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The Hon. Julia Gillard MP
Prime Minister of Australia
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600.

24 June 2010

Dear Prime Minister

I write to inform you of progress made by the Global Carbon Capture and Storage Institute (the Institute) since inception on 1 July 2009 and to provide you with my thoughts on future priorities and actions proposed by the Institute.

I have been very pleased with the work undertaken by the Institute in the first full year of operation. My Board is satisfied that the overall business strategy and governance of the company has been well defined and implemented including appropriate strategies to manage business risk.

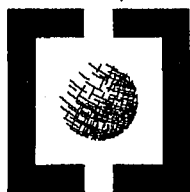
The role of the International Advisory Panel (IAP) is well established and all members are fully engaged and making an active and effective contribution to the Institute. Jim Wolfensohn, Lord Nicholas Stern, Claude Mandil, Leena Srivastava and Zheng Rongshu have enhanced the standing of the Institute and have improved our ability to engage with key players in accelerating the development of CCS. The individual members of the IAP are now positioned to become global ambassadors for the Institute as had been envisaged.

We have successfully built the Institute's global membership base and now count some 26 national Governments, 6 sub national Governments and 194 corporations and NGO's as members. I am very pleased to report that the Government of the United States recently joined as a full legal member and we enjoy a very strong relationship with US Federal agencies. We have also worked hard on our relationship with national bodies in China and have been pleased with the recent positive shift in engagement on CCS policy within China.

The Institute's capability and staffing profile has progressively increased in line with the needs of our business strategy and we expect to roll out our Global Services Network over coming months. Priority markets include a strong delivery presence in the USA, Europe, China, Japan and Australia.

Having developed and adopted a strategic framework to guide the focus and reach of the Institute, we are now focused on the delivery of information and knowledge into the global CCS marketplace. A global marketplace that is struggling to make sustained progress against international uncertainty on climate policy and the absence of operational and effective carbon markets.

In this environment we have focused our attention on dual and complementary tracks that aim to create and disseminate real and practical information and knowledge into the marketplace.



We are progressing the first round of project support. Our project support strategy provides that we focus on support for specific tasks to move project consideration forward quickly and that we seek agreement of project proponents to build knowledge products that will be shared with other members of the Institute and the community at large.

The Institute has also finalised detailed work programs that aim to provide deep and sophisticated research targeting the key barriers to CCS demonstration and ultimately to drive towards commercial deployment at large scale.

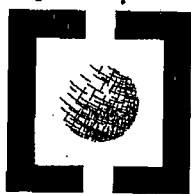
At our most recent members meeting in Pittsburgh (May 2010) we presented strategies and long term work programs to address the two most important barriers to CCS deployment, Financial and Commercial Issues and Policy, Legal and Regulatory Issues. We are also completing similar approaches to deal with the other major barriers to CCS demonstration and deployment.

The Pittsburgh members meeting also confirmed (with our members) that our primary role should be a fact and evidence based advocate for the deployment of CCS technologies globally. While this will reflect a high profile role in knowledge sharing, and I anticipate this is where much of our work will be done, the Institute has a strong capacity to drive other aspects of deployment. I envisage in particular drawing on the strength of a partnership arrangements with organisations such as the Clinton Foundation, the Asian Development Bank and the Climate Group. There is no doubt that members recognise the unique position and capability the Institute brings to the global debate on CCS technology deployment. Already this position, through the support of your Government, has created a lasting legacy amongst the often disparate set of international and national conversations on CCS delivery.

The Institute looks to the future with great confidence. Having set strategy and engaged in early project facilitation and support we see, as our highest priority implementation of practical and effective information and knowledge projects for and to our members. These knowledge products are informed by our enabling strategies, our regional profiles and our 'in market' strategies. We firmly believe that the quality of our knowledge will ensure our effectiveness in moving forward.

We continue to work very effectively with the Department of Resources, Energy and Tourism (RET) and I am pleased with the level of engagement and support for our programs and activities. In return we are pleased to work closely in support of your Government's broader energy and technology agenda within the climate change policy context. Our collaboration with RET and the Australian Embassy in Washington, DC is a great example of the success of this approach and the strong relationship we enjoy with representatives of your Government both here and internationally. Of particular note is the way in which the Global CCS Institute is now working to support the G20/MEF CCUS Action Group and where the Institute is being looked to as the source of key information in the lead up to the Clean Energy Ministers meeting in Washington in July 2010.

Prime Minister, the Board and the International Advisory Panel remain very grateful for your Government's support for this important global initiative. The commitment that your Government has made has been vital for the successful establishment of the Institute. In this regard, I note that we are now turning our attention to strengthening and diversifying our forward funding position, following the expiry of Australian Government funding in 2012-13. If we are to deliver global goals in the 2015-2020 timeframe agreed to around the world, I strongly believe we need to extend the effective life of the Institute beyond this timeframe. One option that I am keen to explore is the opportunity included in the Funding Agreement to extend the term of the Agreement by three years, without a commitment to additional funding at this stage.



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I will discuss this proposal further with Minister Ferguson, but I would appreciate your Government's general support for the Institute to now seek to diversify its funding sources as a means of strengthening this great initiative into the future.

I am, of course, available to discuss any aspect of this correspondence with you or your office. I have sent a copy of this letter to the Chair of the IAP, Mr Jim Wolfensohn.

Yours sincerely,

Russell Higgins AO
Chairman

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cc: Mr J Wolfensohn