

Rudd Announces Plan For Carbon Institute

Prime Minister Kevin Rudd will seek international backing for a \$100 MM carbon capture and storage (CCS) research institute.

Rudd said the institute would help reach a goal, set recently in Japan by the G8, of having 20 industrial-scale carbon-sequestering coal-fired power plants running by 2020.

Australia will set up the institute, aimed at accelerating CCS development through demonstration projects and identifying and supporting necessary research, with ambitions of becoming the world hub for the technology.

The government said Australia had held informal consultations with industry and foreign governments over a possible model for the institute and its operations would be the subject of further discussions with various international bodies interested in CCS technology.

Meanwhile, Deutsche Bank's director of global carbon research, Mark Lewis, said Australia would have to reach a carbon price of about \$70.00 /t by 2020 if 'clean coal' was to be a viable option.

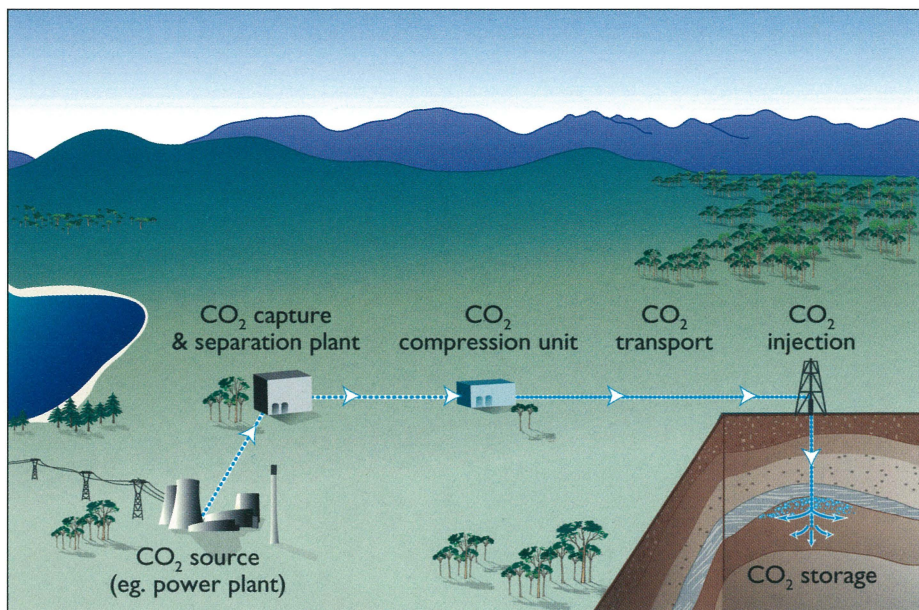
Australia should strive for a minimum price of \$25.00 /t when its emissions trading scheme started in 2010 to give it global credibility and put it above international standards he said.

World energy demand is projected to grow by 55% between 2005 and 2030 and, despite the growth of renewable energy, fossil fuels, especially coal, would remain the staple of the world's energy diet in the coming decades.

Around 80% of Australia's electricity currently comes from coal fired power generation but, while there have been small scale trials of CCS technology, no industrial-scale integrated power stations have been built.

Coal is also Australia's largest source of export earnings, raking in an estimated \$43 B in 2008-09 and Lewis said large coal deposits were the reason Australia should be investing heavily in carbon capture and storage technology (CCS).

"Australia is sitting on a black goldmine which is abundant and cheap but carbon intensive", he said.



Despite the growth of renewable energy, fossil fuels, especially coal, will remain the staple of the world's energy diet in the coming decades. Photograph courtesy of CO2CRC.

"Carbon capture and storage is really energy nirvana for Australia; \$65-\$70 a tonne is the price where CCS becomes viable, assuming that the technology has improved by 2020 to the point where efficiency rates are much better. And if you don't get those efficiency rates, then it will be much higher."

Lewis said Australia's carbon price needed to be above the price of primary Kyoto credits, now valued at about \$22.00 /t.

"I would have said anywhere above \$25.00 would be meaningful initially, but by 2020 you would want to be up at a price that is above the international credit price even on a secondary basis", he said. "The long-term cost of carbon will be set by the price required to make gas-fired power stations the new entrant over coal."

Rudd said current global efforts to clean up coal-fired energy emissions were haphazard and told reporters and energy industry executives: "A lot of good work is going on out there, but it's not very coordinated."

Australia is the world's top coal exporter and 16th-biggest carbon polluter, producing about 1.5% of global emissions. But the country is the fourth-largest emitter per person, relying heavily on coal-fired electricity for energy.

Geosequestration of carbon, in which carbon dioxide is liquefied and pumped into underground rock layers for long-term storage, could account for 20% of global mitigation efforts by 2050.

Environment watchdog Greenpeace said the centre-left government was focusing on the "false hope" of carbon capture and storage to protect the coal industry, while shunning proven renewable technologies like wind, solar and geothermal energy.

"Clean, sustainable solutions to climate change already exist", Greenpeace climate and energy campaigner Simon Roz said.

Legislation currently before Parliament to establish a regulatory framework for CO₂ storage under the seabed in Commonwealth waters will allow Australia to offer the first carbon storage blocks for commercial development in early 2009.

Professor Ross Garnaut recommended a 10% cut in emissions on 2000 levels by 2020, resulting in a carbon price of about \$34.50 /t.

Carbon trading pre-empting the introduction of a national ETS has seen the price vary between \$16.00 to \$20.00 /t. ■