Coal Plant Gets Two-year Lifeline Amid Renewable Switch

Samantha Lock, 23 May 2024

Eraring Power Station near Newcastle is Australia's largest coal-fired power station.

The life of Australia's largest coal-fired power station will be extended for at least two years beyond its scheduled 2025 closure date.

The Deal

Origin Energy to prolong the life of the Eraring Power Station for at least two years under a deal with the NSW government

The power plant near Newcastle will continue to generate at least six terawatt hours of electricity each year beyond the scheduled closure date of August 2025

It was privatised under the former coalition government in a 2013 deal that resulted in Origin being paid $75 million to take over the ageing asset
The coal-fired power station is the largest in the country, supplying about a quarter of NSW’s power needs

Origin must permanently deregister all four of Eraring’s power units from the national grid by the end of April 2029

**The Cost**

No upfront payments will be made to Origin, but taxpayers could be billed up to $225 million each year for any losses from operating the plant

Should Eraring turn a profit, Origin will pay the government up to $40 million a year

Origin will need to decide by March 31 in 2025 and 2026 whether it will opt into the underwriting arrangement for the following financial year

**Why?**

Analysis from the Australian Energy Market Operator found that without Eraring the state would face energy reliability issues from the summer of 2024 until 2028

The extension will provide NSW with a buffer and guarantee a minimum electricity supply amid a slower-than-expected rollout of renewable projects

**The Criticism**

Environmental groups and progressive think-tanks oppose taxpayer funds being used to underwrite coal and insist it will deter investment in building new zero-emission replacements

The decision could set a precedent for government intervention to prolong the use of other coal plants in NSW and interstate, clean-energy advocates say

**Key Quotes**

"We have to keep the lights on and prices down so that we can make sure that renewable energy and storage and firming is in place as we manage to the exit of coal-fired power" - NSW Energy Minister Penny Sharpe

"It’s not an act of corporate welfare on the part of the government, but nor is it an act of charity on the part of Origin Energy" - NSW Treasurer Daniel Mookhey

"This is a document which appears to be full of holes. It’s a Swiss-cheese contract" - NSW Opposition Leader Mark Speakman

"Today we can give our Eraring employees, our suppliers and the local community greater certainty around the future of the plant as we transition towards its retirement" - Origin chief executive Frank Calabria

"This is essentially Coalkeeper 2.0 - yet another massive coal subsidy funded by electricity users in NSW" - Climate Energy Finance director Tim Buckley

"It’s a welcome reprieve that gives us more time to plan what comes next and see where the jobs of the future could be" - Mining and Energy Union delegate Scott King
"This two-year deferral buys some time, but not much; we have to use it well" - Ai Group chief executive Innes Wilcox