

SPEECH NOTES

Minister for Mines and Energy

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North Queensland Energy Forum

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Acknowledgements

I would like to acknowledge the traditional owners of the land on which we meet.

I would also like to express my thanks to Townsville Enterprises and the Energy Users Association of Australia for inviting me here to address you.

Today, I would like to speak with you about the challenges for Queensland in a carbon constrained future.

Q2

As you may be aware, the Premier recently unveiled the Queensland Government's vision for Tomorrow's Queensland, Toward Q2.

The aim is that by 2020, Queensland will be stronger, greener, smarter, healthier and fairer. Climate change is one of the foremost challenges we face.

Demand and capital expenditure

Queensland is Australia's fastest growing, most decentralised and energy intensive State; with Townsville being the largest independent regional centre in Northern Australia.

In 2005-06, the North Queensland regional economy grew by over 12 per cent

The Queensland Government recognises the importance of sustainable energy supplies to support the community and industry in North Queensland.

To meet this demand, Powerlink and Ergon Energy are undertaking new works to ensure the reliable supply of electricity to Townsville and other North Queensland centres.

This work is already having the effect of lowering the wholesale cost of energy in North Queensland through a reduction in the allowances for transmission losses.

In addition, Origin Energy is progressing development of a new generation project at Mt Stuart, adding 126 megawatts of capacity to regional generation and underpinning the reliability of supply.

In North-west Queensland, the Government is looking to facilitate the commercial development of additional supply capacity as required to meet emerging demand.

We have undertaken a study of electricity demand in the region and provided this information to proponents as a basis for consideration of new facilities.

We have not forgotten small consumers of energy. Small consumers supplied by Ergon Energy benefit from the Government's policy to maintain uniform prices for similar customers throughout the State, despite the significant differences in the costs of supply to some regions.

In 2007-08, the Government provided Ergon Energy with Community Service Obligation payments of around 625 million dollars, an average of around 1,000 dollars per customer, to support this policy in western and northern Queensland.

Energy is today at the centre of political, social and environmental debate.

From the way we generate energy, to when and how we use it, to the cost of it, and how we regulate it... these are all key questions on the national and international agenda.

The evidence on climate change is clear - Our actions and decisions today, and in the next ten to twenty years, will shape our state and our world for the next century, and perhaps centuries to come.

Emissions trading

The Bligh Government is looking over the horizon and actively planning for Queensland's energy future in a carbon constrained world.

The Queensland Government supports the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS) as the centrepiece of Australia's domestic mitigation action.

The CPRS is a market-based mechanism that will deliver an incentive to change and to innovate, as well as creating a clear-cut, stable, long-term framework to cut emissions across all sectors.

We recognise, though, the challenges ahead which will require an effective balance between economic and environmental objectives.

The Queensland Government is particularly supportive of a CPRS model that includes the following principles:

- compensation to existing generators for disproportionate loss of asset value
- protecting the competitiveness of trade exposed energy-intensive industries
- smoothing price impacts for those facing greatest financial hardship in our community.

Because of the strategic policy actions implemented by the Queensland Government over the past eight years, Queensland generators are generally less exposed than other states to the impacts of an emissions trading scheme.

No doubt there will be some tough decisions ahead, and some transitional aches and pains are likely — but doing nothing is likely to be a more expensive option in the long run.

Queensland Government directions

While the Commonwealth's emissions trading scheme will lay the foundation for a shift to a green energy economy, the Queensland Government is moving ahead with some significant initiatives that will define our energy future.

Our core directions are:

- investment in low emissions coal
- supporting gas as a transitional fuel source
- boosting support for renewable energy sources and technologies
- pursuing energy efficiency across the residential, commercial and government sectors

Low emission coal

Coal-fired generation will inevitably remain a part of Queensland's generation portfolio. Therefore the development of CCS as an essential technology for reducing greenhouse gas emissions is of global significance.

The QLD Govt is leading the nation with our \$300 million investment, supported by a \$600 million investment from the coal industry in low-emissions coal R&D.

