore processors of Victorian brown coal to be confident that they can access the high quality storage sites in the offshore Gippsland Basin in an economic or timely manner. The proposed regulatory model does not facilitate the development of a greenhouse gas, common user storage hub, which is by far the most economically practical way in which this process should be implemented. This is a unique Victorian problem as no other Australian jurisdiction has the same geological and industrial setting. We believe that the proposed legislation, as currently drafted, has the potential to stall CCS development for many decades, and potentially cause large scale economic and social loss to Victoria.
2. Lack of port, road and rail infrastructure to import the new large equipment required to build new generation coal processing plant has been identified by several companies as a key barrier. In addition, restrictions on rail freight capacity from Gippsland will increase the cost of distribution of products - such as fertiliser - made using new low emissions technology and force more freight onto roads. In fact, the lack of rail and port capacity will restrict manufactured product being moved out of the Latrobe Valley and the Gippsland region as a whole. These challenges are being addressed through the Gippsland Resource Infrastructure Development (GRID) group process which is about to get underway with industry and government support and funding. The specific characteristics of the challenges are unique to Victoria.
3. Lack of skilled personnel has been identified above as a key barrier. This is a global, national as well as a Victorian issue. Action on a national level is essential.

We have attached our Submission to the Federal Inquiry into the Draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill which examines the detail behind the first barrier described above.

Would you also please note that we do not consider that there are any technical constrictions on immediately introducing a range of low emission technology to facilitate major industrial and manufacturing industry. There are constrictions for the past generation of electricity production which must be considered, but not for new generation manufacturing and industrial production.

We would be pleased to discuss any aspects of our Submission with you or your representatives. Any queries should be addressed to David Lea, Project Coordinator.

Yours sincerely



ALLAN BLOOD
Chairman