



Australian
Coal Association

THE FACTS ABOUT AUSTRALIA'S COAL INDUSTRY

Coal plays a pivotal role in the success of the Australian economy

- Coal is Australia's number one export earner - responsible for around \$55 billion dollars of export revenue in 2008/09.
- The coal industry employs 30,000 Australians directly and another 100,000 indirectly, mostly in regional areas.
- Royalties and taxes from coal underpin the state budgets of Queensland and New South Wales, with state royalties expected to total more than \$4 billion for 2008/09.
- 81% of power generation in Australia is derived from coal (black coal 57 per cent, brown coal 24 per cent).
- Coal-fired power is vital for major industries such as steel making, aluminium and cement manufacture.
- Coal is a major input to the iron and steel and manganese industries.
- Australia's coal industry is a global leader despite having only 5.5% of the world's coal deposits and only 5.6% of world production.
- Coal will continue to be an important component of the economy - there is currently no viable alternative for base load power or for large-scale iron and steel production.

What the federal government is planning to do to Australia's coal industry

- The Federal Government is planning to reap more than \$14 billion in additional taxes from the coal industry over the next 10 years under its Carbon Pollution Reduction Scheme.
- The government is offering other industries support in the form of rebates of between 60-90%, including transitional assistance to the power generators that burn Australian coal.
- However the coal industry will not receive any rebates under the CPRS
- The coal industry will receive the equivalent of less than 5% support through minor measures.

What is likely to happen if the proposed new coal tax proceeds

- The economic impact on Australia would be significant if the coal tax were to proceed as proposed.
- It is likely to see 16 mines close prematurely with annual coal production 22 million tonnes below business as usual.
- 3300 direct jobs are projected to be lost in the first ten years.
- Regional economies where coal mining is important would be impacted.
- State governments would forego about \$1.7 billion coal royalty revenue over 10 years from the early closure of mines alone.
- Mining companies would be likely to review investment in expansion or extension of life of existing mines and in establishment of new mines.

The new coal tax is inequitable and doesn't target emissions

- Coal industry emissions are not due to the burning of coal, but due to what are known as "fugitive" emissions - those released naturally from coal seams during the extraction process, almost all of which is methane.
- The government is offering rebates of over 60% to other trade exposed industries like cement and aluminium but less than 5% to the coal industry over 10 years.
- Independent research by ACIL Tasman shows the coal industry easily meets the assistance threshold and the majority of production is above the lower EITE threshold.
- Fifteen mines representing 19% of production actually meet the threshold for allocation of 90 per cent EITE permits.
- Allocating permits on the basis of individual mine emissions rather than on production tonnage would easily fix Government concerns that some mines may receive windfall gains.
- The impact of the CPRS on the coal industry does not meet the government's own stated objectives for equity and the avoidance of adverse competitiveness and carbon leakage effects.

Why coal has a future in Australia

- The global production and consumption of coal is increasing strongly and is expected to reach nearly 30% of world energy demand by 2030 - largely in non-OECD countries.
- Australia has only 5.5% of the world's coal deposits. If we reduce coal exports, those exports will be replaced by countries such as Colombia, South Africa, Russia, and Indonesia.
- China alone plans to build six times Australia's current electricity generation capacity or around 280 GW of coal fired generation by 2020.
- Australia accounts for less than 1.5% of global emissions and is the only country that has put a carbon tax on the mining of coal. Neither the EU emissions trading scheme nor the one proposed in the US include coal fugitive emissions. Our developing country competitors are unlikely to tax coal for many years.
- There are no practical renewable alternatives to coal for base load power - for example, to replace a 1.6 GW power station would require placing a wind turbine every 250 metres from Melbourne to Sydney.