

'Coal to gas' energy plan draws scepticism

Posted Thu Jun 5, 2008 3:13pm AEST



Martin Ferguson has stressed the need to boost the global supply of energy. (AAP: Alan Porritt)

With the high price of petrol draining the Federal Government's political capital, the conversation has shifted towards looking at alternatives to petrol.

In a speech to the Committee for the Economic Development of Australia, the Resources and Energy Minister, Martin Ferguson, backed projects to convert Australia's vast reserves of coal and gas to transport fuels.

But climate change experts have slammed the plan, saying the technology is too expensive and too

carbon-hungry.

Mr Ferguson pledged to work toward greater deregulation of global energy markets in the hope that a level playing field might bring down prices.

He also stressed the need to boost the global supply of energy.

"This is not just about securing our future in terms of security of supply. It's also about trying to get additional supplies into an international market to try and take pressure off the prices," he said.

"No-one has got a solution to the price issue internationally at the moment because we've not only got demand outstripping supply, we've also got difficulties in some of the traditional markets.

"For example, any one point, because of terrorism in Nigeria at the moment, we are losing 20 per cent of our production of oil. That just doesn't make for a properly functioning market in terms of oil."

Mr Ferguson says as recently as 2003, Australia had a trade surplus in oil and refined products.

Today, the trade deficit stands at \$7 billion, and it is expected to grow to \$25 billion in the next decade.

But that could change, he says, if Australia focuses its attention on converting its ample reserves of coal and gas to make transport fuels to replace petrol.

The plan has garnered support from the power companies' representative body, the National Generators Forum.

"I think fossil fuels are going to be with us for many, many years," said the body's executive director, John Boshier.

"It's very difficult to imagine renewable energy powering transport, and certainly biofuels are proving to be a major problem in the world and I think it can be shown they're contributing to the food shortage and high food prices.

"So there is a lot of fossil fuel in the world still in the form of coal and gas. There is a lot more gas in the world than oil, in fact, and so the Minister's emphasis on converting gas to liquid fuels is very important."

Environmental concerns

But Dr Mark Diesendorf, of the Institute of Environmental Studies at the University of New South Wales, has a different view of the technology.

"If we did go for gas to liquids on a big scale, we would very soon be reaching a peak in gas," he said.

"And even before we reach that peak in gas supply, world prices of natural gas are already going up quite dramatically. They're being dragged up by oil prices.

"Coal to liquids is mainly of concern because of the huge greenhouse gas emissions that are produced in that process. "

The Opposition's resources and energy spokesman, David Johnston, says the project would require at least 10 years of capital investment to fully develop.

He says the Minister's energy plan is a smokescreen to stop people thinking about the consequences of the carbon emissions trading scheme that is planned for 2010.

"Someone is going to have to write very, very big cheques to make these sorts of technologies come on line within the time-frame set by Minister Wong," Mr Johnston said.

"I do not envy the job that Minister Ferguson has in Cabinet. I think he is a lone voice, to his credit. But I don't believe the Government is listening to him.

"There is a huge tsunami of cost for mums and dads in their powers bills, in their water bills and in their grocery bills with this emissions trading scheme, and I don't think they realise it's coming."

Mr Ferguson insists the Government can do two jobs at once - both securing Australia's energy supply and at the same time reducing carbon emissions.

-Adapted from a story originally aired on The World Today on Thursday, June 5.