

From: Allan Blood  
Subject: AEC Urea Project - Carbon Issues

Monday, December 31, 2007.

Dear Professor Garnaut

This formal submission to you (attached) follows on from our initial meeting with Dr Roland Williams, the former Chairman of Shell Australia and one of that company's fathers of their gas to liquids technology which of course now has a huge global potential with coal as the gasification feedstock, and our subsequent meeting at the Windsor Hotel where we both seem to have a Melbourne home on many occasions. Our submission is based on issues affecting all clean coal technology projects in Australia as experienced through our past coal to gas to liquids project and particularly our current A\$2 billion ammonia/urea project.

Having previously founded and launched what is now the A\$5 billion Monash Energy Project ([www.monashenergy.com.au](http://www.monashenergy.com.au)) my technical team and I commenced our current project circa three (3) years ago after Anglo-American Group plc made a successful takeover bid for our company. Shell have now joined Anglo in our old project.

Our current project, the production of nitrogenous fertiliser, i.e. urea, has advanced quickly since its inception nearly three years ago and is ready for commercial commitment. As such it will be Australia's first zero emission manufacturing enabled project using carbonaceous fuel as feedstock. It will also contain a zero emission electricity production option should power prices continue to rise and this I suspect will also be Australia's first zero emission enabled coal fuelled power station. Capex is in excess of A\$2 billion.

Of note is the fact that we do not consider any of the technology blocks to be "first of a kind" or technically unproven. This is very critical to the projects Bankability. Every component of this projects flow sheet has been successfully implemented elsewhere in the world.

The potential for a carbon tax via a form of emissions trading is a major economic issue for this project if it occurred prior to the project being able to geo-sequester its carbon dioxide via the dedicated CO2 pipeline facility the Victorian Government plan to facilitate. It would in fact preclude the project from going ahead based on the indicative number of A\$40/tonne. We have modelled this privately with the Victorian Government Department of Primary Industry which encompasses energy related projects.

This would be an economic and environmental shame for Australia as the

project will be the first, or amongst the first major economically sustainable zero emission projects to be implemented in this country.

I very much look forward to discussing this with you.

Best regards  
Allan Blood