

# 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 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

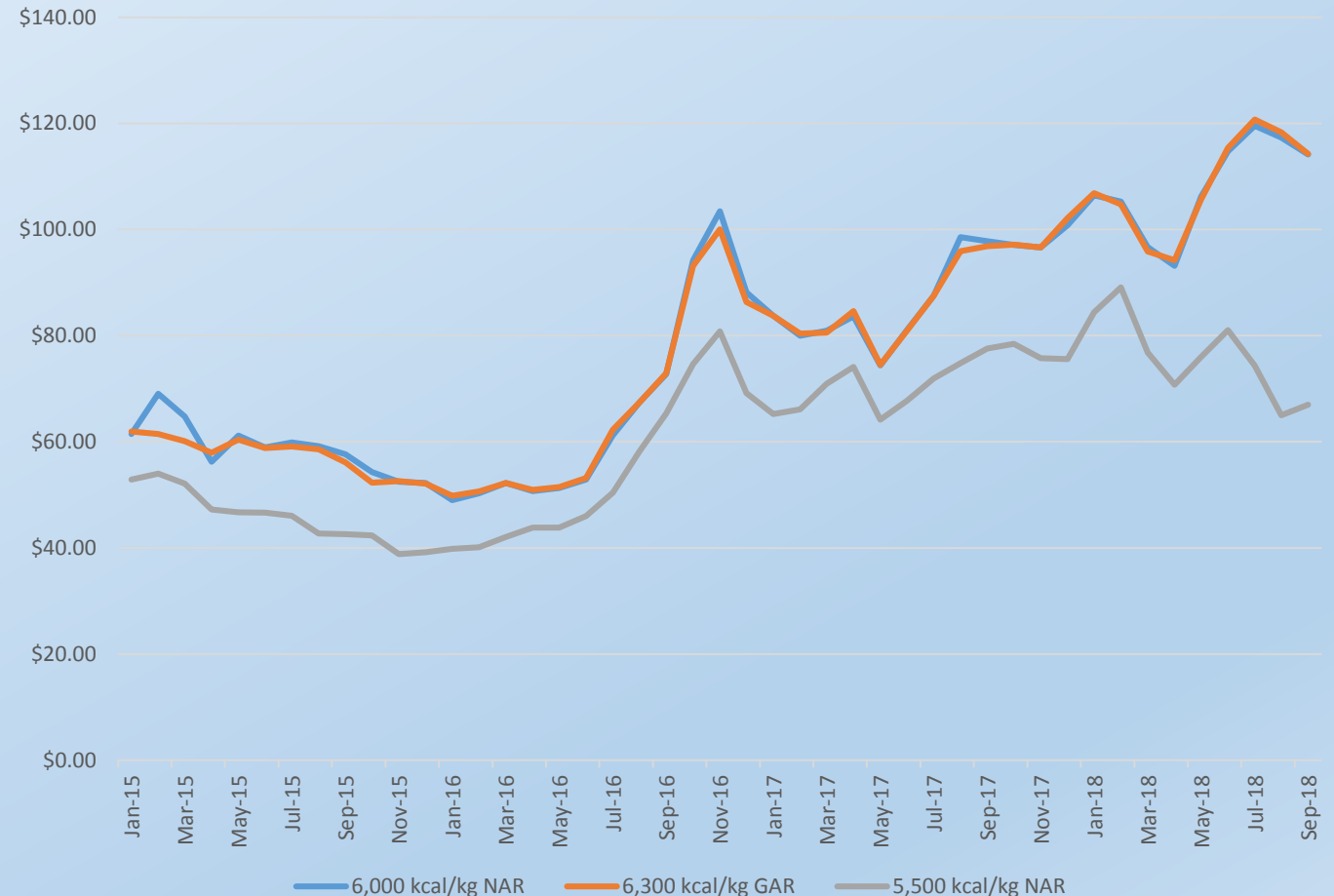
- The *Guidelines for the economic assessment of mining and coal seam gas proposals* requires economic assessments to present:
  - *... rigorous, transparent and accountable evidence that is open to scrutiny.* (NSW Department of Planning and Environment, 2015, p. 3)
  - *The results section of the report 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)

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

# 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