



**THE HON CHRIS BOWEN MP**  
**MINISTER FOR CLIMATE CHANGE AND ENERGY**

MC24-016631

Dr Coral Rowston  
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Dear Dr Rowston

Thank you for your correspondence of 9 August 2024 to the Minister for Industry and Science, the Hon Ed Husic MP, and myself, regarding your request for a statement of reasons for funding Kestrel Coal Pty Limited's (Kestrel) Mine Air Methane Abatement Project under the Powering the Regions Fund (PRF). I appreciate the time you have taken to bring this matter to my attention.

The legislative basis for the funding decision under the PRF Safeguard Transformation Stream (STS) is item 627 of Schedule 1AB of the *Financial Framework (Supplementary Powers) Regulations 1997*. This regulation enables the Commonwealth to make grants of financial assistance under the *Financial Framework (Supplementary Powers) Act 1997*. Decisions regarding grants for financial assistance under the *Financial Framework (Supplementary Powers) Act 1997* are not subject to the *Administrative Decisions (Judicial Review) Act 1977* (see paragraph (he) of Schedule 1 to that Act).

While my approval is not subject to the *Administrative Decisions (Judicial Review) Act 1977*, I have set out below the key points of the assessment process and the reasons why the application was recommended to me for funding.

The Powering the Regions Fund - Safeguard Transformation Stream Round 1 Grant Opportunity Guidelines (Guidelines) were developed in line with the Commonwealth Grants Rules and Guidelines 2017 and set out the assessment process, including eligibility and merit assessment criteria, for the PRF STS. They set out the objectives of the program to "support trade-exposed facilities covered by the Safeguard Mechanism to reduce their emissions and contribute to meeting Australia's 2030 (and 2050) emissions reduction targets; reduce the risk of carbon leakage, which occurs when a business responds to emissions reduction policies by moving emissions-intensive production to a country with less stringent policies; provide skills development to existing industrial workforce in new equipment or processes that contribute to the reduction of scope 1 emissions."

Section 4.1 of the Guidelines provides that new or expanded coal or gas production facilities are not eligible for funding under the program. The Guidelines define a new or expanded coal or gas production facility as "[a] trade-exposed Safeguard Mechanism facility that produces coal or gas as a production variable and either commenced operation or expanded production after 30 June 2023."

Under the Guidelines, the Department of Industry, Science and Resources conducts eligibility assessments. They determined the application to be eligible in accordance with the Guidelines and were satisfied that the facility had not materially expanded, and did not intend to materially expand, its coal production compared to production levels before 30 June 2023. This included consideration of the relevant applications under the *Environment Protection and Biodiversity Conservation Act 1999* and the existing approvals for the operation of the mine.

Following the eligibility assessment, the PRF Expert Advisory Panel (Panel) commenced the merit assessment process. The Panel is comprised of both Technical Feasibility Assessors who examine the technical details of applications, and an Expert Committee which scores applications and makes funding recommendations to me.

The Committee found Kestrel's application to be suitable and recommended it to me for funding. It considered that the application met the objectives of the STS which includes providing support for trade-exposed facilities covered by the Safeguard Mechanism to reduce their emissions and contribute to meeting Australia's emissions reduction targets.

The Committee's assessment included findings that the project had significant potential for emissions reductions for a relatively small investment, was a first-of-its-kind project in Australia, posed minimal technical risks, and had good learning potential for the rest of the coal sector.

I made the final funding approval considering the recommendations of the PRF Committee and the availability of grant funds.

The government is committed to taking action to reduce methane emissions given their significant short term warming potential, as recognised by Australia's commitment to the Global Methane Pledge and our recent response to the Climate Change Authority's 2023 Review of the National Greenhouse and Energy Reporting Scheme.

Australia's 2022 National Inventory Submission notes that underground coal methane emissions from Ventilation Air Methane (VAM) were 13.1 million tonnes of carbon dioxide equivalent, representing 89% of total underground mine methane emissions and 11% of total National Inventory methane emissions. The PRF grant funding will support Kestrel to trial, at scale, a new technology to abate VAM from its underground metallurgical coal mine, with the potential to reduce emissions by almost 3 million tonnes of carbon dioxide equivalent in its first 4 years. I understand the project will enable the Queensland Government to test their regulatory framework to ensure the safe operation of a project of this scale.

The reduction of methane emissions from coal mines will also be a focus of the resources sector decarbonisation plan. This is being informed by the Climate Change Authority's Sector Pathways Review, which considered the abatement potential and challenges for deployment of VAM technologies.

I note that applications for further projects under the Guidelines close on 1 November 2024, which concludes Round 1. I would welcome any feedback you may have on any improvements to the Guidelines for Round 2 that could further the policy objectives of the program and enhance abatement from Safeguard facilities.

Thank you for bringing your concerns to my attention.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Bowen', written over the words 'Yours sincerely'.

CHRIS BOWEN

cc: Minister for Industry and Science  
The Hon Ed Husic MP