

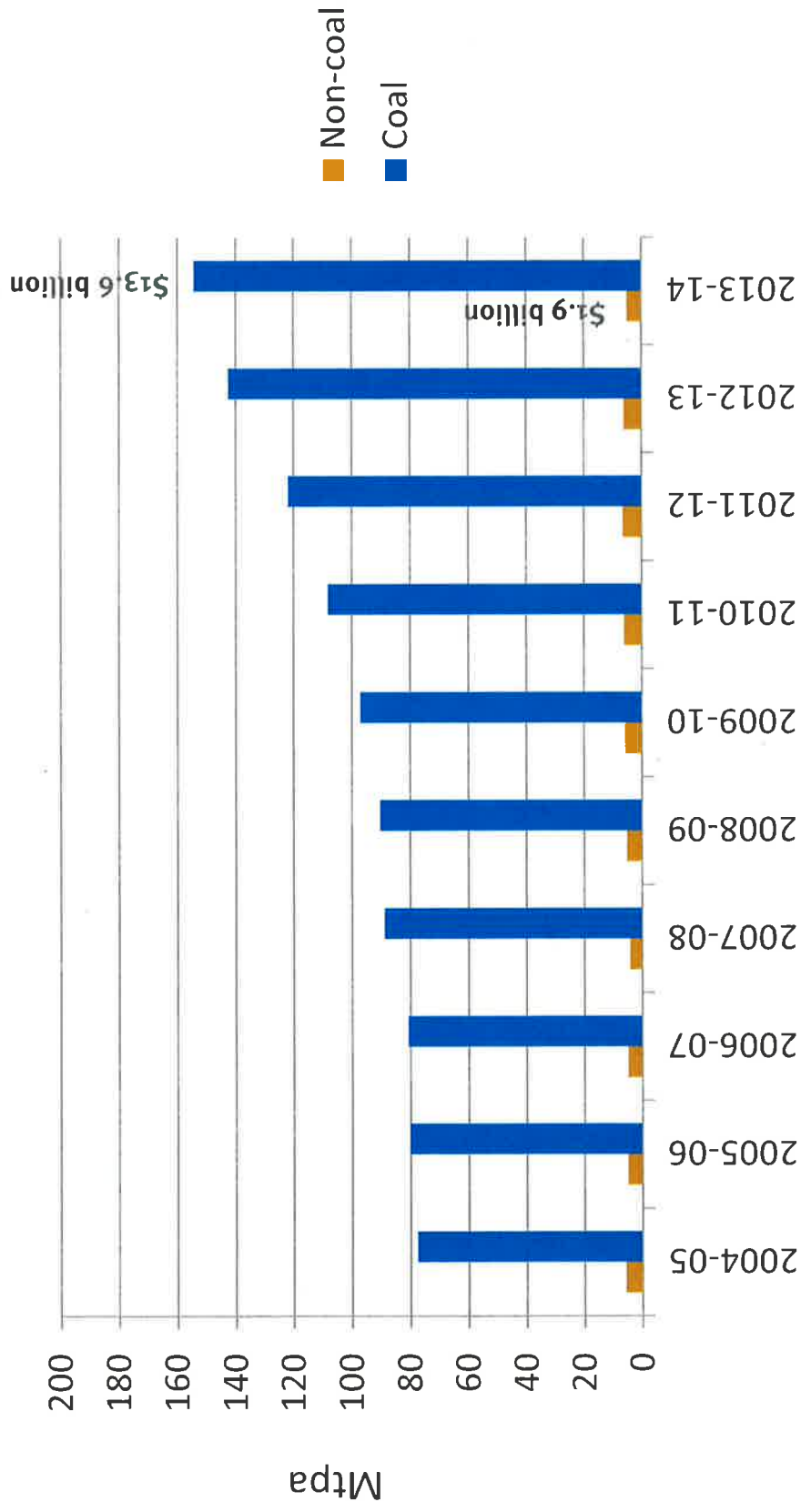
**PORT OF NEWCASTLE
SUPPORTING THE PROPOSED
T4 DEVELOPMENT**



Peter Francis, Executive Manager Port Development

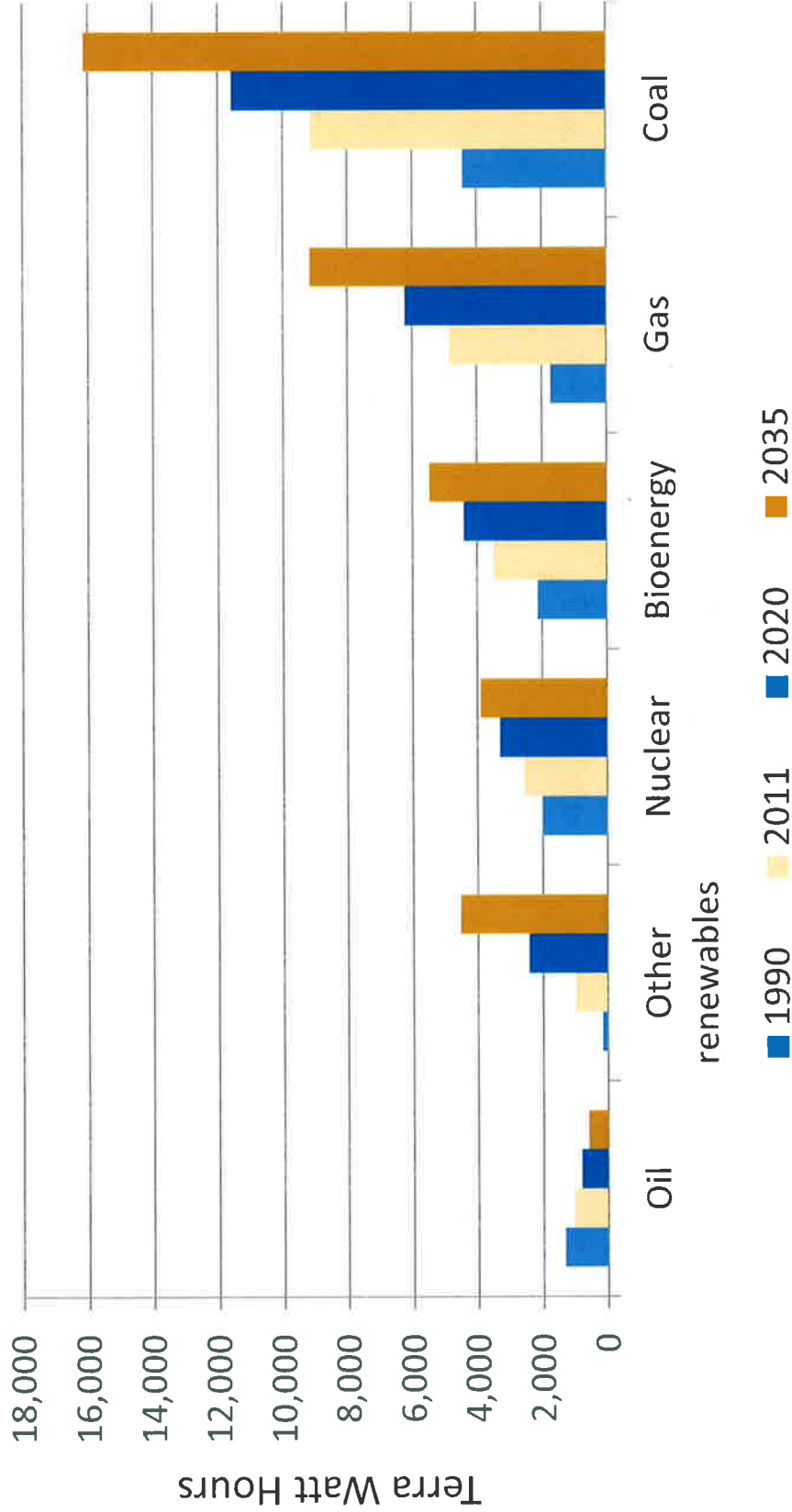


COAL UNDERPINS THE REGION'S EMPLOYMENT, SOCIAL AND ECONOMIC STRUCTURE



Historical Trends for Trade (Mass Millions of Tonnes) for the Past 10 Financial Years
(Source: Port of Newcastle)

THE DEMAND FOR COAL WILL CONTINUE TO GROW FOR DECADES



Electricity Generation by Source
 (Source: Energy Agency's World Energy Outlook 2013)

IF NO T4

- Cap on New South Wales coal related exploration, engineering, construction and services.
- The coal will come from somewhere else.
- Sends a strong message that major projects requiring a long and expensive planning process are high risk in New South Wales.

