

STATEMENT ON FUTURE USES OF BROWN COAL

Victoria is home to the second largest brown coal resource in the world. This low cost and abundant resource has ensured the supply of affordable and reliable electricity that has supported our economic prosperity for nearly a century.

However, there is a fundamental change underway which will affect the way brown coal will be used in the future.

While brown coal-fired power generation supplies the majority of Victoria's electricity today, its share of generation will reduce over the coming decades with the retirement of existing generators, market conditions and the need to respond to climate change.

Climate change goals have been set at a global, national and local level. In the Paris Agreement, the global community agreed to limit warming to less than 2 degrees above pre-industrial levels. As part of its contribution to the Paris Agreement, Australia has set a domestic target to reduce greenhouse gas emissions to 26-28 per cent below 2005 levels by 2030. In Victoria, the *Climate Change Act 2017* provides the foundation for Victoria's action on climate change. The Act includes an economy-wide target of net zero greenhouse gas emissions by 2050, and as a first step, the Government has set an interim 2020 target of 15-20 per cent below 2005 levels. The Act requires progressively stronger legislated targets every five years from 2020. Decisions regarding new uses of brown coal will be made against the backdrop of these commitments.

At the same time, there is strong investor interest in using our valuable coal resources to make alternative high value, low emission products for domestic and international markets. These projects could provide new economic development and trade opportunities, bringing high-skilled jobs and investment to the Latrobe Valley and Gippsland.



In developing this Statement, the Victorian Government has had regard to an independent review of previous government coal development programs (Edwards Review), the Government's new framework for action on climate change and the Hazelwood Mine Fire Inquiry recommendations. It has also undertaken consultation with a range of stakeholders both directly and through the Edwards Review.

The Victorian Government is committed to providing industry and the community with certainty about the future use of brown coal in a low emission context. We commit to:

- Using our brown coal resources in a manner that maximises its long term value for Victorians and is consistent with our economic, social and environmental priorities, while promoting jobs and investment.
- Fully implementing the recommendations from the Hazelwood Mine Fire Inquiry, including the development of a Latrobe Valley Regional Rehabilitation Strategy.
- Setting an emissions standard for new brown coal projects by regulation under the *Environment Protection Act 1970*. These standards will not apply to the existing brown coal power generators except where they install new generation units.
- Ensuring the emissions standard:
 - applies to projects using more than 27,000 tonnes of coal per annum
 - covers direct emissions
 - allows projects to offset emissions and use Carbon Capture and Storage (as available) to achieve the emissions standard
 - initially be set equivalent to emissions from existing efficient gas-fired generation i.e. 0.3 t CO₂-e / t coal or 0.45 t CO₂-e / MWh.

The Government intends that the emissions standard will be tested through a Regulatory Impact Statement (2017-18) and then set in regulations, which will be reviewed over time.

- Ensuring that projects that have been submitted for relevant statutory approvals prior to the regulations being made will not be adversely affected by way of the regulatory requirements coming into force.
- Ensuring new brown coal projects source their coal from existing mines and that any new licence would only be granted where proponents have been unable to agree reasonable terms to access coal from existing mines, with preference given to applications for coal fields adjacent to existing mines. The Government's forthcoming rehabilitation bond policy will apply to any new coal mine development.
- Adopting an 'open for business' approach to supporting new investment and research opportunities in projects using coal. Projects will be considered on a case-by-case basis against other economic development opportunities underpinned by an evidence-based evaluation of economic, social and environmental factors. This approach is based on the findings of the Edwards Review.
- Completing the CarbonNet Project which is investigating the development of a Carbon Capture and Storage (CCS) network in Victoria.
- Ensuring that communities and stakeholders have access to information about the consistency of proposed projects with this statement.

New brown coal projects will be assessed through a transparent and robust framework. Projects using brown coal will be required to comply with all applicable regulatory requirements including regarding water use, health considerations, and any other requirements under the *Planning and Environment Act 1987*.

The decision-making will be staged and supported by an Independent Expert Panel with commercial, technical and environmental expertise. The assessment of proposals will include strict probity and disclosure requirements. These measures are consistent with the recommendations of the Edwards Review and government's commitment to upholding the highest level of integrity and transparency in assessing proposals.

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