

From:
Sent: Tuesday, 19 May 2009 10:23 AM
To:
Cc:
Subject: Perdaman Briefing material

Hi

Below is some info on Perdaman for your briefing. Please contact _____ or myself if you have any questions.

Key points

- On 6 March 2009, Perdaman Industries announced the construction of a s47 coal gasification to urea project. Construction is scheduled to begin in 2010 with production to commence in 2013.
 - Perdaman have proposed a separate activity for coal gasification be developed.
 - Coal gasification does not meet the criteria for EITE assistance since the synthesis gas produced is not a traded good and is thus not trade exposed.
- Perdaman have raised concerns that the industry average for the activity of the production of carbamide (urea) will be based on s47G operations as the sole current producer in Australia.
 - The Government has announced that in determining activity baselines it will consider international evidence on the emissions per unit of output for activities, particularly those where there is currently only one entity operating in Australia. However its overall objective is to provide transitional assistance in relation to the carbon cost impact of the scheme on current operators.
 - Perdaman's concern is that the production of urea from coal is significantly more emissions intensive than the production of urea from natural gas. The objective of the CPRS is for firms to take such differences in emissions intensity into account when making investment decisions. The EITE assistance policy has been designed to be consistent with this overall objective, hence, across all activities, the Government's approach has been to be neutral to fuel source, feedstock and technology used to conduct a given physical or chemical transformation.
- On 4 and 5 March 2009, Perdaman participated in activity workshops held by the Department of Climate Change for the EITE activities they will potentially conduct.
- A final activity definition for the production of carbamide (urea) has been agreed by the s47G Perdaman. The Minister is currently considering this definition for finalisation for the purposes of data collection under the EITE assistance program.
- Perdaman may also be eligible to apply for EITE assistance under an activity definition relating to the production of ammonia. This activity definition is still undergoing consultation and has not been finalised for the purposes of data collection.

Talking points

- The Government's final EITE policy is outlined in the White Paper, including the approach for providing assistance, eligibility and rates of assistance.

- The Government recognises that coal will continue to be a major energy source into the future and that the successful commercialisation of carbon capture and storage (CCS) technology will be important in meeting both domestic and global greenhouse gas emission reduction targets.
- The Government is providing significant support for the development, demonstration and deployment of CCS technology through the \$500 million National Low Emissions Coal Fund and \$100 million annual commitment to the Global Carbon Capture and Storage Institute.
- EITE assistance is designed for transitional assistance for existing emissions-intensive and trade-exposed industries in Australia established prior to the implementation of the Carbon Pollution Reduction Scheme.
- New entities conducting an existing EITE activity will receive the same assistance as existing entities conducting the activity.
- Allocations to existing entities conducting EITE activities will not be adjusted for allocations to new entrants.

Background

Synonyms of Urea

Carbamide is the International Union of Pure and Applied Chemistry (IUPAC) name for what is commonly referred to as urea. The Department of Climate Change intends to use IUPAC naming where possible across activity definitions to provide legal clarity.

Perdaman Industries (formerly North West Chemicals and Fertilisers)

Formed in 2006, Perdaman Industries was launched by the Managing Director and CEO, Mr Vikas Rambal on 6 March 2009. It proposes to take a feedstock of 2.7 million tonnes/annum sub bituminous coal and produce 2.05 million tonnes/annum carbamide. 100 % of urea produced is expected to be pre-sold overseas, primarily to India.

Engagement with the Department of Climate Change

The Department of Climate Change consulted with Perdaman at the workshops for the Production of Ammonia and the Production of Carbamide (Urea). As a new entrant, Perdaman were restricted to participating in the general discussion at each workshop and were asked to leave the workshop at the point where companies discussed specific emissions and revenue values. The company has supplied the Department of Climate Change with feedback for both these definitions.

Household and Industry Assistance Branch
Emissions Trading Division
Australian Government Department of Climate Change

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