Hard deadline: call for coal plants to pay to stay open

By Jennifer Dudley-Nicholson

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The Smart Energy Council wants changes to the policy that regulates Australia's biggest polluters. -AAP Image

Energy companies should pay to keep coal-fired power stations open past their promised closure dates, an industry body says, to avoid holding back investment in renewable power.

The Smart Energy Council will launch the proposal at its Brisbane conference on Tuesday, calling for changes to the Safeguard Mechanism that regulates Australia's biggest polluters.

The announcement comes weeks after the federal government launched a review of the policy, and after extensions to operations at several coal-fired power stations, including Eraring in NSW.

Under the council's proposal, any coal-fired power station that continued to operate past its proposed closure date would have to account for all of its emissions under the Safeguard Mechanism.

Its owner would need to use Australian Carbon Credit Units for each tonne of emissions produced after that date.

The proposed change would not force a power station to close, Smart Energy Council chief executive David McElrea said, but would remove its pollution allowance.

"Keeping ageing coal operating is not free," he said.

"If a coal station remains necessary beyond its earlier closure date, it can continue to operate, but extending its life should not also extend its right to pollute for free."

The change would provide greater certainty for companies considering renewable energy investments, Mr McElrea said, and the regional communities affected by them.

"Every time a coal closure date is pushed back, that (renewable energy) investment becomes harder to finance," he said.

"That delays new generation, delays jobs and creates worker uncertainty, and leaves consumers exposed to the cost and unreliability risks of ageing coal."

All coal-fired power stations would receive a zero-emissions allowance by 2035 under the council's proposal.

Introducing the change would require ambition from the federal government, Climate Energy Finance director Tim Buckley said, but would help to boost investor confidence.

"We need to have the certainty that the coal plants are going to go offline, that they're not going to be allowed to continue to pollute forever," he told AAP.

"It aligns with the need for the broadening of the Safeguard Mechanism and its strengthening."

The government could use closure deadlines in the Australian Energy Market Operator's Integrated System Plan, Mr Buckley said, and the change could be introduced gradually to allow all parties to plan ahead.

"They could do it in a slow, measured way, consistent with the Safeguard Mechanism review, which would mean it doesn't kick in until 2030 or thereafter," he said.

"It could provide a clear policy signal that's going to disincentivise them constantly kicking the can down the road."

The Safeguard Mechanism consultation will continue until September 18, with a report due in early 2027.

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