

High Level Review of the Mt Pleasant Operation Mine Optimisation Modification Environmental Assessment May 2017	
Date:	2 July 2018
To:	The President of the Hunter Thoroughbred Breeders Association
From:	Rod Carr, Director at Marsden Jacob Associates

Background

This high-level review memorandum has been prepared at the request of the Hunter Thoroughbred Breeders Association. The purpose of the report is to identify any economic assessment related issues contained in the modification application reports.

The following documents have been briefly reviewed in the preparation of this memorandum:

- NSW Government, Guidelines for the economic assessment of mining and coal seam gas proposals, December 2015
- Referral Letter: Department of Planning and Environment to Independent Planning Commission of NSW, 8 June 2018
- Assessment Report: Department of Planning and Environment, Mount Pleasant Coal Mine Extension of Mine Life (DA 92/97 MOD 3) Environmental Assessment Report
- Environmental Assessment: MACH Energy, Mount Pleasant Operation, Mine Optimisation Modification, May 2017
- Environmental Assessment: Coal & Allied Operations Pty Ltd, Mount Pleasant Mine Environmental Impact Statement, Volume 1 and Volume 10, September 1997
- MACH Energy Australia and Bengalla Mining Company, Joint Public Statement, 24 April 2018

Review Findings

1. No economic assessment has been undertaken

The consent authority needs a detailed and thorough economic (cost benefit) analysis to inform consent considerations under the *Environmental Planning and Assessment Act 1997*.

Marsden Jacob has been unable to identify an economic assessment of the mine in any of the available documents, including the applicant's environmental assessment, the Department of Planning and Environment's assessment report, and the original application (1997).

This means that there is no available cost benefit analysis of the impact of the proposed modification on the social, environmental and economic impacts. Currently the only available information is on coal royalties and employment estimates.

The current application is not in compliance with the requirements of the *Guidelines for the economic assessment of mining and coal seam gas proposals*. These guidelines state that *“Under section 78A of the EP&A Act, a development application for State Significant development must be accompanied by an Environmental Impact Statement (EIS) ... The economic assessment, comprising the CBA (cost-benefit analysis) and LEA (local effects analysis), forms part of the EIS.”* (page 1)

2. Base case considerations

As previously discussed, no economic assessment was undertaken as part of the initial approval process for the mine. However, even if one were undertaken it would no longer be relevant as the base case has substantially changed, as confirmed by a number of submissions which called for a cumulative impact assessment to be undertaken.

In a cost benefit analysis, the costs and benefits of the project case are compared to the costs and benefits ‘without’ the project. The without project case is called the ‘base case’. The guidelines state the following:

“The purpose of establishing a clear base case is to focus on the incremental change in economic, environmental and social impacts caused by the project relative to the existing land use.

The base case should include existing and already approved (but not yet operational) projects that will interact with the mining or coal seam gas project. This will ensure the cost benefit analysis at the project level accounts for cumulative impacts and threshold effects to the extent possible.” (page 7)

Earlier analysis could not be relied upon, because in 1997 the base case was very different to 2018. Key changes include:

1. Mining: Significant mine development in the region, which mean that the base line noise, particulate, water, heritage and amenity impacts (to name a few) are very different.
2. Agriculture: Land use changes have occurred, including the thoroughbred, viticulture, cropping and broadacre agriculture sectors.
3. Urban: The urban environment has also changed.

3. Impact considerations

Mining projects cause environmental impacts to air quality, noise, biodiversity, greenhouse gas emissions, groundwater, surface water, aboriginal heritage, non-aboriginal heritage, visual amenity, and public infrastructure (such as water supply, roads and energy).

The economic analysis needs to consider all of these issues to be compliant with the NSW Guidelines, when assessing the net present value to the NSW community in a manner that accounts for all direct and indirect costs and benefits.

This analysis has not been undertaken.

Furthermore, even if it were undertaken at the time of the initial environmental impact statement (for which no evidence has been found) it could not be relied upon because the base case has changed (see above), and the sophistication of the collective knowledge base has significantly improved, both in terms of the science of impact assessment and the valuation of impacts.

4. Undisclosed private contract

Based on the parties' own press release, it would appear that some of Bengalla Mining Company's private commercial concerns about the modification application have been dealt with to their mutual satisfaction but on terms that are not available to the Independent Planning Commission or the public.

Consequently, the financial consequences appear to have been resolved but this does not mean that the economic implications of the development have necessarily been resolved. This issue needs to be carefully and properly considered in any economic assessment of the proposal, because at this time the net economic costs or benefits to the state are unknown.

Concluding remarks

The current application does not include an economic assessment, so it will not be possible for the Independent Planning Commission to include consideration of the economic consequences of the proposed mine in their evaluation.

Section 79C of the EP&A Act (Clause 1, sub clauses b and e) states that in determining an application, the consent authority must evaluate a number of factors, with both the quantitative and qualitative findings of the cost-benefit analysis and local effects analysis to be included – alongside other information – in the evaluation.

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Talking Points

Marsden Jacob Associates, one of Australia's leading independent economic and financial advisory firms, has undertaken an expert review of the economic analysis of the Mt Pleasant Operation Mine Optimisation Modification Environmental Assessment.

Not in compliance with the guidelines

Marsden Jacob found that the current application is not in compliance with the requirements of the *Guidelines for the economic assessment of mining and coal seam gas proposals* (The Guidelines).

The Guidelines state that "Under section 78A of the EP&A Act, a development application for State Significant development must be accompanied by an Environmental Impact Statement (EIS). The economic assessment, comprising the CBA (cost-benefit analysis) and LEA (local effects analysis), forms part of the EIS."

No cost-benefit analysis was undertaken for the original approval

Marsden Jacob was not able to find a cost benefit analysis in 1997 EIS.

However, even if an economic analysis were undertaken in 1997 it could not be relied upon because the base case – without project case – has substantially changed.

The guidelines state that: "The base case should include existing and already approved (but not yet operational) projects that will interact with the mining or coal seam gas project. This will ensure the cost benefit analysis at the project level accounts for cumulative impacts and threshold effects to the extent possible."

Undisclosed private contract

Based on the parties' own press release, it would appear that Bengalla Mining Company's private commercial concerns about the modification application have been dealt with to their mutual satisfaction but on terms that are not available to the Independent Planning Commission or the public.

While the financial differences have been resolved, this does not mean that the economic consequences of the development have necessarily been mitigated. This issue needs to be carefully and properly considered in an economic assessment of the proposal, that transparently considers and reports on costs and benefits in a manner that is compliant with the Guidelines.