



14 March 2008

Professor Ross Garnaut
Garnaut Review Secretariat
Level 2, 1 Treasury Place
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17 MAR 2008

Dear Professor Garnaut

I write to draw to your attention discussions in a recent Additional Estimates Committee meeting in relation to carbon sequestration and ask you to consider the role of carbon sequestration in the government's proposed Mandatory Renewable Energy Targets (MRETs) as part of your work into Australia's policy response to climate change.

The Minister for Climate Change and Water, Senator the Hon Penny Wong, confirmed to the Senate Standing Committee on Finance and Public Administration on 22 February that the government was committed to a renewable energy target of 20 per cent by 2020, but was not open to considering the inclusion of clean coal or carbon sequestration into the framework for such a target.

Whilst recognising that clean coal technologies and carbon sequestration, such as the proposed Moomba Carbon Storage plan developed by Santos, would be encouraged by an effective Emissions Trading Scheme, I am disappointed that the additional incentive that could be generated from inclusion of these developments into a comprehensive clean energy target, rather than the proposed restrictive MRET formula, is being ruled out by the Government.

The importance of developing clean coal or carbon capture and storage proposals to Australia's future was highlighted by Dr Martin Parkinson, Secretary of the Department of Climate Change, who told the same hearings that:

"... it is imperative for Australia that there be solutions to the clean coal issue. Coal is the most widely distributed fossil fuel in the world. Countries are going to use coal because it is so widely distributed and because the technology is well known and it is cheap, so for energy security reasons countries are going to use coal. It does not matter whether a tonne of emissions come out of Melbourne or out of Moscow: we are going to be affected. Even if Australia does not use coal, we are going to be affected if other countries do. So finding the solution to the clean coal problem is actually an important part of the global solution to climate change. It also happens to be the case that if we can find that solution it will allow us to exploit the fossil fuel reserves that we have here without any impact on the global climate."

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I note also your comments on both the potential importance of carbon capture and storage (CCS) in your interim report released recently, as well as those relating to the likely significant impact of MRETS in the period to 2020, particularly that:

"A high proportion of the incentive to introduce low-emissions energy in the early years of the ETS, and a higher proportion of the economic cost, may be carried by the MRET scheme."

It would seem from these comments that the risk of the MRET structured in the manner proposed, excluding CCS or other clean coal initiatives from inclusion in its targets, could have a significant detrimental effect on the development of such technologies.

When asked, Minister Wong advised the committee that you had not and would not be asked by the Government to consider as part of your review the benefits of a clean energy target, inclusive of technologies like CCS, as against the presently proposed purely renewable energy target. However, she did add that:

"Professor Garnaut's terms of reference ... are wide enough for him to report on a great many matters, including the matters that you raise in relation to climate change."

It is with this in mind that I urge you to consider, as part of or in addition to your review, the impact the Government's 20 per cent by 2020 MRET will have on the development of CCS and other clean coal technologies as well as the possible benefits to successfully addressing climate change that a target, possibly greater than 20 per cent, could have if applied inclusive of such technologies.

I look forward to your response and hopefully to your consideration of this important issue.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Birmingham', with a long horizontal flourish extending to the right.

Simon Birmingham