



Carbon-X Australia Newsletter

April 26, 2021

Social License and the Creation of a Carbon Market

- *Gas-fired power as a low carbon alternative to coal*
- *Government to invest \$263 million in carbon sequestration*
- *Social license to play a role in creating a market for carbon*

The COVID-19 pandemic has had a significant impact on the global economy. In Australia, the economy contracted by 7% in June 2020 and had not fully recovered by the end of 2020. To re-invigorate the economy, Federal Government has initiated a “gas-led recovery plan”, which is intended to increase both the supply and the use of gas with a particular emphasis on power generation.



"I'M DAMNED SURE THEY'RE SPENDING MORE MONEY ON CONFERENCES THAN ON CARBON CAPTURE!"

Andrew Liveris, the Government’s special adviser on manufacturing and former CEO of The Dow Chemical Company, believes that gas is the fuel to wean Australia of its addiction to coal whilst alternative renewable energy sources are developed and more firmly established. However, switching from coal to gas as a means of power generation does not remove the bugbear of carbon emissions from the equation. We also know that fossil fuels are about much more than just providing energy. Modern life in the Carbon Age is impossible, for the time being, without the use of petrochemical products such as plastics and the amount of food we produce would be significantly reduced without the

fertilisers we manufacture from natural gas and so the list of dependence goes on and on.

So, our challenge is to balance the reality that climate change is perhaps the most urgent challenge of our times against our other reality which is that there is no quick fix to remove

the use of hydrocarbon products from our lives. Carbon emissions are rapidly rising and meeting reduction targets to limit global warming to 1.5°C by only focussing on reducing the amount of carbon produced would require dramatic changes to the way we live. For western democracies, securing a mandate to impose the lifestyle changes needed will be near impossible. Although our long-term future might be a transition away from using hydrocarbons, the world needs action today and we have the technology to do it today by sequestering carbon to offset our emissions.

The EU announced that its carbon emissions would be cut by 55% by 2030 and Canada said theirs would be cut 45% by 2030. The UK, now newly liberated from the EU, has boasted of targeting 78% reductions by 2035. Australia is a clear laggard when it comes to reducing carbon emissions (Figure 1): Australia's emissions are climbing, whereas much larger economies are reducing theirs. To achieve net-zero carbon emissions by 2050 or even earlier, Australia needs to embrace bold measures to ensure the Government's gas led recovery plan is matched by effective carbon emissions mitigation.

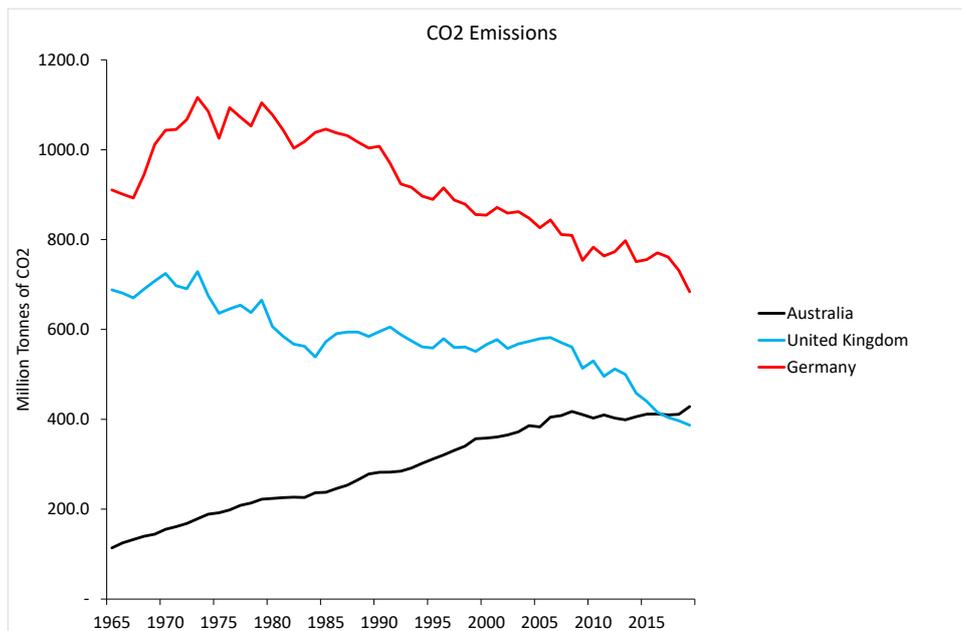


Figure 1 CO2 Emissions (Germany, UK and Australia) BP Statistical Review of World Energy 2020

The Federal Government recently announced \$263 million of funding for carbon capture projects, which is an encouraging step in the right direction. It is worth noting however that we already have the technology to safely extract, transport and sequester the carbon but what we don't have is the commercial mechanism to make it happen.

If the Government creates a market for carbon, industry will ensure that sequestration becomes a core tool in efficiently and safely reducing emissions in a way that doesn't require unpalatable changes in lifestyle.

Despite the Government's ideological reluctance towards creating a carbon market (they call it a tax), the industries that produce carbon are already anticipating that there will be a carbon

price at some point along their value chain. If you doubt it, then do a word count on carbon in the latest company annual reports and compare it to previous years. Encouragingly it seems that emitters such as energy producers, oil and gas companies, miners, manufacturers, food producers, electric vehicle manufacturers, Bitcoin miners and social media, to name but a few, are all aware that part of the “price” to be paid for neglecting to address their emissions could be the loss of their social license.

Social license is a relatively new phenomenon that will only become more and more significant as awareness grows. Controversially, perhaps a relevant analogy might be the recent introduction of same-sex marriage legislation. Our political parties, held hostage by minority factions, remained stubbornly out of step with public opinion until it became impossible for them to ignore. Let us hope that something similar happens with the creation of a carbon market.

The technology to safely sequester carbon already exists. Without carbon sequestration, it seems highly unlikely that industrialised countries will come close to meeting their reduction targets.

At some point Australia will have a market for carbon.

Carbon-X Australia is developing a number of sequestration projects in areas with suitable geology. If you would like to have a conversation about how you can be a partner with Carbon-X Australia, then give us a call.

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