Carbon offset scheme forces cement plant to close

PHILIP HOPKINS
smh.com.au
August 21, 2009

THE Rudd Government's carbon pollution reduction scheme (CPRS) has led to the mothballing of a Queensland cement works and threatens to stymie new investment in the most modern plants.

Cement Australia, a private company that produces half Australia's cement, will mothball its Rockhampton plant next month due to the projected cost impact of the CPRS.

All 31 employees will be offered alternative jobs in the company.

The CPRS is the straw that broke the camel's back, as the plant's viability had already been hit by the global financial crisis and big Queensland Government royalty and tax rises.

Chief executive and managing director Chris Leon told BusinessDay that the company had used Treasury models and prices to assess the impact of the CPRS.

''The Rockhampton plant is old technology that has a relatively low thermal efficiency, so that quickly starts to get to double-digit impacts in terms of additional carbon costs,'' Mr Leon said.

Cement Australia, as a trade-exposed industry, will receive free permits for 90 per cent of its emissions at the start of the CPRS, but this declines after that annually by 1.3 per cent. ''That decay very quickly starts to erode our competitive position,'' he said.

Mr Leon said it could be argued that closing Rockhampton was precisely what the CPRS was designed to do. ''It's old, inefficient technology and, in a carbon-constrained world, it should not exist,'' he said.

''The pity is the CPRS has the unfortunate effect of stopping us putting in new technology. Our plan always was to put a new kiln into the Gladstone plant, but the trouble is all of our numbers for the CPRS say that the carbon impost will stop it going ahead.

''Cash is hard to come by. We're all worried about the rollover of our loans. To suddenly suggest you can rush out to the bank and borrow as much money as you need for carbon abatement, even if all the numbers stacked up, that's questionable.''