

Attack on Australian carbon trading scheme

By Elizabeth Fry in Sydney
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The fight to set the terms of Australia's emissions trading system has begun with a claim that nearly A\$60bn (\$58bn) of new liquefied natural gas projects have been put at risk because the sector is not enough of a polluter to qualify for free carbon permits.

Woodside Petroleum, Australia's second-largest oil and gas producer, says the scheme, outlined this week and to be introduced in 2010, would unfairly put the burden of cost on low greenhouse gas emitters – such as Woodside, which exports clean LNG to energy-hungry Asia – rather than heavy emitters such as coal-burning power stations.

Woodside, which is 34 per cent owned by Royal Dutch Shell, said the A\$15bn (US\$14.6bn, £7.3bn, €9.2bn) LNG export industry was unlikely to qualify for free permits under a scheme that proposes two levels of assistance for heavy emitters. The heaviest polluters would be initially eligible for free permits for 90 per cent of their output, while the next tier – companies with 1,500-2,000 tonnes of carbon emissions per A\$1m of revenue – could get 50 per cent of required credits free.

Although the discussion paper anticipates that the oil and gas industry would qualify for 50 per cent free permits, Woodside says it emits less than the required level.

"This emissions trading scheme is going to get the wrong answer. It's going to hit our returns and stop our new projects going forward, when we are part of the global answer," said Don Voelte, Woodside's chief executive.

Wayne Swan, the federal treasurer, who is holding talks on climate change with Michael Cullen, his New Zealand counterpart, said it was too early to say what impact the 2010 emissions regime would have on companies and for Mr Voelte to be drawing conclusions.

He said he empathised with the LNG industry and that he would meet Woodside next week to discuss whether it qualified for free permits. "It is not entirely clear, nor do we have the latest data, on the energy intensity of the operations that Mr Voelte is talking about," said Mr Swan.

"We will sit down with the industry and talk with them about the propositions that they have. But at the end of the day, there is no free lunch. The whole point of this scheme is to protect our national interest."

The Australian Petroleum Production and Exploration Association is lobbying the government on the basis that the LNG industry helps Asia address climate change by exporting a clean energy source and should not be punished through higher costs. Foreign oil companies investing in the Australian LNG sector, including Inpex and Chevron, also raised concerns about the proposed system on Friday in statements to Bloomberg News.

Kevin Rudd, prime minister, shrugged off criticisms, saying he never expected the introduction of the scheme to be easy. "This is not a cost-free, pain-free solution for the future. It involves some hard decisions."

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