

Media enquiries

Matthew Doman

+61 8 8116 5260 / +61 (0) 421 888 858

matthew.doman@santos.com

6 December 2010

Santos welcomes proposed carbon limit on power generation

Santos today welcomed the announcement by South Australian Premier Mike Rann that the State will set a carbon emissions limit for new power generation to drive the conversion of electricity production from high-carbon coal to lower carbon natural gas, and enable the further development of renewable energy.

Santos Chief Executive David Knox said the company looked forward to participating in consultations on the proposed policy.

The SA Government has proposed a limit of 0.7 tonnes of CO₂ for each megawatt hour of electricity sent out from new generating plant.

New natural gas power plants emit less than 0.4 tonnes of CO₂ per megawatt hour, which is half to two-thirds lower than existing black and brown coal-fired power plants.

Natural gas has the additional advantage of enabling rapid changes in generating capacity to match available supplies of intermittent renewable energy sources such as wind or solar power.

Mr Knox said Australia's abundant and affordable natural gas resources meant gas was the only fuel that could provide lower emission baseload power now, while serving as a perfect partner to support increased use renewable power generation.

"If we are serious about action on climate change we must address greenhouse emissions from power generation. This sector is the largest single contributor to Australia's carbon footprint, accounting for 35% of all the country's greenhouse gas emissions.

"With over 80% of Australia's power coming from high-carbon coal – and over 70% of Australia's coal plants being over 20 years old – we are rapidly approaching the point where critical decisions must be made on the future direction of Australian power generation."

Half of South Australia's electricity comes from gas. The leading role of gas in South Australia has enabled the development of the largest volume of wind-generated electricity in Australia, which together is delivering the lowest emission intensity of any Australian mainland state.

A copy of the Government's statement is attached.

Ends

News Release

www.premier.sa.gov.au
twitter.com/PremierMikeRann



Premier Mike Rann
Minister for Economic Development
Minister for Social Inclusion
Minister for the Arts
Minister for Sustainability and Climate Change

CANCUN: Monday, December 6 2010

CARBON LIMIT FOR NEW ELECTRICITY PRODUCTION

Premier Mike Rann announced today that South Australia wants to set a carbon emissions limit for new electricity production that would be by far the toughest in Australia and would effectively prevent the future construction of new coal-fired power plants in the State.

“Early next year we will be initiating consultations with industry and interest groups about setting a maximum carbon content for electricity generated from any new plant in South Australia.

“The starting point for that consultation will be a limit of 0.7 tonnes of CO₂ for each megawatt hour of electricity sent out from new generating plant.

“The limit will be introduced as a transitional measure pending the introduction of a national carbon policy.”

Consultations on the new limit will commence early in 2011 before a Bill is introduced into the Parliament to apply that limit.

“The Commonwealth Government has initiated a consultation process on its policy to require all new power stations to meet best practice emissions standards.

“I support that approach as it offers an effective mechanism for reducing greenhouse gas emissions from the stationary energy sector on a national basis.

“South Australia’s circumstances are different from those that apply nationally.

“At present, 34% of South Australia’s electricity is generated by coal-fired power, less than half the national average. Gas accounts for almost half of our electricity generation, while 18% of our electricity comes from wind power generation.

“By 2020, 33% of our power will come from renewable energy.

“South Australia is host to half of Australia’s wind power and last month we passed through the threshold of 1,000 MW of installed wind energy capacity.

“This outcome has been driven by South Australia aggressively capitalising on the Commonwealth Government’s expanded 20 per cent by 2020 Renewable Energy Target.

“The Commonwealth Government’s concerted action to deliver a high level of renewable energy for Australia has created the opportunity for South Australia to draw investors to exploit the State’s outstanding wind resource.

“This process has been accelerated by South Australia having Australia’s best land use planning system for wind investors and other supportive policies such as Australia’s only scheme for rebating payroll tax expenses to wind and solar investors.

“Aligning these advantages with relying on gas as a transitional fuel to a low carbon economy has allowed South Australia to develop the cleanest energy generation in mainland Australia.

“Today’s announcement signals a clear intention to drive that advantage home by having the toughest and most comprehensive regime for the carbon intensity of electricity generation in Australia,” Mr Rann says.

The Government has been guided in its deliberations on the carbon intensity ceiling by expert advice received from the engineering services company, WorleyParsons. A copy of the report can be accessed at www.renewables.sa.gov.au.

The Government recognises that its approach may have implications for specific projects such as off-grid diesel projects as well as syngas and coal-to-liquids projects where power generation can form part of a larger process. Cases such as these will be considered in detail in the consultation process.

As a starting point, the Government intends to provide sufficient flexibility in its legislation to be able to recognise and respond to unintended outcomes. This will also take into account innovative approaches for managing carbon emissions that are being planned by project developers.

A full consultation process will commence with the release of a discussion paper early in the new year.