CONCLUSION



- Coal underpins the region's employment, social and economic structure and we don't have an alternative.
- The demand for coal will continue to grow for decades as a stable affordable electricity supply for the world community.
- We need T4 to provide for future export growth.
- If T4 is not approved, NSW effectively has a cap on coal related exploration, engineering, construction, services, current and future jobs.
- The community in which the port operates needs this project approved.

Kate Wedgwood
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NSW Planning Assessment Commission
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Tuesday 19 August 2014

SUBMISSION FOR R016/12 - PORT WARATAH COAL TERMINAL 4

Dear Ms Wedgwood

Port of Newcastle Operations Pty Limited as trustee for the Port of Newcastle Unit Trust ("Port of Newcastle") is the operator of the port having commenced a 98-year lease of the port with the NSW Government on 30 May 2014.

On behalf of Port of Newcastle, I am pleased to provide the following submission in support of the proposed Port Waratah Coal Services (PWCS) Terminal 4 (T4) development.

The NSW Government's objective in granting the port lease, is that 'the port be a major seaborne trade gateway for New South Wales'¹.

Port of Newcastle's responsibilities under the lease include property management, port development, trade development and pricing for associated services. Port of Newcastle is the lessee of the Government owned land on which a substantial part of the T4 development will be located. Port of Newcastle will be PWCS's landlord for that parcel of land when T4 is developed.

Coal is an important economic driver for the region, state and nation. The Port of Newcastle is the world's largest coal export port and is one of Australia's major trading ports. Coal was the port's first commercial export in 1799, and continues to be the major commodity, comprising 97% of the port's trade throughput. In 2013-14, the port handled a record 154.4 million tonnes of coal, with a value of \$13.6 billion. This was an increase of 8 per cent on the previous year's coal trade. Consequently coal exports provide a stable foundation for employment and the economy in the Hunter Region.

Furthermore, the demand for many of the Port of Newcastle's 40 commodities, for example, the import of mining machinery, fuels, and ammonium nitrate, is driven by the coal mining industry.

Non-coal trade in 2013-14 comprised 5.1 million tonnes, with a value of \$1.9 billion. Non-coal trade represented 3% of the port's total trade throughput. The port will continue to grow and diversify its non-coal trade over its 200 hectares of vacant land, alongside the growth of coal which will continue to be the port's major commodity by volume and total trade value.

¹ Port of Newcastle Lessor Pty Limited, *Lease A1631867J*, <http://www.lpi.nsw.gov.au>, 30 May 2014, p. 50.

T4 will position New South Wales to benefit from the increasing global demand for coal exports. The first goal of the NSW Government's ten year plan *NSW 2021: A plan to make NSW number one*² is to 'improve the performance of the NSW economy'. Priority actions listed under this goal include:

- 'Increase the value of primary industries and mining production by 30% by 2020';
- 'Grow exports from NSW'; and
- 'Grow employment by an average of 1.25% per year to 2020'.

Other goals of the plan include 'Drive economic growth in regional NSW' (Goal 3) and 'Increase the competitiveness of doing business in NSW' (Goal 4).

The drivers for the T4 project are strong.

The need for T4 was identified by the state and the industry. In 2009, the state, through the facilitation of Newcastle Port Corporation and the coal industry, identified the need for a fourth coal terminal. Through the Australian Competition and Consumer Commission authorised Capacity Framework Arrangement for access to coal export capacity in the Port of Newcastle, PWCS was identified as the party to develop a fourth coal terminal when demand from producers required it.

