

## TREASURY EXECUTIVE MINUTE

Minute No.

19 May 2009

Treasurer

### MEETING WITH PERDAMAN INDUSTRIES

**Timing:** Your office has requested briefing by 19 May 2009.

**Issue:**

- Your office has advised that Perdaman Industries wish to brief you on a urea fertiliser plant at Collie near Bunbury in Western Australia, including issues relating to the Carbon Pollution Reduction Scheme.

**Noted**

Signature: .....

...../...../2009

### KEY POINTS

- On 6 March 2009, Perdaman Industries announced the construction of a \$47 coal gasification to urea project in Western Australia. Construction is scheduled to begin in 2010 with production to commence in 2013.
- Perdaman Industries have indicated they intend to raise an issue regarding the Carbon Pollution Reduction Scheme (CPRS) in their meeting with you. Perdaman Industries have been engaged in consultation with the Department of Climate Change on the CPRS, in particular, the treatment of coal gasification, and the emission-intensive trade-exposed (EITE) activity definition for production of carbamide (urea).
- Significant changes have been made to the Carbon Pollution Reduction Scheme in recognition of the global recession. Changes which may be of particular interest to Perdaman Industries include:
  - A delay in the start date of the Carbon Pollution Reduction Scheme of one year.
  - The introduction of a one year fixed price period. Permits will cost \$10 per tonne of carbon in 2011-12, with the transition to full market trading from 1 July 2012.
  - An additional Global Recession Buffer for EITE industries.
- Speaking points and background information on Perdaman Industries and likely concerns with the CPRS is attached.
- The following areas have been consulted in the preparation of this minute: the Department of Climate Change.

Ext:

Contact Officer:

Ext:

Senior Advisor  
Climate Change and Environment Unit

## SPEAKING POINTS

- On 4 May 2009 the Australian Government announced a number of significant changes to its Carbon Pollution Reduction Scheme, in recognition of the impacts of the global recession. These include:
  - A delay in the start date of the Carbon Pollution Reduction Scheme of one year.
  - The introduction of a one year fixed price period. Permits will cost \$10 per tonne of carbon in 2011-12, with the transition to full market trading from 1 July 2012.
  - An additional Global Recession Buffer for emissions-intensive trade-exposed (EITE) industries for the first five years of the Scheme.
    - : This Buffer will provide an additional 5 per cent free permits for EITE activities eligible for 90 per cent assistance, giving an effective rate of assistance of almost 95 per cent to these highly emissions-intensive trade-exposed activities in the first year of the scheme.
    - : The Buffer will provide an additional 10 per cent free permits for EITE activities eligible for 60 per cent assistance, giving an effective rate of assistance of 66 per cent to these moderately emissions-intensive trade-exposed activities in the first year of the scheme.
- The Government is committed to providing measures to guard against the risk of carbon leakage and providing some transitional assistance to help protect jobs in emissions-intensive trade-exposed industries.
- Assistance will be targeted towards industries that have the most significant exposure to a carbon price, and that are constrained in their ability to pass through the carbon cost because of international competition.
- New entities conducting an existing EITE activity will receive the same assistance as existing entities conducting the activity.
- 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.
- In the 2009-10 Budget, the Government announced a \$4.5 billion investment in a Clean Energy Initiative, including a \$2.0 billion investment in carbon capture and storage (CCS) projects under a CCS Flagships program. The projects are expected to comprise the development of a carbon dioxide storage hub as well as demonstrating a range of technologies to capture carbon dioxide from coal-fired power stations.
- Together with the existing \$400 million National Low Emissions Coal Initiative and the Cooperative Research Centre for Greenhouse Gas Technologies, the new CCS Flagships program will complement the recently launched Global CCS Institute.

## ADDITIONAL INFORMATION

### Perdaman Industries

- Perdaman Industries is a Western Australian based multinational group formed in 2006 with a current focus on the production of urea, the most commonly traded nitrogenous fertiliser. Using innovative and clean coal gasification technology, the plant will transform sub-bituminous coal into urea. All of the urea produced is expected to be pre-sold overseas, primarily to India.
  - Urea is produced from synthetic ammonia and carbon dioxide and is used widely in agricultural food production. Ninety per cent of the world's urea production is used for fertiliser.
- On 6 March 2009, Perdaman Industries announced the construction of a s47 coal gasification to urea project in Western Australia. Construction is scheduled to begin in 2010 with production to commence in 2013.

### Carbon Pollution Reduction Scheme

- Perdaman have proposed a separate EITE activity for coal gasification be developed.
  - However, 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.
    - : The trade exposure of activities is assessed on either a trade share greater than 10 per cent in any one of the years 2004-05, 2005-06, 2006-07 or 2007-08, or a demonstrated lack of capacity to pass through costs due to the potential for international competition.
- Perdaman have also 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 Carbon Pollution Reduction Scheme (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 s47G and Perdaman. The Minister for Climate Change and Water is currently finalising this definition for the purposes of data collection under the EITE assistance program.
- The Department of Climate Change advise that 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.

**BIOGRAPHIES*****Vikas Rambal - Chairman & Managing Director***

Born in Delhi, Mr Rambal qualified as a chemical engineer at the University of Nagpur, specialising in petrochemicals.

He spent the first years of his career working with Bharat Petroleum (formerly Shell) and was then involved in establishing a range of projects including refineries and the manufacture of fertilisers.

In 2000, Mr Rambal and his business partners moved to Western Australia with plans to use natural gas for downstream industry, including the manufacture of ammonia for the international fertiliser market.

Mr Rambal is a former shareholder and Managing Director of Burrup Fertilisers and established Perdaman Chemicals and Fertilisers Pty Ltd (formerly known as North West Chemicals and Fertilisers Pty Ltd) with the intention to develop a second world scale fertiliser plant in Western Australia.

***Andreas Walewski - Director (Corporate)***

After graduating in Germany with a Masters of Business Administration and Chemical Engineering, Mr Walewski began his career as a specialist in planning and business control with IBM.

After relocating to Australia in 1985, Mr Walewski continued his studies, completing a Post-Graduate Diploma in Professional Accounting.

As Chief Executive Officer for Perth solicitors Corrs Chambers Westgarth from 1985 to 1999, Mr Walewski was responsible for the firm's Western Australian operations.

In 1999 he established Andreas Walewski Consulting, a business specialising in accounting, taxation and corporate advisory services. Mr Walewski has extensive experience in assisting overseas companies establishing business operations in Western Australia.

Prior to joining Perdaman Chemicals and Fertilisers, Mr Walewski held the position of Director (Accounting) and Company Secretary for over six years with Burrup Fertilisers Pty Ltd, which operates the world's largest ammonium plant.

**Source: [www.perdaman.com.au](http://www.perdaman.com.au)**