

Can I thank everyone for attending

.. When you could have been listening to the IEA's side bar on the G8 Plan of Action and AP6

which are undoubtedly the most promising forums for progressing co-operation on climate change!



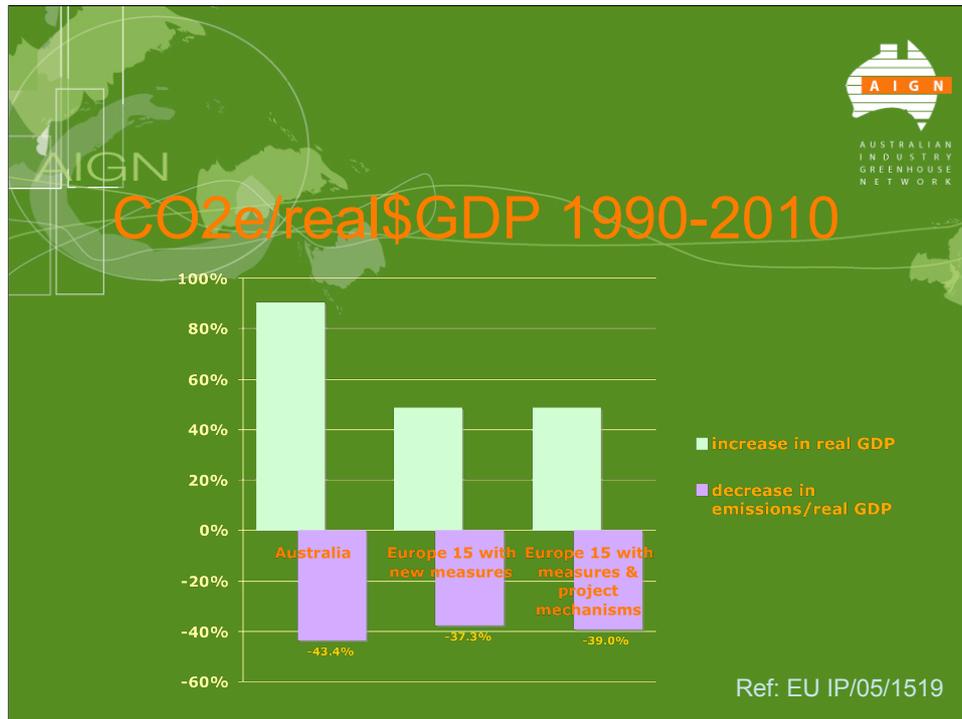
AIGN is a network of Australian industries which have substantial exposure to greenhouse policy.

I should say that our members are alive to the business opportunities as well, if mainly to hedge bets.

We're a fairly broad church and we seldom reach completely unanimous positions on policy below broad principles.

[So I cannot "represent" AIGN members in all I say.

All of our members are big enough and ugly enough to represent themselves.]



But let me begin with a response to Australia's most persistent critics, in Brussels.

On at least two key performance indicators (KPIs) Australia's performance, over 20 years, outstrips Europe's.

What is often forgotten, or ignored, is that Australia's population is growing. We welcome a large number of immigrants each year.

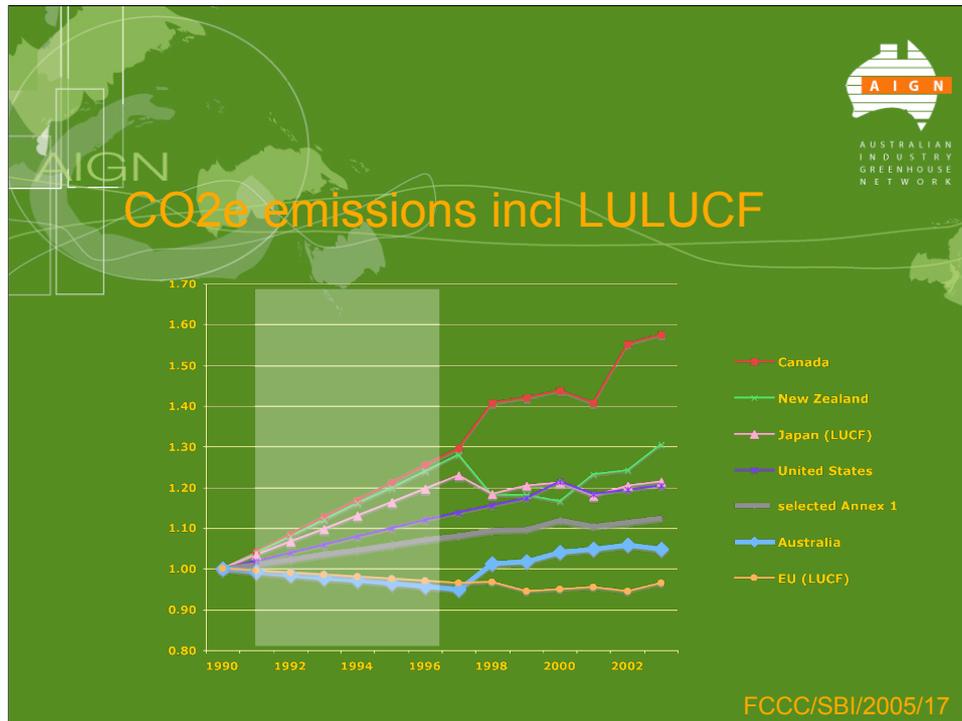
So our decrease in emissions per capita - (on KP accounting) beats the EU 15's even if they go ahead and purchases all those credits.

