

Hon. Matt Kean

Chair of the Climate Change Authority

By email: [enquiries@climatechangeauthority.gov.au](mailto:enquiries@climatechangeauthority.gov.au)

13 September 2024

Dear Mr Kean,

**Re: Sector Pathway Review and government grant provided to the Kestrel Coal mine**

Firstly, congratulations on your appointment as the Chair of the Climate Change Authority. We look forward to your leadership in this role towards a safe climate for the environment and our community.

By way of background, Environmental Advocacy in Central Queensland (**EnvA**) is a Central Queensland association concerned about the risks associated with coal mining, coal seam gas and climate change.

EnvA believes that opening new and expanding coal and gas projects:

- is contrary to meeting Australia's emission targets and Queensland's emission targets,
- is likely to result in irreparable damage to our local landscape and result in stranded assets,
- will put our local community at further risk of extreme weather such as increasing the intensity and frequency of storms, floods, droughts and bushfires,
- will damage our significant coastal resources including our beaches and the Great Barrier Reef through storm surge and increased coral bleaching events, and
- will further degrade wildlife habitats of state and national significance through both habitat loss and climate change.

We understand that the Climate Change Authority's (**CCA**) broad role is to:

- provide independent advice to the Federal Government,
- undertake reviews and make recommendations on greenhouse gas emission policies and reporting systems, including providing advice to about the impacts of new and expanding fossil fuel projects on the Safeguard mechanism, and
- listen to community in an open way and use the input, along with information from other sources, when formulating our advice to government on the response to climate change.

We write to you in response to the recently released Sector Pathway Review (**the Review**)<sup>1</sup> and to bring to your attention the proposed expansion of the Kestrel Coal mine and the government funding granted to the proponent of this mine. We ask that you use this input to appropriately advise the Federal Government about our concerns.

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<sup>1</sup> [Commonwealth of Australia \(Climate Change Authority\) 2024. Sector Pathway Review.](#)



## The Sector Pathway Review

EnvA's comments on the Review relate only to the resources sector as this is our primary area of interest.

The Review appears to be based heavily on the views and comments from the resources sector and hence the measures to decarbonise are mostly based on decarbonising scope one and two emissions based on electrification and the unproven and expensive carbon capture and/or storage technologies. It does not appear to deal with exported resources and the greenhouse gas emissions resulting from export in shipping and the resulting emissions from the use of Australia's fossil fuel resources in a global context.

The Review identifies that Australia is not on the trajectory of meeting legislated emission reduction targets or achieving our contribution to meet the goal of the Paris Agreement to limit global warming to 1.5°C under the current legislative and policy framework. This will be exemplified with the revised methodology for estimating fugitive emissions<sup>2</sup>. Further immediate legislative or policy changes will be required to meet any proposed 2035 emission reduction target and to meet net zero by 2050.

The International Energy Agency<sup>3</sup>, the Intergovernmental Panel on Climate Change<sup>4</sup> and the Climate Council<sup>5</sup> have all identified that no new coal mines or mine extensions can be approved if net zero is to be achieved by 2050. This is noted in the Review in Part 2 National Pathways (NP9). The Review indicates that there will be a reduction in demand for fossil fuels over time as the world decarbonises, but in the interim, new and expanding coal and gas projects are continuing, with many of them intending to operate for decades to come.

EnvA believes that there is an urgent need to address the recommendations of scientists and international organisations before further coal and gas proposals are approved. There are sufficient operating coal projects approved to provide sufficient thermal and metallurgical coal for domestic and international needs, and any additional gas supplies required for the transition should be supplied through a readjustment of the volumes of gas exported. Any new and expanding fossil fuels add significantly to the greenhouse gas emission budget which places further pressure on other sectors and the already approved and operating fossil fuel projects and anticipated critical mineral resource projects.

As noted, the "Strategies and actions for the net zero plan" in the Review (pg 11), "the allocation of government subsidies should be phased-out of government policies and programs that support emissions-intensive activities while redirecting resources to support clean energy and low emissions alternatives." EnvA is supportive of allocating public money to assisting the industries and sectors needing assistance to transition to a net zero economy. We firmly believe there must be cessation of any grants or subsidies to the coal and gas sectors that are leaving significant scars on the environment and local communities while making huge profits from publicly owned resources.

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<sup>2</sup> [Clean Energy Regulator \(2024\) National Greenhouse and Energy Reporting legislative amendments for the 2024-25 reporting year](#)

<sup>3</sup> [International Energy Agency \(2021\) Net zero by 2050](#)

<sup>4</sup> [Intergovernmental Panel on Climate Change \(2023\) Climate Change 2023 Synthesis Report](#)

<sup>5</sup> [The Climate Council \(2023\) What does net zero emissions mean?](#)

## Recommendations

EnvA strongly recommends that the CCA advises the Federal Government that:

- Applications for new and expanding ‘predominantly’ thermal coal mines should be refused if we are to change the trajectory of achieving legislated emission reduction targets. Existing approved mines and the thermal coal produced as a byproduct of metallurgical coal mines will provide all the required coal through the global clean energy transition.
- Applications for new and expanding metallurgical coal projects must be required to clearly justify the need for additional coal, and the implications of the increased emissions on meeting legislated emission reduction targets.
- Immediately cease subsidies that support emissions-intensive such as those provided to coal and gas production and use public money to assist other critical resource projects and other sectors (please also see our comments on the Kestrel Coal mine expansion below).

## **Safeguard Mechanism**

EnvA has serious concerns about the effectiveness of the Safeguard Mechanism as it is currently designed and used. As we understood the scheme, it was designed to cap emissions and require that all operators in all sectors undertake decarbonisation activities to continually reduce their emissions through operational changes, technology or through purchase of Australian Carbon Credit Units (**ACCU**) or Safeguard Mechanism Credit Units (**SMCU**) to ensure that emission reduction target are met.