The demand for T4 is underpinned by record coal export figures. For almost 20 years, Newcastle coal exports have grown at record levels. Despite a softening of the price paid for coal from the region, 2013-14 coal exports still grew by 8%. The existing terminals in the port have planning approved terminal capacity of 211 million tonnes per annum. Each terminal has been developed to the limits of their respective planning approvals. Access to the existing terminals is fully contracted and we anticipate volumes will approach these levels in the period to 2020. Port of Newcastle's assessment is that demand for coal export capacity in the port will continue to grow and could exceed 250 million tonnes by 2030.

The precise timing of the need to develop T4 will be subject to demand from producers, which will itself be dependent on a range of market and economic factors. Notwithstanding any market factors affecting such timing, Port of Newcastle considers the underlying drivers for coal from this region, being the demand from Asia for thermal coal for energy production, are strong.

It's vital to the NSW economy. Planning approval of T4 is required now so that this important infrastructure can be developed when there is a demand trigger from the market. Development of T4 will have a long lead time. It is important that when the market signals T4 is needed, the approvals are in place so development can commence. Historical examples show the missed opportunities when delays in infrastructure development prevent industry from being able to respond effectively to market demand. These lost opportunities are not only felt by the industry but also the broader national, state and regional economy.

Without approved infrastructure ready to be developed opportunities may be lost to other jurisdictions. For thermal coal for the Asian market these include Queensland and Indonesia. Without an approved T4 ready to be developed, New South Wales effectively has a cap on coal exports as well as on exploration and development of new mine projects. If T4 is not approved, New South Wales will lose significant trade, jobs and foreign investment to Queensland which has recently approved major new coal mines and export infrastructure, in readiness for suitable market conditions to trigger development works. Equally, producers in Indonesia, the USA and Canada are working to ensure they are ready to respond to any

² NSW Government, *NSW 2021: A plan to make NSW number one, 2011*, <http://www.2021.nsw.gov.au>, p.6-7.

rebound in market conditions. Without T4, access to export infrastructure will present too much risk for investors who will move capital and jobs to other jurisdictions.

International experts agree that the demand for coal will continue to grow in the coming decades, given its global importance as a stable and relatively low cost source of baseload power. This baseload is important to emerging economies³ and developed economies alike. Germany, South Korea, China, India, Taiwan, Japan and The Netherlands, are building new coal-fired power stations to guarantee a reliable supply of affordable electricity.

The International Energy Agency affirms that coal 'currently provides 40% of the world's electricity needs' and '...and the first source of electricity generation'⁴. US Energy Information Administration Forecasts show coal production growing by a third to over 9 billion tonnes by 2040, and China and India increasing their share. T4 is the state and region's opportunity to both contribute and benefit from this world demand.

Electricity generation uses thermal coal. Thermal coal comprises the majority of the Port of Newcastle's coal exports (around 75%). The major buyers of NSW thermal coal in 2013-14 were: Japan (45%); China (23%); South Korea (17%); and Taiwan (9%).

Metallurgical coal, used in the manufacture of steel products, represents 25% of the coal exported from Newcastle.

Thermal coal exported through Newcastle is of a high quality, and continues to be the preference for the premium power generation markets of Japan, South Korea and Taiwan, where greater importance is placed on quality and efficiency. These countries will continue to be reliant on high quality coal to provide baseload power. The Hunter region and NSW's benchmark high quality coal is also being used in emerging countries such as China to replace the use of locally produced lower quality coal.

The Australian Government Bureau of Resources and Energy Economics notes that Japan's new energy policy, adopted in April 2014, reaffirms 'the role of coal as an important baseload source of energy' and that the 'cost-competitiveness of coal has supported plans to build new, high efficiency, facilities'⁵. It also predicts continued demand for coal from China: 'Although China intends to increase the use of renewable energy sources, coal will remain an important energy source to ensure stable electricity supply'⁶.

T4 addresses planning, environmental and economic needs.

It's in the right location. The proposed T4 site on Kooragang Island is in the port's primary coal precinct, and is removed from residential dwellings. It is located next to two existing coal terminals, and will be serviced by existing rail infrastructure that does not pass through the city.

