


King coal surges 60pc as ministers agree to work on reliable power

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11:00PM OCTOBER 26, 2018 •  NO COMMENTS

Coal has emerged as the nation's most valuable resource commodity — increasing in value by almost 60 per cent over the past five years — as states and territories agree to a December timeline for a deal to make electricity supply more reliable.

Following a meeting with his state and territory counterparts yesterday, federal Energy Minister Angus Taylor said progress had been made on a key element of the now-scrapped national energy guarantee, the “reliability obligation”. The obligation, to be implemented by mid-2019, would help to shore up stability of the energy system by requiring retailers to contract ahead to guarantee supply during forecast shortfalls.

State and territory energy ministers used the Council of Australian Governments' Energy Council meeting in Sydney to agree to consider a draft bill in December establishing the new obligation amid concern about the security of supply over summer. “The reliability obligation is absolutely crucial,” Mr Taylor said. “We know this summer we're facing some real challenges.”

Australian Energy Market Operator chief executive Audrey Zibelman briefed the ministers on preparations to buttress the security of supply in the national electricity market over the Christmas holiday period. AEMO warns of the need for “additional measures” to guarantee greater reliability.

Its warning coincided with the release of a new data series from the Australian Bureau of Statistics yesterday showing that coal mined in Australia in 2017-18 was valued at \$65.6 billion, up from \$41.4bn in 2013. “This is the first time that statistics for output (by

commodity) and intermediate use of inputs have been published for the mining industry,” the ABS said.

Queensland Resources Council chief executive Ian Macfarlane said the data showed the mining industry added 8.8 per cent of the value of the Australian economy in the past financial year compared with 4.7 per cent in 1994-95.

“In 1994-95, Australian coal production was worth \$8.8bn, compared with an incredible \$65.6bn in June this year,” he said.

Gas production also increased dramatically over the past five years, rising from \$22bn in 2013 to \$46.5bn in 2018. In 1994-95, gas production was worth \$2.6bn.

Resources Minister Matt Canavan seized on the results, saying it was “another reminder that Australia’s mining industry remains crucial to our nation’s wealth”.

“Fossil fuel exports from Australia are helping our economy maintain positive growth and get the budget back into surplus,” he said. “Just in the past two years, coal and gas exports have surged by \$50bn — that’s equal to our entire exports of agriculture.”

The growth coincides with a debate over a new government plan to shortlist a “pipeline” of potential baseload power generation projects, including new clean coal stations, by early next year. The projects would be eligible for government assistance under a scheme being designed. Mr Taylor has signalled the government could potentially indemnify a new coal project against the risk of a future carbon price.

A government plan to establish a “default market offer” against which energy retailers would set their prices was also discussed at the Energy Council meeting. The ministers agreed on the “need to develop a reference point/comparison rate against which all offers could be measured”, for consideration in December.