The story is much the same with the more important KPI on emissions intensity.

Australia's economy is growing (and will continue to grow) much faster than Europe's. We see that as a good thing.

And again, whether or not the EU 15 buys the credits as announced in their report last week,

..the decrease in emissions per unit of real GDP will not match Australia's.

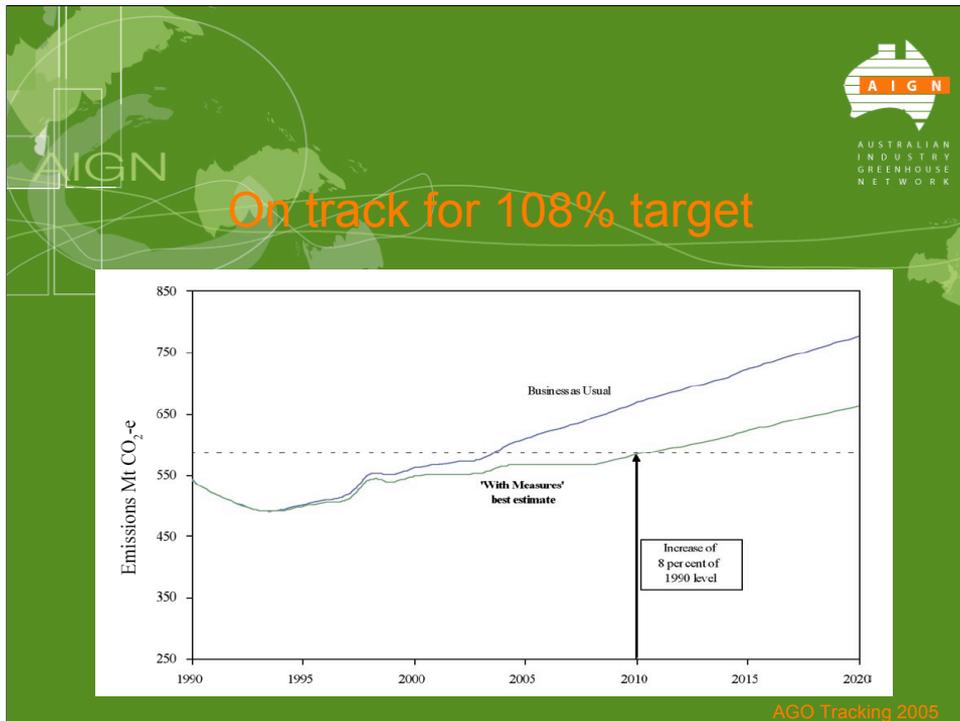


The CO2 emissions chart, excluding land use change and forestry, seems to get most prominence, but Kyoto is Kyoto and, on that measure, inclusive of LULUCF, Australia's performance is very much better.

We're right there "on track", as our Government is wont to say, to meet our 108% target. Was it a fair target?

