

## Fears rise over trading scheme risk to LNG

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ANXIETY is emerging in the Rudd Government over its proposed emissions trading scheme, with one senior figure describing as gross incompetence the potential risk posed to the liquefied natural gas industry.

The LNG industry has claimed up to \$100 billion in investments could be jeopardised if it remained ineligible for the compensation that will be given to heavier polluters.

The Prime Minister, Kevin Rudd, has assured the LNG industry that something would be worked out but there are no details so far on what would be offered.

The *Herald* understands that when the green paper outlining the emissions trading scheme was being developed, there was an expectation within the Government that the LNG sector, one of the nation's more lucrative export industries, would not be adversely affected.

That it has been left potentially exposed has caused concern within Government and one senior figure yesterday said it was an act of "gross incompetence" that was placing pressure on ministers.

"It doesn't matter if it was oversight or ignorance, but it's pretty bloody ordinary."

One source said the green paper's reliance on outdated data from 2001-02 on the level of carbon emissions produced by the LNG sector may have been to blame.

Under the proposed emissions trading scheme, so-called emissions-intensive, trade-exposed industries will receive free permits to prevent the cost of their product rising too much and jobs being lost to cheaper operations offshore where no pollution restrictions exist.

The heaviest polluters, such as the cement and aluminium manufacturers, would receive about 90 per cent of their permits free because they emit more than 2000 tonnes of carbon dioxide for every \$1 million in revenue they earn.

Those that emit between 1500 and 2000 tonnes per \$1 million would receive about 60 per cent of their permits free.

When the Government devised the scheme, it was thought LNG would qualify for at least some support but it does not even qualify for the lower threshold because it has cleaned itself up since 2001-02. It must buy all its permits, causing the price of gas to rise.

One industry source said the green paper should have considered the latest emissions figures provided by the industry.

A Government source pointed out that the green paper acknowledges that changes to emissions since 2001-02 would be taken into account before the scheme was finalised and the LNG industry's latest data would be welcomed.

"A key objective of stakeholder consultations after the release of the green paper will be to further the Government's understanding of the relative emissions intensities of different activities and the quantum of emissions produced by those activities," it says.

Most of the industry's emissions are produced when the gas is refrigerated to minus 162 degrees to liquefy it for transport.

Woodside Petroleum has been lobbying publicly and privately for an exemption based on the fact that every tonne of gas it exports to China and elsewhere results in less coal being burned.

The Treasurer, Wayne Swan, has had at least one meeting with Woodside's chief executive, Don Voelte, and Mr Rudd caught up with Mr Voelte at a lunch in Beijing over the weekend.