



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**THE SENATE**

**PROOF**

**QUESTIONS WITHOUT NOTICE**

**Resources and Energy**

**QUESTION**

**Thursday, 21 June 2012**

BY AUTHORITY OF THE SENATE

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## QUESTION

**Date** Thursday, 21 June 2012  
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**Questioner** McKenzie, Sen Bridget  
**Speaker**

**Source** Senate  
**Proof** Yes  
**Responder** Evans, Sen Christopher  
**Question No.**

### Resources and Energy

Resources and Energy

**Senator McKENZIE** (Victoria) (14:28): My question is for the Minister representing the Minister for Resources and Energy, Senator Evans. I refer the minister to the government's decision last year to negotiate the closure of around 2,000 megawatts of electricity generation by 30 June 2012. Is the minister aware that three of the five generators that have progressed beyond the expression-of-interest phase are located in the Latrobe Valley? Given that the government's decision has created uncertainty and negatively impacted business confidence in parts of regional Victoria, can the minister confirm whether the government has reached agreement with these five power generators on a closure arrangement? If not, can the government guarantee that such agreements will be concluded before the world's biggest carbon tax comes into effect on 1 July?

**Senator CHRIS EVANS** (Western Australia—Minister for Tertiary Education, Skills, Science and Research and Leader of the Government in the Senate) (14:29): I thank the senator for her question. As I understand it, an invitation for expressions of interest has seen five generators progress to the negotiation stage. They include Playford B power station, Energy Brix in the Latrobe Valley, Hazelwood power station in the Latrobe Valley, Collinsville power station in Queensland and Yallourn power station in the Latrobe Valley, so three of them are in the Latrobe Valley. All five have submitted a closure proposal to the Department of Resources, Energy and Tourism. Following assessment of the proposals, the government expects to commence bilateral negotiations with the eligible generators. It intends to enter into contracts for closure in the near future. The government's preferred closure time frame is 1 July 2016 to 30 June 2020, although proposals for closure prior to July 2016 may be considered. Obviously, this transition will not occur overnight. We need to make sure it happens in an orderly manner, and retirement of existing high-emission capacity needs to coincide with new investment in cleaner replacement electricity generation capacity. It is intended that any contracts that are negotiated will ensure that the appropriate arrangements are put in place to preserve

workers' entitlements and meet all relevant state legal requirements, including requirements regarding site remediation. In terms of the Latrobe Valley, we believe it has a bright future. The people in the Latrobe Valley understand the need for a managed transition. I think it is important that people do not play politics with these issues but try to support the community as they deal with the transition that is going on in the Latrobe Valley. We are seeing investment also coming to that area and we think that provides opportunities. (*Time expired*)

**Senator McKENZIE** (Victoria) (14:31): Mr President, I ask a supplementary question. Given that the government's carbon tax policies are already making it difficult for those in the Latrobe Valley to plan and invest in the future with confidence, can the government guarantee that the Latrobe Valley will still be eligible for assistance under the Regional Structural Adjustment Assistance Program even if closure agreements are not reached by 30 June? Has the government told Latrobe Valley organisations that no funding under this program will be made available without successful contracts for closure being made available?

**Senator CHRIS EVANS** (Western Australia—Minister for Tertiary Education, Skills, Science and Research and Leader of the Government in the Senate) (14:31): I understand the regional structural adjustment assistance package is under the responsibility of the Hon. Simon Crean, minister for regional Australia, but I understand that the structural assistance to support regional communities will continue if they are strongly affected by the introduction of a carbon price. Officers from both departments are working together to ensure there is a coordinated approach in terms of those regional impacts. In terms of the exact question the senator asked, I will have to take that on notice. I am not sure of the answer so I am happy to take that on notice and get back to the senator and the Senate.

**Senator McKENZIE** (Victoria) (14:32): Mr President, I ask a further supplementary question. I refer the minister to a report in the *Australian Financial Review* on 9 May which claimed that 'if the carbon price falls to its floor price in 2015 of \$15 the value of generators could increase fourfold'. What future carbon prices has the government allowed generators

to use in the valuation of their generation assets? Have any generators assumed carbon prices below the government's projections in the budget or below the floor price of \$15?

**Senator CHRIS EVANS** (Western Australia—Minister for Tertiary Education, Skills, Science and Research and Leader of the Government in the Senate) (14:32): Firstly, as those negotiations are ongoing and the contracts for closure have not been completed with any of those generators, I suspect that information is not available. But I do not know the answer to the question, so I will seek advice as to whether the minister has anything to say in response to that or whether there are commercial-in-confidence issues. I do not know, but I will take the question on notice and seek whatever information I can from the minister.