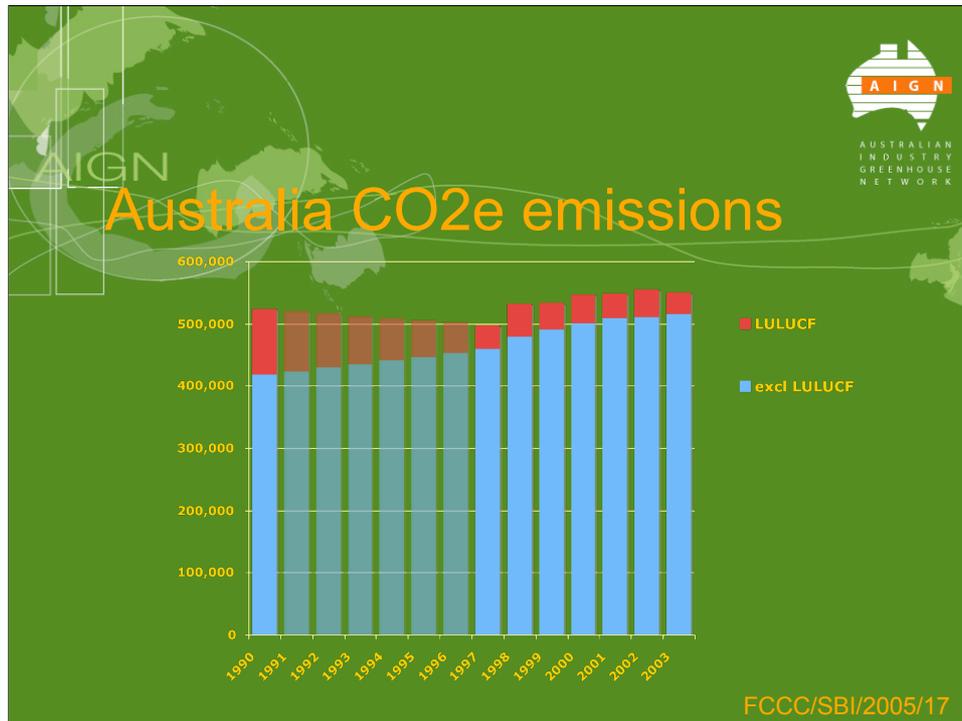
Well, I think it's fair, and appropriate, to say that Australia engaged its economics and energy agencies, and industry, in the Kyoto negotiations to a degree not often evident in other delegations.

The 108% agreed to was challenging, but feasible.



This is the Government's "tracking" chart, showing the 108% intersected in 2010.

The trajectory is substantially down on business-as-usual  
 .. much of this mitigation is attributable to the voluntary program with industry  
 .. Recently re-launched as Greenhouse Challenge Plus.



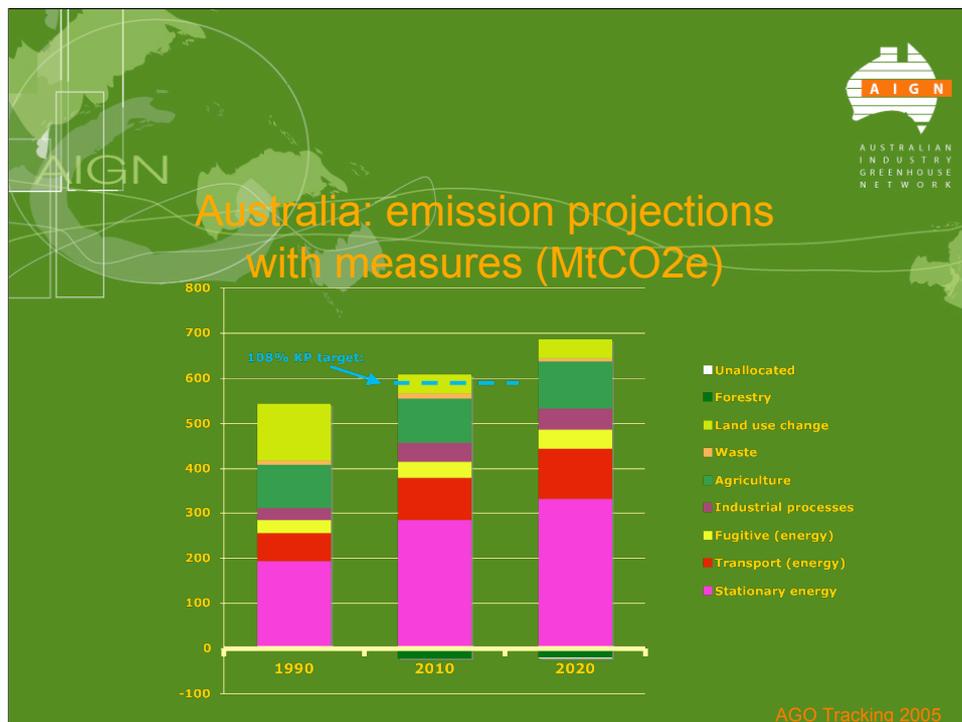
But as you probably know, we're getting to the 108% in large measure by curtailing land clearing and enhancing forest sinks.

