

Cheap coal for power 'subsidises polluters'

BRIAN ROBINS STATE POLITICS

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THE state government's decision to sell coal cheaply to its power generators sends the wrong signal about the need to move to cleaner energy sources and cut greenhouse gas emissions, say critics.

The government is proceeding with plans to develop a new coalmine near Mudgee to sell low-priced coal to the government-run power generators.

Earlier talks with the private sector to develop the Cobbora mine have fallen through. The government decided it will operate the mine itself.

In confidential information provided to the bidders for the power assets, it said the government will supply coal from Cobbora for \$1.47 a gigajoule, equal to about \$32 a tonne, which is significantly less than present contract prices of about \$44 a tonne.

"The whole thing smacks of desperation," said Hugh Outhred, a professorial visiting fellow at the University of NSW.

"To sell coal below the market value shifts the subsidy from one point to another in the chain.

"It is a smoke and mirrors trick ... which means the mine would not be making the profit it could and will subsidise the generator." The generators will receive the coal at a fixed price for 17 years. The taxpayer will bear the estimated \$1.5 billion cost of the mine, as well as any increase in the cost of producing the coal.

Bidders for the coal assets have estimated this subsidy would add as much as \$2 billion in value to the power assets which are being sold. Bids close this month.

"This doesn't make any sense," said Erwin Jackson, of the Climate Institute. "It's subsidising a polluting industry at a time when Australia is committed internationally to reducing emissions.

"Once a carbon price is in place, this will make it more difficult to achieve reductions and result in an even higher carbon price. You need an orderly transition of fuel sources, and this will make it harder for gas to enter the market."

The shadow treasurer, Mike Baird, said: "Wherever you turn on the sale transaction, the people of NSW have got their hands in their pocket - either paying through higher power prices, or subsidising coal prices to get a better asset sale figure."

The Treasurer, Eric Roozendaal, said it is a "reasonable price to minimise the risk to taxpayers" from the sale.