

HRL/Dual Gas coal power plant Australia

Sectors: Coal Electric Power Generation

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Status

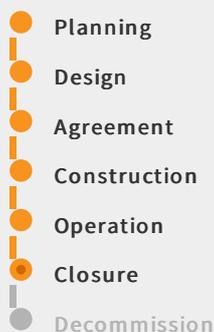


Sectors

Coal Electric Power Generation

Location

Status



About HRL/Dual Gas coal power plant

The HRL group of companies via its subsidiary Dual Gas proposes to build a 600 megawatt brown coal (lignite) power plant using Integrated Drying Gasification and Combined Cycle technology (IDGCC). It would be built in the Latrobe Valley in Victoria, home to Australia's most carbon pollution-intensive power stations. HRL are referring to this project as "clean coal", because its carbon pollution intensity (0.8 tonnes/MWh of CO₂) is lower than standard brown coal power stations. However, this carbon pollution intensity is similar to standard black coal power stations and would result in the annual release of 3.2 million tonnes of CO₂ into the atmosphere each year.

What must happen

- The Federal Government needs to withdraw the AUD100 million grant to HRL and make it subject to a stringent emissions performance standard that rules out coal-fired power stations
- Investors need to avoid the economic and reputation risks associated with this project and not invest in it
- Electricity retailers must not enter into any power purchase agreements with the HRL proposal that serve to underwrite the plant and

Issues

Human rights and social issues

HRL claims it will generate 350 jobs in the construction phase. However, most of these jobs would be located in China and provide little to no social benefit for locals in the Latrobe Valley. If HRL attempts to pursue coal mining in Driffield, it will have a major local social impact as it would displace local dairy farmers and other members of the community, potentially leading to social dislocation in the Gippsland region, depending on the significance of those industries. Local dairy farmers have already voiced concerns about the uncertainty that HRL's mining license has had over their farm, as they have not known how long they have a future in the region.

Climate change is a major human rights issue as it contributes to resource scarcity and attacks many communities' rights to a happy life and livelihood. In 2009, Australian climate scientists wrote to every coal-fired power station owner in the country, putting them on notice that their assets could be held directly responsible for climate impacts in Australia and around the world. HRL's carbon pollution will exacerbate these impacts.

Environmental issues

There are various environmental concerns attached to this program, such as:

- At full scale, this project would add at least another three million tonnes of CO₂ per year into the atmosphere. HRL is claiming to use "clean coal", however based on calculations from HRL's works approval application to the EPA, the carbon pollution from the gasified brown coal used in the plant may be as high as 0.91 tonnes CO₂/MWh, worse than some black coal plants
- The power station would also use 2GL of water annually from the already stressed and deteriorating Latrobe River and Gippsland Lakes
- The plant would put more dangerous pollutants into the air - including particulates and other contaminants known to cause cancer and to affect the lung development of children

Gender aspects

Other issues

- There are many reasons to suggest that the AUD100 million Federal Government grant is illegitimate. The funding deed was signed on 9 May 2008 and a condition was that the project commenced within three months of the deed being signed. There is no evidence of HRL's proposal commencing by 9 August 2008. The grant itself was awarded to support a 400 megawatt power plant that was supposed to be delivering power by 2009. This clearly has not eventuated. The expert panel assessing HRL's application for the federal grant were also aware that the project would not be economically viable at less than 400 megawatt in size
- To date, none of the AUD100 million grant has been provided because HRL have, after more than four years, still not met the milestones to access these funds. In a hearing of the Australian Senate Economics Committee, officials from the Department of Energy said that HRL would be given until the end of 2011 to meet the grant's milestones, which include reaching full financial closure and demonstrating a pathway to how the power plant would operate with carbon capture and storage
- HRL have repeatedly failed to meet deadlines for project milestones to access the AUD100 million federal grant and have been given at least three extensions from the Federal Government
- The costs of the project may officially be AUD1.3 billion, but a consultancy who conduct economic modelling on energy (ACIL Tasman) place the cost per kilowatt of IDGCC at AUD3227, suggesting project costs may ultimately be AUD1.9 billion
- According to documents released under Freedom of Information laws and available [here](#), an expert panel reviewing HRL's application for funding in 2006 were concerned of numerous technical and financial risks that the project carried. The panel were well aware that HRL's project would need to proceed at at least 400 megawatt in scale in order to be economically viable. After receiving approval from the Victorian EPA to proceed at only 300 megawatt, Energy Minister Martin Ferguson [announced a review](#) of the Government's involvement in the project, describing the funding as a "legacy grant".

Governance

Other applicable regulations

The Federal Government has announced the details of a [carbon price package](#) that will commence on 1 July 2012. An interim carbon price of AUD23/tonne will take effect and modelling for Government suggests the carbon price will be strong enough to prevent new commercial-scale coal-fired power stations. However, Prime Minister Gillard has since then failed to directly rule out the HRL proposal.

HRL has previously said that it is expected to be viable in the [absence](#) of a carbon price and while it has acknowledged that a carbon price will have an impact on this project's economics, HRL have not stated how that would be dealt with. A AUD23 per tonne carbon price would impose a AUD73.6 million annual liability onto the plant (at full scale) if it was operational next year. As the carbon price increases from year to year, so too will the cost imposed on HRL's owners and investors.

