

Ralph Hillman comments from Copenhagen - as world leaders arrive at the climate conference

The Danish government technology display inside the Copenhagen climate change conference centre is full of images of windmills, solar panels, bio-fuels and other low emission technologies. It dares not utter the words "coal" or "fossil fuel". Indeed, looking around the flat landscape that surrounds Copenhagen there are plenty of windmills standing tall against the grey sky. Looming even larger on the horizon however are the massive coal and gas-fired power stations that provide most of Copenhagen's baseload electricity. Denmark generates 51% of its power using imported coal -- mainly from South Africa. And it is a net exporter of gas and oil -- but not for much longer as this Northsea resource is running out.

Despite its reputation as a leader in wind technology, Denmark faces the same hard choices as most other countries at this conference that are struggling with the twin objectives of cutting emissions and maintaining energy security. Carbon capture and storage will surely have a place here given this country's established coal-fired power infrastructure, its prospective CO₂ storage sites offshore and its evident national pragmatism.

Carbon capture and storage has been in the spotlight at Copenhagen as developed countries and many developing ones as well have tried to ensure that developing countries reliant on coal-fired power generation will be able to have access to that technology funded by developed countries under the Clean Development Mechanism. That effort has been frustrated by Brazil and the issue has been pushed upstairs for heads of government to decide.

Getting CCS up and running in coal powered countries such as India and China will be absolutely essential to cutting their emissions and lowering the global cost of addressing climate change. Brazil's motives are not entirely clear but it is said to fear that the diversion of investment in CDM projects to China and India and away from Brazil where CCS is comparatively less prospective.

The "CCS in CDM" spat exemplifies the extent to which this conference is an economic negotiation even more than environmental one. Developed countries and advanced economies such as China and Brazil want to ensure that their competitiveness is not put at risk by the Copenhagen deal. Fair burden sharing is the key to that and will be enormously important to Australia with its trade exposed economy and heavy reliance on energy intensive industries.

Australia must not bite off more than it can chew in terms of targets. Chewing is a euphemism for structural adjustment -- rebuilding capital stock, adopting new technology retraining and relocating the workforce. That is expensive and can be painful if the pace is pushed too hard -- if the emissions target aspiration gets out in front of technological

possibility. Our targets are a lot harder than even the higher ones put up by the EU or the United States in terms of dollar cost per person.

In terms of getting a climate outcome, sharing the economic burden and maintaining a level playing field for trade, one of the most important issues at Copenhagen is getting big advanced economies like China, India, Brazil, Korea, Singapore etc to play their part. Finding a place for the United States is central. Australia is rightly pushing to have a new post-Kyoto protocol instrument that brings all players under the one treaty roof. That is hotly opposed by developing countries who do not wish to take on anything like the responsibilities of developed countries and want to see a separate arrangement for those that do not have obligations under the current Kyoto protocol. The problem is that latter group includes the United States. At the moment we seem to be headed for an arrangement whereby Australia will be in a Kyoto protocol successor with the EU while our major strategic and economic partners, the United States and China, will be in another tent. Japan, our other major economic partner, is in the same uncomfortable position and it is hard to see them acquiescing to it. Nor should Australia.

Competitiveness is not just a national issue -- it is also one for individual industries. Under the proposed CPRS the Australian coal industry despite representing only 5.5% of global production will be the only one in the world faced with a tax on the fugitive emissions from coal mining. It is clear from talking to industry representatives and officials from other countries present in Copenhagen that that situation is unlikely to change. Even the United States and the EU are not contemplating including their far larger fugitive emissions from coal mining in their emissions trading schemes. These emissions are too hard to measure and too hard to capture with current technology. The proposed CPRS would impose a \$14.5 billion tax on Australian coal mining over the next 10 years, undermining its competitiveness and costing thousands of jobs in the Hunter, Illawarra and central Queensland. This tax needs to be reconsidered before the Senate vote in February 2010.

As I write this column an unprecedented number of leaders are arriving in Copenhagen to try to crunch the deal that has eluded Conference of the Party meetings for some years. There is an air of desperation emerging now with so many issues left to be settled. That is not unusual and often necessary to achieve an outcome at a global conference such as this with major economic and environmental interests at stake. It appears highly likely however that some of the big issues on the table here and a lot of the detail will have to be resolved at later meetings.

Biography: Ralph Hillman Executive Director

Mr Hillman was Ambassador for the Environment and chief negotiator for Australia on the Kyoto Protocol from 1998 to 2002. He was appointed as Executive Director of the Australian Coal Association in August 2007.

He was Ambassador and Permanent Representative to the OECD from 1995 to 1998. From 1994 to 1995 Mr Hillman was Chief Economist in the Department. He was formerly a senior career officer of the Australian Department of Foreign Affairs and Trade and has extensive experience in multilateral economic policy and diplomacy.