

NSW Government  
NSW Environment Protection Authority

Submitted via email.

27 November 2023

### **Review of coal fired power station environment protection licences**

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the NSW Environment Protection Authority's ('NSW EPA') *Review of coal fired power station environment protection licences* ('Licence Review').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

In accordance with the requirements of the Protection of the Environment Operations Act 1997, the EPA reviews environment protection licences (EPLs) at least once every 5 years. The EPA's statutory reviews of the NSW coal fired power stations EPLs are scheduled to be completed in late December 2023.

The NSW EPA's review of licence conditions for coal-fired power stations will help ensure the continued safe and environmentally responsible management of emissions as Australia's energy system transitions. There are four coal-fired power stations in New South Wales which together currently [account](#) for over 60 per cent of NSW's electricity generation.

In line with the NSW Electricity Roadmap, these stations will be progressively phased out over the next two decades as they approach the end of their technical life. In the meantime, however, they will continue to remain a required form of baseload power, which is needed to maintain system stability and security of the energy supply as the transition to variable renewable generation accelerates.

The NSW EPA sensibly highlighted this forward picture in its Climate Change Policy and Action Plan to explain why the electricity sector was not a focus for additional carbon emissions regulation. The AEC encourages similar recognition of the existing electricity policy roadmap in NSW when undertaking this review. There are risks to achieving a smooth energy transition if coal-fired power stations are faced with licence limits that are neither economically nor technically feasible.

As this review progresses into more granular detail, it is important that the environment regulator maintains a regular and informed dialogue with industry about any possible changes it is contemplating to the licences. The AEC requests that the EPA outlines its proposed consultation with power stations following the completion of public consultation and before the Licence review is completed.

While the 5-year Licence Review is not limited in its scope, the AEC understands that power station air emissions and impacts to air quality will be a likely focus for the review. The AEC therefore offers the following key points with respect to air quality impacts.

#### **NSW air quality is good**

The AEC believes that the current controls around air emissions represented in each license are sufficient to ensure positive environmental outcomes within Australia. The AEC has [noted](#) several times previously

that Australia, and New South Wales, benefit from geographically dispersed emissions sources. Indeed, the air quality in New South Wales ranks among the best in the world. In the NSW EPA's [NSW Annual Air Quality Statement 2022](#), it found that "New South Wales experienced the best air quality on record across many measures in 2022. Pollutant levels were within national standards 100% of the time at many monitoring stations in 2022". Importantly, concentrations of key pollutants are consistently below the limits set in the National Environment Protection (Ambient Air Quality) Measure.

### **Impact of the NSW Coal Directions**

All of the coal-fired power stations currently under review operate in accordance with the NSW Coal Market Price Emergency Directions, a set of [measures](#) intended to 'shield Australian families and businesses from the worst impacts of predicted energy price spikes'. These directions, which currently will remain in place until 30 June 2024, imposes a \$125/tonne price cap on coal and requires power stations to 'plan to maintain a stockpile of coal that is more than the expected demand by the coal fired power station for coal for the next 30 days'. Compliance and enforcement of these Directions is overseen by the AER.

The Directions do not allow power stations to negotiate coal supply with consideration of coal quality except for calorific value. The quality of coal combusted as fuel at power stations can and does impact on air emissions and consequently, power stations are somewhat limited in managing emissions that are directly related to coal quality. The NSW EPA has previously shown pragmatism when balancing the essential service functions of the electricity system with strong environmental protection. For example, the EPA has acknowledged the responsibility of generators to comply with LOR2 or above directions from AEMO to maintain system security and during these times power stations are exempted from complying with emission limits. Similarly, here the NSW Coal Directions are in place to ensure electricity remains affordable during a turbulent period for wholesale prices. It is requested that the EPA consider similar arrangements for emissions that may be impacted by coal quality while the Directions remain in force.

### **Other curtailment options not economically viable**

The only other options for power stations to reduce air emissions would be to materially reduce their generation output or install additional expensive abatement technology at their respective plants.

Indeed, the AEC commissioned an independent consultant in 2020 for a report on [Considerations for Retrofitting Emissions Control Systems in Australian Coal Power Plants](#), which outlined that black coal fired power stations would have to commit to extensive costs in order to install and maintain additional abatement technology. Such retrofits are not commercially viable, particularly given the shrinking lifespan of each of these stations and would in turn require each generator to be offline for a lengthy period of time. This would not be ideal, creating further unsustainable pressure on the reliability and affordability of the electricity grid with the potential to hasten exit decisions, which would contribute to a disorderly transition to low-carbon electricity.

The other option is for stations to materially curtail their electricity generation. This, however, would be unlikely to reduce maximum emission concentrations, which is the metric used to regulate emissions (i.e. emission limits). Moreover, there are economic ramifications to pursuing this path. Curtailment would be a high-cost exercise that would only drive early closures. Given that the latest AEMO Electricity Statement of Opportunities (pg.70) [highlights](#) significantly increased predicted reliability gaps from 2025-26 compared to previously forecast, this would have further implications on the reliability of the energy grid and consumer costs with little material health benefit in return.

The AEC, therefore, emphasises that the NSW EPA continue to engage with power station operators to understand the market and regulatory conditions they are currently operating under, in particularly the impacts of the NSW Coal Directions order, and the need to maintain a smooth and affordable energy transition.

### **Government policy is the best tool for reducing carbon emissions**

It is expected some stakeholders will push for the environmental regulator to regulate greenhouse gas emissions. In the AEC's view, managing greenhouse gas emissions is best achieved through government policy. Indeed, the [NSW EPA Climate Policy and Action Plan](#) notes that they do not intend to target licenced facilities which already have an explicit policy to reduce their carbon emissions and cites electricity as a sector with policies already in place.<sup>1</sup> Specifically, the NSW Government's Electricity Strategy and Electricity Infrastructure Roadmap are already designed to enable the orderly transition to renewables as existing coal-fired power stations retire. Moreover, federal initiatives such as the recently announced expanded Capacity Investment Scheme are expected to further drive down electricity emissions.

At present, the electricity sector is already playing an outsized role in driving down national emissions. The Federal Government's most recent [Emissions Projections 2023](#) show that emissions from electricity are set to halve in the next seven years as Australia's coal-fired power station fleet retires, even without the impact of the expanded Capacity Investment Scheme.

Managing these factors will require clear guidance and communication from the regulator to industry, and to remain aware of the wide range of obligations coal-fired power stations have and the role they play within the broader national electricity market.

The AEC appreciates the opportunity to make comment on this review, and we look forward to engaging further with the EPA following the public consultation period, and before the Licence Review is completed. Any further questions about this submission should be addressed to me by email to [braeden.keen@energycouncil.com.au](mailto:braeden.keen@energycouncil.com.au) or by telephone on 0422792557.

Yours sincerely,

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<sup>1</sup> NSW EPA, 'Climate Change Action Plan 2023-26', January 2023, p37.