It addresses environmental impacts. PWCS has addressed a range of environmental impacts in its proposal. In our view, the controls envisaged in the draft conditions of consent will address any environmental concerns with the project. Additionally, PWCS will spend over \$100 million to cap and contain existing contamination on a currently unremediated site, for the benefit of the community. This provides a realistic mechanism for addressing a

³ Australian Government Bureau of Resources and Energy Economics, *Resources and Energy Quarterly Report*, June 2014, <http://www.bree.gov.au/publications/resources-and-energy-quarterly>, p.17.

⁴ International Energy Agency, Website: www.iea.org/topics/coal.

⁵ Australian Government Bureau of Resources and Energy Economics, *Resources and Energy Quarterly Report*, June 2014, p.18.

⁶ Australian Government Bureau of Resources and Energy Economics, *Resources and Energy Quarterly Report*, June 2014, p.17.

contaminated site at no-cost to the state, and in a way that will protect the community from harmful effects of the current condition of the land caused by past activities.

It will provide much needed jobs. The Hunter Research Foundation has reported that employment in the Hunter Region 'has continued to decline' since the start of the year, and that the current unemployment rate is 6.5%⁷. As a large infrastructure project, T4's peak construction employment is estimated to be 1,500. Approximately 80 employees will be required for ongoing operational roles.

T4 is a state-significant project, which will deliver considerable economic and social benefits to the region and New South Wales over the coming decades if approved.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Coleman', written in a cursive style.

Jeff Coleman
Chief Executive Officer

⁷ Hunter Research Foundation, *Hunter Economic Indicators*, June 2014, <http://hvr.com.au/download-publications>, p.1.

R016/12 – PORT WARATAH COAL TERMINAL 4 **PAC HEARING – WEDNESDAY 27 AUGUST 2014**

Port of Newcastle: Supporting the Proposed T4 Development

Presented by: Peter Francis, Executive Manager Port Development

[SLIDE 1](#)

Port of Newcastle is the operator of the port. We have a 98-year lease which commenced in May 2014.

We will be Port Waratah Coal Service's landlord for approximately 50% of the T4 site.

Port of Newcastle's comments will focus on 4 key areas.

[SLIDE 2](#)

Firstly, Coal underpins the region's employment, social and economic structure

The Port of Newcastle is the world's largest coal export port.
97% of the port's trade is coal.

In 2013-14, the port handled a record 154.4 million tonnes of coal, worth \$13.6 billion. An increase in tonnage of 8% on the prior year. Coal volumes have grown every year for the last 10 years and annual volumes have only declined once in the last 20 years, even though the world economy has experienced volatility including the GFC. This demonstrates the resilience of coal to global economic cycles.

Coal mining and exports provides the primary foundation and strong base for employment and the service economy in the Hunter Region.

Much of our non coal trade like fuel and machinery exists to support the coal industry. As you can see non coal trade does not and has no potential to underpin the port or employment of this region.

[SLIDE 3](#)

Secondly. The demand for coal will continue to grow for decades

Planning approval of T4 is required now.

It is required to maintain current investment in exploration, engineering, services and associated jobs.

It is required to ensure that when the market signals T4 is needed, approvals are in place so construction spending can commence.

Without approval, current and future jobs will be lost to Queensland and Indonesia who now compete with New South Wales for the export of thermal coal to the Asian market. The impact will be negative at a local, state and national level.

If T4 is not approved, NSW will have effectively put a cap on coal related exploration, engineering, construction and service jobs - from today onwards. Non approval would send a message don't investment in NSW or the Hunter!

The proposed T4 site is in the main coal precinct of Newcastle, removed from residential dwellings and serviced by existing rail infrastructure that does not pass through the city. The land is heavily contaminated and has no other viable use.

Furthermore, T4 is the only large scale project currently in planning within the Port of Newcastle and the Hunter.

Our community needs this investment.

SLIDE 5

In summary

Coal underpins the region's employment, social and economic structure and we don't have an alternative.

The demand for coal will continue to grow for decades as a stable affordable electricity supply for the world community.

We need T4 to provide for future export growth.

If T4 is not approved, NSW effectively has a cap on coal related exploration, engineering, construction, current and future jobs.

The community in which Port of Newcastle operates needs this project approved.