This funding is the catalyst for two key demonstration projects — ZeroGen and Callide OxyFuel. A third project – the Tarong post combustion pilot plant has recently been added to the suite of Queensland CCS initiatives.

Policy on new coal-fired generation plant

Importantly, Queensland has a firm policy on new electricity generation.

Any new coal-fired power station built in the state will be required to deploy low emission coal technologies.

In instances where new generation capacity is required before commercial-scale CCS technologies are available, any coal-fired project must demonstrate:

- the integration of CCS technology eg. via a demonstration plant
- direct foreign investment in a related major energy-intensive project, which might otherwise go to a country not signed up to the Kyoto Protocol; and adoption of best-practice generation technology; or
- security of electricity supply in Queensland is compromised and cannot be met by alternative energy sources in the relevant timeframe, and incorporation of best-practice technology.

Gas – the transition fuel

Gas will continue to play a pivotal role in Queensland's energy mix – particularly as a transition fuel with 50% lower emissions profile.

The Queensland Gas Scheme has been a major success story that has provided the impetus for what is today a multi-billion dollar industry.

We have seen substantial investment in gas-fired generation plant that has contributed to reductions in the carbon intensity of our generation fleet.

The stand-out success of this scheme indicates that market mechanisms such as an emissions trading scheme can produce exceptional results — not just in terms of market outcomes, but in terms of delivering real emissions reductions.

Liquefied Natural Gas (LNG)

Adding to the already dynamic nature of Queensland's gas industry has been the surge in interest in Queensland's coal seam gas reserves (CSG), with six LNG plant proposals on the drawing board.

These LNG projects, should they proceed, will drive the continued development of the state's already thriving CSG industry.

At present, there are more than 25 billion dollars in proposals on the books.

While an LNG industry in Queensland would have many positive impacts, a responsible Government must consider all potential impacts of an industry of this size.

The Bligh Government is carefully and responsibly considering its response to the development of this industry, including the potential downstream impacts for domestic energy generation and consumption.

As part of this response it will also consider how an LNG industry could bring greatest benefit to the people of Queensland into the future.

Renewables / Office of Clean Energy

The Premier recently announced the creation of a new Office of Clean Energy to support the development and uptake of renewable energy in the State.

The new office will have specific responsibility for:

- mapping potential renewable energy locations around the State
- removing regulatory barriers to renewable energy industry development

- developing a funding program to encourage private sector investment and start-up in the industry
- working with the Commonwealth on the redesign of the MRET scheme
- working with the private sector to stimulate greater demand for renewable energy.

We are particularly committed to deploying new forms of renewable technologies such as solar and geothermal.

Investments include a \$50 million Queensland Renewable Energy Fund a \$15 million investment in the Geothermal Centre of Excellence, as well as other investments by GOC's such as the Windorah solar farm.

Energy conservation/efficiency

Energy efficiency has the greatest potential to cut emissions, and at the lowest cost, and it can deliver results quickly. It is the low hanging fruit in this equation.

Regulation also has a role to play. The Govt's Smart Energy Savings Program is a new legislative initiative introduced through the *Clean Energy Act 2008*.

The Smart Energy Savings Program will require businesses to undertake audits to identify energy efficiency opportunities and publish energy efficiency action plans.

Queensland households also have a big role to play in tackling climate change.

The Queensland Government has set a target of reducing Queenslanders' carbon emissions by one-third by 2020 as part of the Q2 strategy.

Programs like the \$60 million *ClimateSmart Home Service* and the Home EnergyWise Toolkit will help householders take actions to save energy and reduce the effect of carbon pricing.

Conclusion

In essence, we must recognise that for tomorrow's Queensland, we need to make a radical shift in our dependence on carbon.

We can do this through incentive, creativity, even ingenuity — but we must do it together.

We have a shared responsibility to re-shape our energy future.

The Queensland Government is leading the way and will continue to do so into the future.

There is much more you can all do to ensure the long term, sustainable growth of Queensland and the nation.

In particular, supporting the research and development of renewable and low-emission technologies is crucial.

I hope you'll meet that challenge with us. Thank you.