

Main points

- The economic assessment provided by the Proponent should not be relied on
- The results are not transparent and open to scrutiny.
- The economic assessment is be based on redundant coal price forecasts
- After adjusting for quality, the latest coal price forecasts suggest the present value of coal produced will be much less than the reported \$3.2 billion production costs – inferring the net present value of the project to NSW will be negative

Bylong Valley Coal Project

Review of Economic Assessment

- The Economic Assessment lacks transparency. According to one peer reviewer (the Centre for International Economics):
 - *The consolidation of many social costs into aggregate operating and capital costs make validation difficult.* (Centre for International Economics, 2015, p. 13)
 - *Gillespie Economics does not separately identify the coal price assumptions used in the CBA.* (Centre for International Economics, 2015, p. 14)
- The lack of transparency justified on the basis of:
 - *Coal price forecasts are **proprietary** ...* (Hansen Bailey Environmental Consultants, 2016, p. 496)
 - *... range of predictions ... not able to be published due to their **commercial in confidence** nature.* (Hansen Bailey Environmental Consultants, 2016, p. 506)

Economic assessment avoids scrutiny and is non-compliant with NSW guidelines

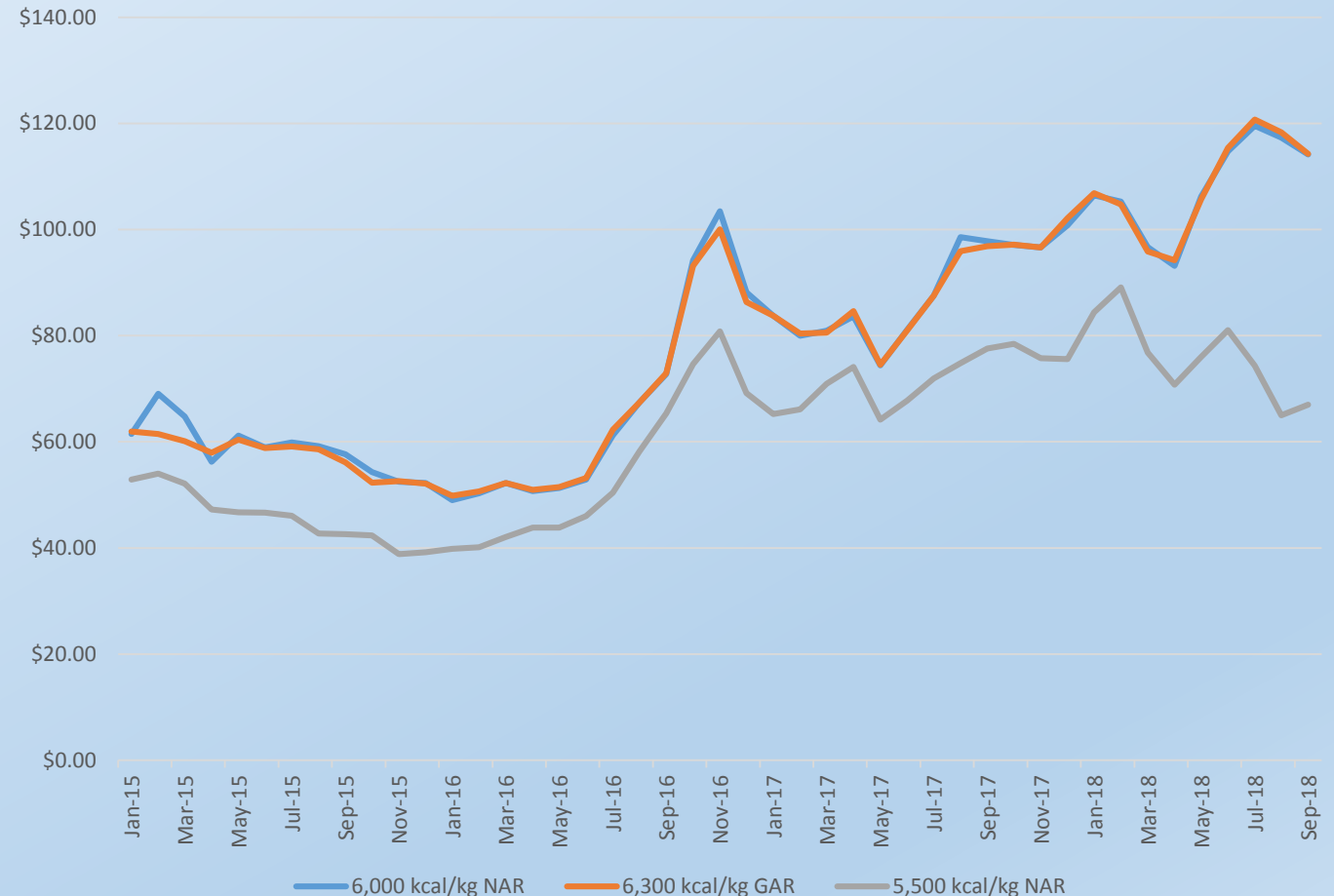
- The *Guidelines for the economic assessment of mining and coal seam gas proposals* requires economic assessments to present:
 - *... rigorous, transparent and accountable evidence that is open to scrutiny.* (NSW Department of Planning and Environment, 2015, p. 3)
 - *The results section of the report should balance readability with presenting sufficient detail to **allow the results of the CBA to be easily understood and replicated.*** (NSW Department of Planning and Environment, 2015, p. 19)
- The economic assessment is not transparent, which means that the results are difficult to understand and are not open to scrutiny
 - *The inability to replicate means fragile results can never be exposed to scrutiny and sunlight.*
- The assessment is therefore non-compliant with the Guidelines.

Bylong Coal Project – Coal will be lower quality than Newcastle Thermal Coal Benchmark

Mining Method	Seam	Ash Content (%)	Specific Energy (kcal/kg GAR)	Specific Energy (kcal/kg NAR)
Open Cut	Glen Davis	22.0	5,349.12	5,089.12
Open Cut	Ulan	22.0	5,349.12	5,089.12
Open Cut	Coggan	16.0	5,707.32	5,447.32
Underground	Coggan	15.7	5,874.48	5,614.48
Newcastle Benchmark		13.0	6,300.00	6,000.00

Project Coal will attract a lower price than Newcastle thermal coal benchmark

- Project thermal coal closer to 5,500 kcal/kg NAR than Newcastle benchmark
 - Historically trades at least at a 20% discount to Newcastle benchmark



After adjusting for quality, latest coal price forecasts suggest present value of coal produced less than the reported \$3.2 billion production costs

Present Value of Project Coal at 7% Discount Rate using World Bank (29 October 2018) and KPMG (6 August 2018) Published Thermal Coal Forecasts (\$ billion)

Forecast	Present Value of Project Coal using World Bank Price Forecasts	Present Value of Project Coal using KPMG Published Price Forecasts
Present Value	\$2.44 billion	\$2.84 billion

Conclusion

- The economic assessment provided by the Proponent should not be relied upon
- It fails the basic test of providing “rigorous, transparent and accountable evidence that is open to scrutiny”
- After adjusting for the current coal price forecasts for the relevant quality coal, the net present value of the project to NSW is likely to be negative