LULUCF is offsetting much of the growth in energy-related emissions.

And that underlying growth, while curtailed, will undoubtedly continue.

What's more, of course, is that the cessation of land clearing is a 'one-off'. Once it's stopped, the credit potential is zero.

In combination, this is why Australia cannot buy into near-term targets that are anything like Kyoto Mark1.



But let me make a few points about the underlying emissions growth:

We have a very high proportion of electricity generation devoted to smelting metals for export

Aluminium is the stand-out example.

The emissions are incurred in Australia - a source of abundant energy - but the product is demanded worldwide to reduce the weight of cars and thereby future transport emissions (in other countries)

It is a product that is unrivalled in recycling - "more lives than a cat" - reducing future industrial emissions (again in other countries)

And LNG.

Liquefying natural gas is an energy intensive and emissions intensive activity.

Australia is practically alone amongst Annex 1 countries as a supplier of LNG to world markets, helping reduce the carbon intensity of power generation (in other countries).

We cop the emissions debit, and our customers - good for them! - have access to low emissions natural gas, with some emissions-free re-gasification energy thrown in.



Australia's trading partners are of course interested in energy security, quite as much as emissions reduction.

We are the world's largest coal exporter (and I don't expect our customers want that commitment to diminish)

Because there are fugitive emissions associated with coal mining, this means our emissions will rise. Again, to satisfy an external demand.

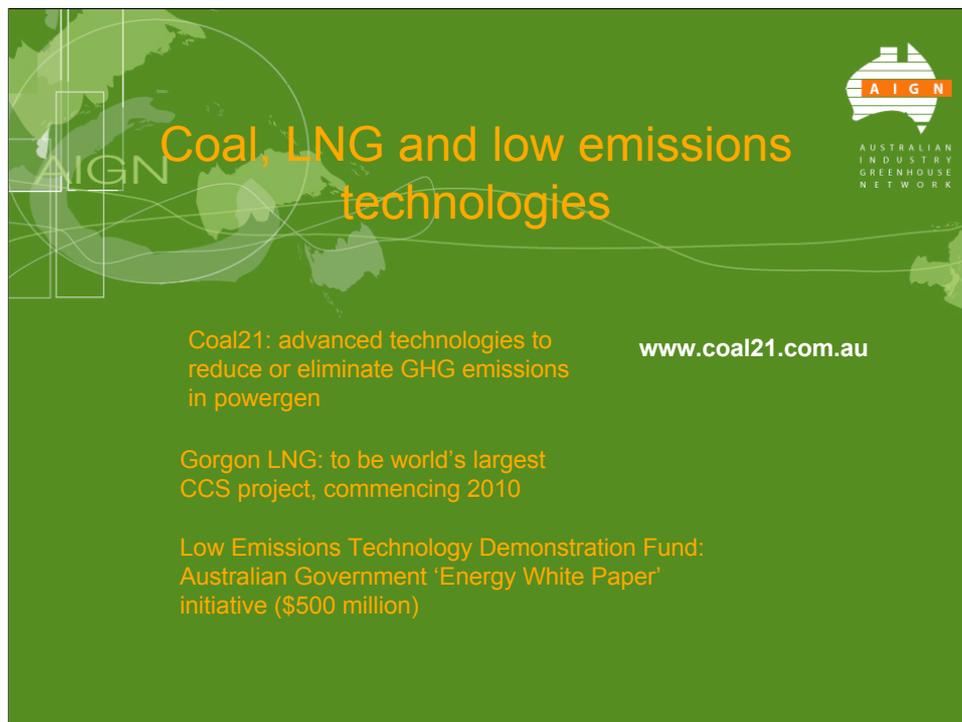
And Australia will become the world's most important source of uranium. Absolutely essential if global emissions long-term are to be reined in.

Australian politicians on both sides of the divide have begun talking about Australia accepting our customers' nuclear wastes for storage if that would facilitate the deployment of modern nuclear power plants worldwide.

That would be a significant Australian contribution to alleviating climate change.

It has also been suggested – by the scientific community – that in the future Australia could, or should, host facilities in the energy intensive activity of fabricating and re-processing nuclear fuel rods

– which would help provide low-cost energy to worldwide markets (but again incurring emissions 'debts' in Australia rather than in other countries).



