

Hearing of the inquiry into the *Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017*

Senate Standing Committee On Environment and Communications

18 April 2018
Melbourne

Environmental Justice Australia

Opening Statement

Environmental Justice Australia is a not-for-profit legal practice. We are grateful for the opportunity to appear before this inquiry.

In 2009 the Rudd government initiated a CCS flagship program worth \$1 billion, which was supposed to deliver two to four large-scale CCS projects. However the program has since been scaled back to under \$300M, including \$460M removed by the Abbott government in 2014, with a focus on exploring CO₂ storage sites in Victoria, QLD and WA. This downsizing is in line with global trends of investment into CCS technology, as it becomes increasingly apparent to governments that CCS is not an economically, nor an environmentally, appropriate pathway to scaled emissions reductions.

In 2017 the Australian National Audit Office reviewed this CCS flagship program and found that none of the CCS projects met the original timeframe or reached the stage of deployable technology as originally envisaged in the program design. It is unclear, then, why after the Abbott government stripped the CCS flagship program of funds, and after the Senate received the ANAO report that the project was overwhelmingly unsuccessful, that the Government would now be floating the idea that the CEFC should be allowed to invest in CCS.

When the CEFC Bill was first introduced in 2012, Mathias Cormann said of the Rudd Government that in establishing the Corporation it was 'throwing money at ventures that are not commercially viable and that are competing with those projects that are trying to make a success of things'. There is no evidence to suggest that a different outcome would occur as a result of the CEFC support for CCS projects. In amending the CEFC Act to allow the CEFC to invest in CCS, funds from commercial or near-commercial clean energy projects would be redirected towards a technology is not proven and where sufficient doubt exists as to its environmental and economic risks.

Given the known failures of CCS, particularly in regards to fossil fuels and CCS, and given that the federal government has already lost millions of taxpayer funds to CCS already, investment into such technologies could amount to improper use of public funds under the Public Governance, Performance and Accountability Act 2013 (Cth), especially if the CEFC was to invest in proposals to retrofit extant coal-fired power stations, or contributed to the construction "high efficiency, low emissions" or "ultra-supercritical" power stations proposals that include CCS.

As a "corporate Commonwealth entity" the CEFC is required under the *PGPA Act* to promote the proper use and management public resources. There are economical and ethical components to the "proper use" of resources. The CEFC is to have an appropriate and prudent risk management framework. It was set up to invest in a commercial manner and cannot invest money for which it is responsible unless the money is invested in a manner that is consistent with sound commercial practice.

This bill enables proposals to be put to the Board for an uncommercial industry, frustrating the CEFC's objects. It will most likely lead to a waste of administrative resources. The Board acts with the requisite degree of care and diligence in administering its functions. It cannot invest in CCS in the context of the *CEFC Act* and the broader legislative framework. Crudely removing the CCS exemption will put the directors in an unenviable position liable to upset the requirement for the proper use of government resources.

To date, CCS has failed to deliver on its potential to reduce future carbon dioxide emissions into the atmosphere, especially where it has been attempted in the generation of power via coal combustion. Knowingly allowing the CEFC to invest in such projects cannot be said to be contributing to "clean energy" or promoting "low emissions" energy production.

In his Second Reading Speech for the *CEFC (CCS) Amendment Bill* Minister Frydenberg cites that \$3 billion has been invested by the CEFC into wind, solar and storage projects – these are projects that are making a success of things, projects that are returning on investment, projects that are reliable in their success and far more urgent in the need for investment support. These are projects that fit the definition of "clean energy".

To date, CCS has not proved itself as a technology at anywhere near the scale that it needs to. Proponents of CCS may argue that the International Energy Agency has justified the need for CCS projects have not only taken the IEA's statement out of its entire context, they are putting forward a technology that is untested and should not be considered as a serious option to reduce carbon emissions, particularly not by a government body that has capital return requirements.

That CCS is unproven makes it a particularly risky proposition from an environmental perspective. Firstly, the storage sites need to last in perpetuity in order to prevent leakages of carbon. They need to last during our transition away from our reliance on fossil fuels, and they need to last well into the future to prevent intergenerational climate inequity in the future. Even if the technology worked well, there's absolutely no guarantee huge stockpiles of carbon won't eventually cause the very problem they were designed to mitigate.

Second, the impact of these storage facilities on ecosystems and the surrounding environments is unknown, where it cannot be guaranteed that leakage will be prevented. Pumping huge

reserves of carbon underwater has the potential to significantly contribute to ocean acidification at a time when damage to our oceanic ecosystems are struggling with acidification.

Finally, proponents of CCS such as CO2CR talk up the potential of CCS in communities such as the Latrobe Valley and where the proposition of retrofitting coal-fired power stations with such technologies, or building new power stations with CCS technologies, unfairly generates hope where unemployment is high and where such communities are deeply traumatised by the privatisation of the energy industry and by recent coal-fired power station closures. The life of coal-fired power stations should not be prolonged, and there is a social injustice perpetrated by spruiking ideas where communities are working to transition away from their traditional reliance on coal for regional economic stability. These communities, such as the Latrobe Valley, would otherwise like to see the CEFC invest in projects in their area that will deliver and provide realistic long-term employment prospects, re-educate workers – especially young people - into new areas of energy production, and invest in regional development that takes advantage of distribution infrastructure.

The coal industry continues to promise a lot but deliver very little in areas like the Latrobe Valley, and is steadily losing its social licence. If the CEFC were to invest in CCS projects it threatens its own reputation in communities that would otherwise seek assistance from the CEFC to help boost regional, clean energy projects. Communities like the Latrobe Valley need certainty about their future, not false hopes that CCS can deliver jobs and prop-up old power stations that are beyond their use-by-date. Communities need to feel reassured that the CEFC will continue to do the good work that it has, and commit to investing in projects that have the potential to assist in the just transition movement.

Ultimately, the only way to prevent carbon from entering the atmosphere is for humans to stop producing it. It would be remiss of the government to amend the *CEFC Act* to allow the CEFC to invest in CCS.

For these reasons, Environmental Justice Australia does not support the *Clean Energy Finance Corporation Amendment (Carbon Capture and Storage) Bill 2017*.