

**LOW EMISSIONS TECHNOLOGY DEMONSTRATION FUND
EXPERT PANEL TELECONFERENCE MINUTES**

Day:

Wednesday 13 September 2006

Time:

9.00 am

Location:

Canberra

ATTENDANCE

Expert Panel

Mr Paul McClintock (Chair)

Mr Nobby Clark

Mr Ken Humphreys

Mr John Ralph

Mr Drew Clarke

Department of Industry Tourism and Resources (DITR), representing

Mr Mark Paterson

Mr Gerry Morvell,

Department of the Environment and Heritage (DEH), representing

Mr Howard Bamsey

DITR

Ms Sarah Clough

General Manager, Energy Futures Branch, Energy and Environment

Division

Mr Gary James

Manager, Energy Futures Section, Energy and Environment Division

DEH

Mr Mark Bonner

Director, Technology Futures Team, Australian Greenhouse Office

AusIndustry

Mr Chris Birch

General Manager, Research Development and Commercialisation
Branch, AusIndustry (AI)

Ms Margaret Frisch

Panel Secretary and Assistant Manager, LETDF Section, AI

Mr Lou Rizzello

Assistant Manager, LETDF Section, AI

Apologies

Dr Ziggy Switkowski Expert Panel member

Mr Howard Bamsey *Ex-officio* member (DEH)

Mr Mark Paterson *Ex-officio* member (DITR)

Ms Wendy Launder Product Manager, LETDF Section, AI

Agenda Item 1 OPENING AND WELCOME

The Chair, Mr Paul McClintock, opened the meeting, welcomed Panel members and officials and provided a brief overview of the responses received to the in-principle offers and outlined the agenda for the teleconference.

As an overview Mr McClintock suggested that the Panel's original recommendations were well supported and no-one had refused the in-principle offers of funding. He suggested a

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Commercial-In-Confidence

general issue was the status of the 2:1 funding ratio, and noted that the Panel's proposed grant amounts were intended to create value for public monies being offered to a project.

Agenda Item 2. LETDF Recommended Applicants' Responses

The Panel members discussed the responses by the five applicants to the in-principle funding offers.

○ Not in Scope - S.22

Not in Scope - 9.22

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Not in scope

S. 22

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NOT IN Scope - 3.22

Agenda Item 3 REVIEW OF HRL DEVELOPMENTS PTY LTD

Questions posed:

1. Technical – Are you able to provide additional technical information to address a concern that your proposed CO2 capture technology may not be as efficient, and therefore as competitive in a commercial setting, as other technologies designed with CO2 capture as a primary objective?
2. Financial – Are you able to provide confirmation of the contributions from the Chinese partners/investors?
3. Scale – Is it possible that your project could be scaled down to reduce the requested under the LETDF. If this is not possible without undermining the technical integrity of the proposal, you might also consider whether or not increased private or state government support could be obtained to more equitably spread the financial burden of the project across interested parties.

Applicant response

Redacted pursuant to S.45 + S.47G

Debt financing has yet to be finalised but the applicant notes that has had significant dialogue with relevant parties and while this will be project it has previously funded a number of projects internationally.

The applicant notes that the project has the full support of the Chinese Government and to this end the HPE Chairman has also written to Minister Macfarlane (22 August 2006) reiterating their commitment to the project. Also, in relation to scale, HRL commenced with a 125MW costing then moved to 60MW and finally to 400MW. These costings demonstrated that diseconomies of scale become too great at smaller than 400MW and consequently it is not cost effective to sell power into the grid. Therefore, HRL does not believe it can reduce the physical size of the plant but they are mindful of the Federal Government request to reduce the funding amount and have suggested a reduction in LETDF funding from

In parallel, it is understood that they will be seeking an increase in State Government funding from

Discussion relating to HRL

Mr Morvell updated the Panel and the project was discussed in more detail. The Panel was concerned with the technical issues relating to the long term CO2 capture and the high risk nature of the project. Although the Panel believed that the technology would be in Australia's interest, it noted that gasification technologies are more expensive.

The Panel considered that the project required further development before they could recommend it to Ministers. In particular, aspects requiring further development were the need for an up-front engineering study to clarify the longer term implications of the project technology in comparison to competing technologies (air-blown, oxy-blown and Shell process), and a requirement for discussions with the Victorian Government on project management and funding levels. It was suggested that relatively large scale contributions from both Commonwealth and State Governments would be required and funding may be in the order of a \$45 Commonwealth contribution and a \$45 State contribution. Joint management processes would also be an advantage. These should be explored further by departmental officials. It was suggested that an announcement option might be to foreshadow the project as part of a technology package and that negotiations had commenced with the applicant.

The Panel agreed it could not make a recommendation to Ministers to fund the project without further work by Departments to ensure the project aligned with the intended outcomes of LETDF.

Agenda Item 4 UPDATE ON Not in scope - S.22

Not in
scope - S.22

Redacted pursuant to s.475 + s.476

NOT IN Scope - 5.22

Agenda Item 5 WAY FORWARD

The Panel noted that the outcomes of the teleconference would be documented and signed off by the members before advising the Ministers that there are no changes to the Panel's initial recommendations on the five projects. With regard to HRL, further work would be undertaken to set pre-conditions for the project before the Ministers are advised of the Panel recommendation.

NOT IN Scope - 5.22

The Chair advised that he would be overseas from 16 September 2006, however, his office would be able to contact him.

CLOSING

The Chair thanked everyone for their attendance and participation and closed the meeting at 11.00 am.



Paul McClintock
Chair
Low Emissions Technology Demonstration Fund

13 September 2006

Lauder, Wendy

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From: Frisch, Margaret
Sent: Thursday, 21 December 2006 12:05 PM
To: Virginia Gray
Cc: Launder, Wendy
Subject: LETDF Teleconference Minutes [SEC=IN-CONFIDENCE:COMMERCIAL]
Attachments: Minutes from LETDF teleconference-27 Nov 06-FINAL.pdf
Security Classification: COMMERCIAL-IN-CONFIDENCE

Dear Virginia

Please find attached the final minutes from the teleconference held on 27 November 2006 for Paul's signature and return to me at your convenience.

Thank you for all your assistance in 2006. I am going on leave tomorrow and return to the office on Tuesday 23 January 2007.

Merry Christmas and a Happy New Year.

Kin regards
Margaret

Margaret Frisch
Assistant Manager
Low Emissions Technology Demonstration Fund
AusIndustry

Department of Industry, Tourism and Resources
Level 7, Industry House, 10 Binara Street, Canberra ACT 2601
GPO Box 9839, Canberra ACT 2601
Ph: +61 2 6213 6483 Fax: +61 2 6213 7677
Email: margaret.frisch@industry.gov.au
Internet: <http://www.industry.gov.au>
ABN 51 835 430 479
AusIndustry Hotline 13 28 46
Internet: <http://www.ausindustry.gov.au>