

# New coal power stations in Australia

## An update for the Australian finance sector, April 2011

### 1. Introduction

This briefing provides an update on the regulatory, investment and public/media environment in relation to new coal power stations in Australia, including:

1. Changes in the regulatory environment for power stations
2. Bank policies
3. Public/media issues
4. Status of proposed new coal power stations
5. Table of all proposed new coal power stations

### 2. Regulatory environment

On 23 July 2010 the Prime Minister announced that the ALP would *“take action now to ensure that we do not lock in high-emissions power stations that damage the environment and impose higher environmental costs for future generations.”* The Federal Government subsequently released the Cleaner Future for Power Stations election commitment, which included the establishment of new emissions standards and reporting requirements for power stations. As part of this commitment, the following initiatives are under development:

- Best practice emissions standards (EPS) for new coal power stations;
- CCS-Ready standards for new coal power stations;
- Expansion of the Energy Efficiency Opportunities (EEO) program to cover all existing generators, including coal power stations;
- Publication of National Greenhouse and Energy Reporting (NGER) data.

An Interdepartmental Task Group [discussion paper](#) on the EPS and CCS-Ready was released on 30 November 2010 and two stakeholder consultation sessions held. The discussion paper canvassed three possible starting levels for the EPS: 0.86, 0.8 and 0.7 tCO<sub>2</sub>-e/MWh, with the option of review and a declining threshold. A commitment was made to consult on the regulatory impact statement and exposure draft legislation - these processes have not yet commenced. The election commitment was to introduce legislation in 2011. It is likely that this legislation will be introduced in the second half of the year and will therefore be negotiated with the new Senate.

### 3. Bank policies

While none of the big four Australian banks have ruled out financing new coal power stations, there has been some movement over the last six months in response to community concerns. In September 2010, **Westpac** released its new policy on [“Financing Sustainable Energy”](#). While this policy is a step in the right direction, it stops short of ruling out financing new coal power stations and therefore leaves Westpac exposed to reputational risk.

Despite being acknowledged as a leader on climate-related issues, **National Australia Bank (NAB)** has not revealed details of any policies to guide its energy investment decisions and is therefore expected to continue to finance coal power stations in Australia. **The Commonwealth Bank** indicated in May last year that it does not have involvement in any of the proposed new coal power stations around Australia; however, it has not ruled out future involvement.

As part of its [2011 Corporate Sustainability targets](#), ANZ has committed to increasing its proportion of lending to the renewable energy sector. This is a positive step; however, ANZ refuses to rule out financing new coal power stations

in Australia. As the largest financier to the coal sector, ANZ remains the primary target of public scrutiny and concern over the financing of new coal power stations.

## 4. Public/media environment

While there has been some media attention around the new HRL plant in Victoria and the development of a national emissions performance standard, much of the public attention on the issue has focused on the policy of the major banks in relation to new coal power stations, and ANZ in particular.

### Pillars of Pollution report

In September 2010, Greenpeace launched the report “Pillars of Pollution”, which outlined the role of Australia’s big four banks in financing the coal industry over the last five years. The full report, as well as the 8-page summary, can be found online here: <http://www.greenpeace.org.au/climate/GI-profundo.php> The report was revised and updated in December following feedback from Commonwealth Bank regarding a number of transactions included in the report.

### ANZ campaign launched by Greenpeace

In October 2010, Greenpeace launched a public campaign encouraging ANZ to rule out financing new coal power stations in Australia. The campaign continues to build momentum:

- [The video that reveals what ANZ doesn't want the public to see](#)
- Pedal powered billboards hit the streets to push the message that “[ANZ pollutes your world](#)”
- ANZ staff met with a [giant polluting coal stack](#) in front of the Melbourne HQ
- ANZ staff encouraged to leak internal documents through [www.anzsecrets.org](http://www.anzsecrets.org)
- [Community action groups and volunteers around Australia engaged ANZ customers at local branches.](#)
- Thousands of concerned Australians have written to CEO Mike Smith

## 5. Status of new coal power stations

In early 2010, there were twelve proposed new coal power stations around Australia. One of these, Zerogen in Queensland, has since been cancelled and only the HRL/Dualgas project in Victoria is close to progressing. This briefing provides a brief snapshot of latest developments and references for further information.

### HRL/Dualgas

HRL/Dualgas are expecting to receive final works approval for their 600MW brown coal power station from the Victorian Environment Protection Agency in the coming weeks. There has been considerable community opposition to this project already and the proponents appear to have been struggling to provide the required information to the EPA. Over 4,000 objections to the project were lodged, making it one of the more controversial developments in Victoria in recent years. Concerns have been raised over the legitimacy of the Federal Government funding of the project and it is likely to continue to attract significant public scrutiny and opposition over coming months.

Documents obtained under Freedom of Information by Greenpeace revealed that ANZ made representations in support of HRL during the successful application for funding to the Federal Government’s Low Emissions Technology Demonstration Fund. It is therefore likely that ANZ will play an important role in financing the HRL coal plant.

More information:

- [Greenpeace HRL investor alert](#)
- [Victorian Environmental Protection Agency \(EPA\) HRL/Dualgas webpage](#)
- [New coal plant a \\$750m mistake, says Flannery, The Age, 10/10/10](#)
- [Protesters chained outside Baillieu's office, SMH, 11/4/11](#)

## Zerogen

The Zerogen project in Queensland was effectively scrapped by the Queensland Government in December 2010. This is despite receiving \$150 million in government subsidies and being shortlisted for funding under the Federal Government CCS Flagships Program. Queensland Premier Anna Bligh made the decision after receiving advice that the project was unlikely to be commercially viable.