I have little time, but let me mention just two more things about coal and LNG:

Coal21 is our industry's flagship program to utilise advanced technologies to reduce or eliminate greenhouse gas emissions associated with the use of coal. It also aims to explore coal's role as a primary source of hydrogen to power the hydrogen-based economy of the future.

The program is a collaborative partnership between Federal and State governments, the coal and electricity generation industries and the research community

it collaborates closely with like-minded programs in several countries.

I commend its website: [www.coal21.com.au/](http://www.coal21.com.au/)

On LNG, one of the several projects in the planning, feasibility and approval stages at the moment is Gorgon, a joint-venture operated by Chevron, with Shell and ExxonMobil.

The Gorgon project, if approved as proposed, will re-inject rather than vent the reservoir CO<sub>2</sub> into secure, deep underground formations beneath Barrow Island, a site whose geology is well known, having been intensely drilled for oil production for nearly 40 years.

This will be the world's largest carbon capture and storage project.



As participants in this conference are aware, demonstrating CCS technology is key to achieving substantial emissions reduction

.. and at the heart of the AP6

Government leadership, leveraging investment by the private sector, is the only feasible way to do this.

The Australian Government's \$500m low emissions technology demonstration fund, announced last year, is entirely consistent with this approach.



**“Pulling” technology innovation**

- Technologies for substantial emissions reduction (not comprehensive)
  - Low and zero emissions from coal, incl CCS
  - Advanced powergen, incl nuclear
  - Hydrogen energy systems
  - Nuclear energy deployment
  - Energy efficiency technologies - all applications
  - Renewables, incl solar and wind
- Carbon penalties imposed by regulation not effective in ‘pulling’ private R&D and innovation

**AIGN website: [www.aign.net.au](http://www.aign.net.au)**

So it shouldn't surprise anyone that Australian industry is compelled by the imperative to promote technology as the pathway to a world where, by say mid-century, significant absolute reductions in emissions will be achieved.

I hasten to add that the low emissions technologies that must be developed and deployed are not confined to the supply side, or to fossil fuels and nuclear .. demonstrating and deploying energy efficiency technologies in all sectors is a continuing priority .. and solar and renewable technologies will continue to be developed, with important applications in Australia and our immediate region.

As to policy measures, a case has been made that a carbon price penalty imposed by regulation cannot “pull” the necessary innovation.

Indeed rigorous analysis indicates that, because of obvious sovereign risks, government-imposed taxes or prices can provide no such pull at all.

But they would impose costs and harm competitiveness.

Margo Thorning has referred to the work by Montgomery & Smith of CRA International.



The AIGN also drew on that work in responding to the proposal by our State & Territory governments to introduce a 'national' emissions trading scheme.

Most AIGN members are concerned about the impacts of such a scheme on industry competitiveness and are not persuaded about the efficacy of emissions trading in the essential task of R&D, innovation and pulling advanced technologies into the market.

If you'd like to see our response, go to the AIGN website: [www.aign.net.au](http://www.aign.net.au)

**Asia-Pacific Partnership (AP6) on Clean Development & Climate**

- Technology collaboration in the context of economic growth
- Energy security
- Overcoming poverty
- 100% supported by Australian industry
- Real prospect of delivering results, including climate change abatement

What Australian industry is strongly in support of is the international collaboration on technology development in the context of economic growth which, as I intimated earlier, is good.

The other dimensions which have been strangely sidelined in the UNFCCC are energy security and pollution abatement.

Energy security concerns have intensified this year. They will not be alleviated without technology development and they will not be alleviated by limiting the exploitation of abundant fossil fuels.

Economic growth is the only way poverty in developing countries can be overcome; and that is growth not only in the developing world but, critical to that, in developed countries as well.

These are imperatives that are immediate - and certainly must moderate - the objective of averting damaging climate change.



The catch-phrase 'clean development and climate' sums it up.

The AIGN and Australian business welcome, and are 100% supportive, of the Asia- Pacific Partnership - and will do all we can to develop its vision into tangible projects with a strong industry focus.

Everything we've seen and heard to date, and all our interaction with AP6 parties, confirms the interest and the enthusiasm of the 6 governments involved and of industry in each of those 6 countries.

This is an initiative with legs; a log-jam remover.

And, with the G8 Plan of Action from Gleneagles tending in the same directions, it seems that the penny has at last dropped.