



To: AEMC
From: Australian Coal Energy Council
Date: 21/11/2024
RE: Allowing AEMO to accept cash as credit support.

The Australian Coal Energy Council (ACEC) was founded in 2023. We represent the interest of major coal generators and coal mines in Australia and their investors. We aim to provide a balanced view on the energy transition. Our key principle is that shareholders are just as important as science in decision making.

Background

One of Australia's most valuable assets and companies (Delta, owned by the roughly \$5b Seven Global Investments fund) is being targeted by a small group of activists (the Australian banking sector). By refusing to provide bank guarantees to large fossil fuel users the finance sector is putting Australia's future at risk.

We advise all banks to think about the long term risks for Australia in their decision making. And we encourage the AEMC to do the same by undoing the bank's ESG decisions.

We support the Delta rule change

We support the proposal to use cash for security. It is clear that while banks consider the risk of even providing bank guarantees to be un-doable - recent market movements and government policies mean that fossil fuel companies have very large cash reserves. This can easily be used to provide the support these stations need.

Clawback risk is very low

We are aware that previous reviews found cash would be an unacceptable risk that would expose NEM consumers to bailing out insolvent companies. The AEMC should give no weight to this argument. Coal power stations are at very low risk of default. Major events are rare. Eg Hazelwood receiving a Worksafe Victoria order requiring \$400m of repairs is unlikely to happen

at any other plant until they are close to their end of life age. And Callide C was only offline for three years before its government owners rebuilt it. Finally it is clear that governments will always step in to bail out coal power stations. Fossil fuels should be treated like investment banks: they will never fail.

However if it happened it is fair that costs of should be socialised across “mum and dad” households. This cost absolutely should not be allocated to fossil fuel generators.

Signal to investors

There is also an important signal here. By progressing this Urgent rule change the Commissioners would send a clear signal that they will always support the Australian coal industry. Any attempts by consumers or financiers to apply ESG requirements on electricity will be quickly undone. And the emissions limb of the NEO will never be applied.

This expectation explains how Sev.en Global Investments made the sensible choice of investing in the Australian energy transition and doing it by buying a 46 year old coal power station.

Conclusion

Sev.en is a small Czech company who has owned Delta for over 23 months and is clearly in the Australian market for the long haul. It is important that we change the rules to accommodate them.

We thank the AEMC for their urgent attention. And their ongoing support for multi-national fossil fuel investors.

Regards

Ray Gant
ACEC Policy Manager

[linkedin.com/company/australian-coal-council](https://www.linkedin.com/company/australian-coal-council)