More information:

- [State Reconfigures Carbon Storage Research, QLD Gov't Media Release 19/12/10](#)
- [State Government drops ZeroGen project after taxpayers pump \\$150 million into the plan, Courier Mail 19/12/10](#)

## Mt Piper and Bayswater

As part of the NSW energy reform process, the NSW Government has approved concept plans for two new 2000MW power stations at Mt Piper and Bayswater, to be fuelled by either coal or gas. The approval of the concept plans is being appealed in the NSW Land and Environment Court on the basis that the Minister made an 'illogical and irrational' decision in approving the projects and did not adequately consider sustainability or climate change issues.

The Mt Piper development site was sold to TruEnergy in December 2010. It is not yet clear what TruEnergy proposes to do with the site; however, the company has previously committed '*not to build any greenfield, traditional technology, coal-fired power stations*'. The Bayswater development site did not sell as part of the energy reform process. The new NSW Government is yet to give an indication if or how it intends to proceed with privatisation of the remaining state-owned energy assets.

More information:

- [Environmental Defenders Office legal challenge to concept plans](#)
- [TruEnergy climate change policy](#)

## Wandoan Power

The [Wandoan Power Project](#) is a partnership between GE and Stanwell Corporation (a QLD Government-owned utility). The project aims to build a 510MW power station that would capture and store a significant proportion of emissions, resulting in a projected emissions intensity of 180kg/MWh. In 2010, Wandoan Power was shortlisted for Federal Government funding through the CCS Flagship Program.

## Coolimba Power

The proposed 400-450MW Coolimba Power Station in Western Australia received another setback in February - the WA Environmental Protection Agency rejected the proposed Central West Coal Project, which would supply coal to the power station. Aviva is appealing the EPA decision. Aviva's investment in the Coolimba Power project was written off at the end of 2009. The company does not consider the project to be a material asset.

More information:

- [Aviva Corporation reports on Coolimba Power project, www.proactiveinvestors.com.au 9/3/11](#)
- [EPA Report – Central West Coal Project, February 2011](#)

## Bluewater 3 & 4

Griffin Group went into receivership at the beginning of 2010, collapsing under nearly \$1 billion of debt. Griffin coal has been sold to Indian company, Lanco Infratech, and the Bluewaters 1 & 2 power stations were recently sold to Japanese companies Kansai Electric Power Company and Sumitomo Corporation. It is not yet clear whether the new owners will proceed with the building of new generating units, Bluewaters 3 & 4.

More information:

- [Japanese energy giants in \\$1.1bn Griffin power buy](#)
- [Administrators race to sell Griffin Coal's \\$1.2bn power stations, The Australian, 14/2/11](#)

## Galilee 1&2

The Galilee project is a proposal for two 450MW coal power stations to generate power for the 40MT/annum Galilee export coal mine in central Queensland and to sell power into the NEM. It was originally proposed that the first of the two power stations would commence construction in 2012; however, the project now appears to have been postponed due to delays with the Galilee coal project.

More information:

- [Initial advice statement for the Galilee power project](#)

## Arckaringa

Altona Energy has begun phase 1 of its Bankable Feasibility Study into the coal to liquids project and associated coal power station. It expects that environmental approvals will be sought in 2012, financing plans developed in 2013 and construction to begin in 2014.

More information:

- [Altona presentation to 2010 AGM](#)

## Hybrid Energy

Project still at early feasibility study stage.

More information:

- [Hybrid energy project overview](#)

## 6. Summary table of new coal power stations

	Name	Description	State	Size	Est.GHG emissions TCO <sub>2</sub> -e p.a.	Emissions intensity	Company & website
1	Mt Piper	Coal (or gas) power station	NSW	2000MW	10,470,000	0.838	<a href="#">Delta Electricity</a>
2	Bayswater	Coal (or gas) power station	NSW	2000MW	12,428,000	0.840	<a href="#">Macquarie Generation</a>
3	Coolimba	Coal power station	WA	450MW	3,800,000	1.0	<a href="#">Aviva</a>
4	Bluewaters 3	Coal power station	WA	208MW	1,500,000	0.921	<a href="#">Griffin Energy</a>
5	Bluewaters 4	Coal power station	WA	208MW	1,500,000	0.921	<a href="#">Griffin Energy</a>
6	Galilee Phase 1	Coal power station and export coal mine.	QLD	450MW	2,345,000	0.7 est.	<a href="#">Galilee Power</a>
7	Galilee Phase 2	Coal power station and export coal mine.	QLD	450MW	2,345,000	0.7 est.	<a href="#">Galilee Power</a>
8	Wandoan	Coal power station.	QLD	400MW (net)	643,000	0.18	<a href="#">Stanwell &amp; GE</a>
9	Arckaringa	Coal to liquid plant with new coal power station.	SA	560MW (net)	2,943,000	unknown	<a href="#">Altona Energy</a>
10	Hybrid Energy	Coal to liquid plant with new coal power station.	SA	40MW	196,000	0.763	<a href="#">Strike Energy / Hybrid Energy</a>
11	HRL	Crown coal power station - including a drying & gasification process.	VIC	600MW	3,000,000	0.73-0.78	<a href="#">HRL/Dualgas</a>