While it did not feature explicitly as part of the carbon price package, the Gillard Government has a commitment to preventing new dirty coal-fired power stations and in December 2010 released a [discussion paper](#) on possible emissions performance standards for new power stations. Three standards were proposed: 0.86 tonnes of CO₂ / megawatt hour, 0.80 and 0.70. HRL's emissions intensity of 0.8 tonnes of CO₂ / megawatt hour is already in excess of one of the standards proposed and this is only due to the fact that the HRL proposal would use a significant portion of gas, diluting what would otherwise be a higher emissions intensity. Calculations based on the DualGas works approval application to EPA-Vic suggest that the IDGCC component of the plant may have an emissions intensity as high as 0.91 tonnes CO₂ / megawatt hour.

HRL has recognised that it can reduce its emissions intensity further by using an increasing proportion of gas. However, the more gas required, the more expensive the operation of the plant becomes, due to the relatively volatile nature of the gas price.

The Federal Government has committed to a reduction in Australia's carbon pollution by 5% below 2000 levels by 2020 and the Victorian Government has adopted a target of 20% reductions in carbon pollution by 2020, based on 2000 levels. HRL's proposal at full scale would add more than 3 million tonnes of CO₂ to the atmosphere each year, equivalent to a 0.5% increase on Australia's current levels of carbon pollution and increasing Victoria's by 2.5%. Large sources of CO₂ such as HRL are clearly inconsistent with current government policy-making and would make climate change targets harder to attain.

Updates

Four major Australian banks declare not to fund the project

Sep 29 2011

Legal on 20 May 2011 the Victorian Environmental Protection Authority (EPA-Vic) granted Dual Gas works approval to develop their project but at only half the scale proposed (i.e. 300 MW). This raises numerous economic and legal issues for HRL, including the status of their Engineering Procurement Contract with the China National Electric Equipment Corporation, [signed in September 2010](#). Appeals have been made to the EPA-Vic decision from both environmental groups and HRL themselves, with a hearing due to commence on 24 October 2011.

Technical/logistical the project has been sited and an engineering procurement contract has been agreed with the China National Electric Equipment Corporation. Coal and gas supply contracts have been agreed, but coal supply is only secured until 2016. HRL has bought a mining licence over the nearby dairy-farming region of Driffield and may seek to turn this agricultural land into a new mine. In that event, HRL can expect environmental groups and locals to challenge their attempts to open up Driffield as a lignite mine.

Financial project costs have recently increased from AUD750 million to [AUD1.13 billion](#). HRL has been awarded a grant of AUD100 million from the Federal Government and AUD50 million from the Victorian Government. HRL has begun to draw down the Victorian Government grant but still has not met the conditions precedent to the federal grant. On 31 May 2011 the Federal Department of Energy stated ([on p13](#)) that HRL has been given until the end of 2011 to meet the conditions precedent to the Federal grant. These conditions include but may not be limited to:

- reaching financial close
- obtaining all legal approvals
- developing a plan for implementation of carbon capture and storage

A [recent survey](#) found that two-thirds of people from Victoria wanted the federal government to withdraw HRL's AUD100 million grant and redirect it towards renewable energy. The federal Greens party have lodged a motion with the federal parliament to achieve this outcome and environmental groups are leading a [petition](#) that calls on the parliament to redirect HRL's grant to renewable energy.

Losing access to the federal grant will likely result in any remaining funds from the Victorian grant being cancelled. HRL had previously partnered with Chinese company Harbin, who were providing AUD500 million for the project. However, Harbin pulled out of the project in 2009 and there is currently no evidence of private finance invested in this project. Recently all four major Australian banks have [declared they have no intention of funding the project](#).

[Read more.](#)

Financiers

Banks

[ANZ Australia profile](#)

[Details ▼](#)

Approached, interested

They were approached, however they have subsequently withdrawn their interest.

source: [link](#)

Government funding

Government of Australia			Details ▼
Uncategorised federal grant source: link	AUD 100 million	2007	
Uncategorised Victorian government grant source: link	AUD 50 million	2007	

ANZ were in 2006 looking at investing in the HRL project but have subsequently withdrawn their interest. Documents obtained under Freedom of Information laws show that HRL is talking to several other potential investors but the names of those prospective investors have been redacted - Greenpeace is appealing these redactions. A recent [newspaper report](#) has revealed that none of Australia's big four banks are looking to fund the project.

The single largest piece of finance for HRL is a AUD100 million federal grant, awarded by the Howard government in 2007. Despite the project going nowhere in four years, this money still remains available to HRL and, together with AUD50 million provided by the Victorian Government, comprises all of the known finance for the project. [It has emerged](#) that in late 2010, HRL requested an additional AUD600 million of public funding. This includes a request to the Victorian Government for a power purchase agreement worth AUD384 million over 15 years and a direct request to the Federal Government for AUD200 million. Both requests are understood to have been refused.

As long as the AUD100 million federal grant remains available, the Gillard government has Australians' money invested in exactly the kind of project she promised would no longer be built in Australia. Withdrawing the grant would not just mean the removal of the largest piece of finance for the project - it would be a withdrawal of political support and a statement from the Prime Minister that she means business on climate change. [Read more.](#)

Related companies

[China National Electric Equipment Corporation China](#)

[Dual Gas Australia](#)

[HRL Australia](#)