



ENERGY SECURITY BEHIND CEFC OVERHAUL

Coal power plan for green bank

EXCLUSIVE

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The Turnbull government is preparing to overhaul the nation's \$10 billion "green bank" by imposing a mandate to allow coal power and appointing new directors, escalating the fight with Labor and the Greens over household electricity bills.

The government is increasingly confident of reshaping the Clean Energy Finance Corporation to encourage investments in new coal-fired power stations to boost energy security, amid a political dispute over the reasons for the latest outages in the national grid. Mapping out three ways to achieve its goals, the government is planning to repeal a ban on investments in carbon capture and storage, challenging Labor in parliament to vote in line with its past support for technology that cuts emissions from coal-fired power plants.

The government is also pursuing changes to the mandate it sets for the mammoth fund in order to instruct it to consider investments in "ultra-supercritical" coal power that can cut greenhouse gas emis-

sions by 25 per cent or more.

Energy Minister Josh Frydenberg can rewrite the mandate without being blocked by parliament, while he and Finance Minister Mathias Cormann also have the authority to replace five of the seven members of the CEFC board within six months.

The combined changes will set a new direction for the fund, which was set up by Julia Gillard and Greens leader Christine Milne as part of their 2011 carbon tax deal, despite fury from environmental groups about investing taxpayer funds in coal.

Mr Frydenberg said the government was "looking at all its options" to relax a set of guide-

lines at the CEFC that prevent it putting money into new coal-fired generators because they may not cut emissions by at least 50 per cent compared with the national average across the grid. "If you can lower emissions and stabilise the system with base-load power then that's a pretty good outcome for Australian households," he told ABC TV yesterday.

Mr Frydenberg said BlueScope Steel had told him energy security and affordability had become a "matter of survival", showing the need to repair the system.

The Australian understands the mandate for the fund can be changed by the minister to amend

the 50 per cent benchmark. The mandate is not a "disallowable instrument" that can be blocked by parliament and the minister's instruction can clear the way for investments in coal.

A vote in parliament will be essential, however, to change the ban on carbon capture and storage, which is called a "prohibited technology" under section 62 of the CEFC Act because then senator Milne and her colleagues opposed any support for "clean coal" in the 2011 deal.

The government will seek to exercise influence over the CEFC given the imminent retirement of

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Energy security behind ‘green bank’ coal plan

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its chief executive, Oliver Yates, and the replacement of most of its directors.

The Australian understands that Mr Yates, who has been critical of the Turnbull government and has argued for a more ambitious renewable energy target, is due to step down within weeks.

While Mr Yates’s replacement is a board decision, many of the directors are due to depart in August after being named to five-year terms by the Gillard government in 2012.

One position is already vacant, after the resignation of Michael Carapiet in December 2015, and fund chairwoman Jillian Broadbent’s term expires on August 7. The terms for Anna Skarbek, Andrew Stock and Ian Moore expire on the same day.

With the law requiring no more than seven board members, including the chair, the government has a chance to install five of the seven directors within months. It is understood Mr Yates’s retirement has been delayed because of the longer-than-expected search for a replacement. Board positions will be decided by cabinet on the recommendations of Mr Frydenberg and Senator Cormann.

Labor’s climate change and energy spokesman Mark Butler ridiculed the government’s talk about carbon capture and storage — the controversial concept of capturing greenhouse gases from coal-fired power stations — and said the government should “make up its mind” on the issue.

“If the government is now wanting to support CCS, one needs to ask why in their first budget they abolished Labor’s CCS Flagship program and \$460 million of funding along with it,” he said.

“It is also worth asking why the industry itself stopped supporting CCS research several years ago. If the government is serious about supporting CCS, they should not be raiding renewables programs to do so.”

While “ultra-supercritical” plants can burn coal at higher temperatures to generate more electricity with lower emissions, they may not meet the 50 per cent benchmark to qualify for CEFC funding.

Yet the figure is not written into the legislation that set up the fund. Instead, the explanatory memorandum for the bill said the government “anticipates” the board would set the 50 per cent threshold but it added “flexibility is required” on a “case by case basis” on what would should be funded.