In relation to approvals for coal and gas proposals submitted for assessment under the *Environment Protection and Conservation Act 1999* (**EPBC Act**) because of identified or potential significant residual impacts of matters of national environmental significance, there is no legislative trigger for the Climate Change Minister to provide any conditions on emissions until the project gains approval.

This means that the resultant ‘carbon budget’, or the baseline emissions targets cannot be established until relevant EPBC Act approvals are in place. For the proponent of the fossil fuel project, means that they are unable to assess economic viability of their proposed project. For other emission-producing projects, we can only assume that they will need to decarbonise more rapidly to meet the intent of the Safeguard Mechanism. It is our view that the Safeguard Mechanism is unfairly impacting on the industries and necessary services while new fossil fuel developments continue to be approved.

From the Review, it is also evident that the Safeguard Mechanism disincentives the use of renewable energy to reduce scope 2 emissions. For example:

*“The current Safeguard Mechanism (SGM) production variables disincentivise opportunities to drive emissions reductions through import of renewable or lower-carbon electricity from a separate facility. This disincentive occurs because these opportunities reduce emissions as well as the facility’s baseline, due to a reduction in electricity production at the facility,”*

Woodside submission, 2024.

If the available and proven mechanisms for reducing emissions are not suitable for operators that may prefer to purchase ACCU or SMCU, the Safeguard Mechanism is failing to reduce greenhouse gas emissions.

### Recommendations

EnvA strongly recommends that the CCA advises the Federal Government that:

- Legislation and/or policy is required to ensure that the impacts of projects that will be subject to the Safeguard Mechanism are assessed on the impacts to communities and the environment both directly and indirectly through increased climate. Proponents must also be required to assess the impacts of their proposed project on other resource projects and other sectors subject to decarbonisation under the Safeguard Mechanism Policy.
- Policy is required to direct specific and achievable decarbonisation actions rather than allowing proponents to just purchase ACCU or SMCU.

### **Kestrel Coal Mine expansion**

The Kestrel Coal mine is located approximately 40km north of Emerald in Queensland's Bowen Basin. The current approvals enable the production of between 6.0 and 8.8 mtpa of product coal (from a removal rate of between 8.0 and 11.5 mtpa of ROM coal) until 2036.

Kestrel Coal Pty Ltd (the Proponent) has submitted an application to extend the coal mine by 4,330ha and extend the operating life of the Kestrel Mine until around 2050. The extended coal mine would lead to an additional 140 million tonnes of ROM coal being extracted (based on the assumption of an average ROM coal extraction rate of 10 million tonnes per annum) and release the concomitant greenhouse gas emissions.

Kestrel Coal Mine was recently provided a \$37.2 million grant under the Federal Government's Powering the Regions Fund.<sup>6</sup>

EnvA requested a statement of reasons as to why public funding was provided for a technological upgrade to an expanding coal as it was our understanding that:

- The 'Powering the Region Fund' is a part of the Federal Government's plan for Australia to become a renewable energy superpower and meet our renewable energy targets,
- The fund was designed to support owners or operators of industries and facilities covered by the safeguard mechanism to reduce their greenhouse gas emissions, and
- New or expanded coal or gas production facilities are specifically excluded from accessing the Powering the Regions Fund<sup>7</sup>.

EnvA has viewed the redacted Decision Notice in relation to the Powering the Regions Fund - Safeguard Transformation Stream - Round 1 Batch 2.<sup>8</sup> The decision notice indicates the Expert Advisory Panel's uncertainty over the eligibility of existing coal mines which plan to extend their operations beyond the end date in their mining lease (Paragraph 13), and notes that the

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<sup>6</sup> [Joint media release: \\$91 million to drive down emissions in heavy industry | Ministers \(dcceew.gov.au\)](#)

<sup>7</sup> [Grant opportunity guideline - Powering the Regions Fund - Safeguard Transformation Stream Round 1](#)

<sup>8</sup> [Powering the Regions Fund- STS Batch 2 – Grant funding decision](#)

Guidelines<sup>7</sup> provide that new or expanded coal or gas production facilities are ineligible under the funding stream.

Of concern, the Business Grants Unit sought internal advice on the matter and determined that:

- plans to increase production volumes were ineligible, but
- plans to extend existing production levels were eligible (Paragraph 13(c)).

EnvA considers that the extracting a further 140mtpa of coal for a further 14 years is most definitely an extension to the operation that should not have been eligible for this grant.

We have also received communication from the Climate Minister, Chris Bowen rejecting our request for reasons under the *Administrative Decisions (Judicial Review) Act 1977* in relation to this grant funding but providing some background on the decision and opening the opportunity to provide input into improving the Guideline for applications under the Powering the Region fund (Attachment 1).

### Recommendations

EnvA strongly recommends that the CCA advises the Federal Government that:

- Grants and subsidies to fossil fuel projects must be phased out rapidly,
- The definition of expanding or extending fossil fuel projects needs urgent review within the department to include any additional coal production and not only an increase in production volumes,
- The Guideline for applications under the Powering the Region fund be amended to exclude all fossil fuel projects and focus on industries and services that will be needed in a clean energy future, and
- If no contract has been entered into with Kestrel Coal in relation to the grant, this funding offer should be immediately reviewed and consideration given to the reallocation of this funding to projects that will be essential into the future in the next round of funding.

We appreciate the opportunity to raise our concerns about the impact that the fossil fuel industry is having on our environment, our climate and our ability to change the trajectory of Australia's GHG emissions and meet legislated emission reduction targets.

We look forward to your response in relation to our concerns and recommendations.

Kind regards,



Dr Coral Rowston  
Director  
Environmental Advocacy in Central Queensland Inc.