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AUSTRALIANS WORKING TOGETHER TO PROTECT OUR LAND, WATER, AND FUTURE

Submission: Russell Vale underground Expansion Project – Additional Material

30 November 2020

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Thank you for the opportunity to comment on three new documents relating to this proposed development.

In the time available we are not able to provide any substantive comments regarding the additional advice from the NSW Resources Regulator, however we would like to take the opportunity to provide some brief comment on the IAPUM report and DPIE's 16 November 2020 letter.

In summary, whilst providing a few additional comments on more general matters, the crux of this submission relates to the economic assessment. We argue that the concessions made by DPIE – ie., that $78M in company tax and net producer surplus will not, or mostly will not eventuate - substantially strengthens our recommendation that this Project's economic assessment is not fit for purpose. Accordingly, we reiterate our recommendation that an independent review of the Cadence Economics July 2019 'Economic Impact Assessment of The Russell Vale Colliery' should be commissioned. This is a matter of some urgency as it has major implications for the assessment not just of the Russell Vale Project, but of the Dendrobium Extension project too.

The Independent Advisory Panel for Underground Mining Advice, provided to the Commission on 22 November 2020

We would like to thank the IPC for commissioning 'The Independent Advisory Panel for Underground Mining Advice', provided to the Commission on 22 November 2020. It is a valuable contribution to the assessment of this mining project.

The IAPUM's report confirms that from a subsidence engineering perspective, this is a complex project to deliver safely and with minimal long-term harm to the environment and our drinking water catchment. If the IPC Panel were legally able to consider the track record of the proponent, we would devote some resources here to explain why – in our view – there remains a significant risk that Wollongong Coal may not have the technical and financial resources to develop this project to the standard expected by law in NSW. As the

IPC is restrained from considering these issues however, we will refrain from that exercise and simply say that we hope that the IPC Panel carefully weighs the risks identified by the IAPUM inherent in developing this complex Project against the evaporating benefits described in the diminished economic assessment of the Project by DPIE.

The Department's 'Response to Clarification Request', provided to the Commission on 16 November 2020

1. In light of submissions made at the public hearing regarding the predicted economic benefits of the Project, does the Department maintain the position set out in its Assessment Report regarding economic benefits to the State and region?

Our view remains that the IPC should commission an independent review of the Cadence Economics July 2019 'Economic Impact Assessment of The Russell Vale Colliery'. It is not fit for purpose and cannot be relied upon to inform an accurate assessment of the costs and benefits of this project.

In April 2015, the Planning Assessment Commission requested an "independent analysis of the economic costs and benefits" of a previous iteration of this project proposal from the same proponent before final assessment and determination.[1] The Department subsequently engaged the Centre for International Economics (CIE) to undertake an independent review of the revised economic costs and benefits of the project, as requested by the Commission in its first review. CIE's review described the CBA as "the primary tool to evaluate whether the project will deliver net benefits to society".[2] In reviewing CIE's report, the PAC found a great deal of uncertainty about net benefits of the project and arrived at a point where it was determined that royalties provide "a minimum threshold value against which the residual environmental, social and cultural costs of the project can be compared".[3] Our view is that we have again arrived at this point with this Project and that the anticipated royalty revenue of $33.2M should be regarded as the threshold value against which the residual environmental, social and cultural costs of the project can be compared.[4] Our view is that an independent analysis may find that the cost of water treatment, the cost of lost drinking water and the cost of abating Scope 1 and Scope 2 GHG emissions would likely exceed anticipated royalty revenue.

Costs not included in the cost benefit analysis will likely exceed the threshold value of this Project ($33.2 million).

GHG's would cost a minimum of $23.9 million to abate, leaving only $9.3 million in royalties to offset the cost of water treatment in perpetuity and an unknown amount of drinking

[1] NSW PAC, Russell Vale Colliery – Underground Expansion Project Review Report, Recommendation 2, pg 36, https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2014/12/russell-vale-colliery-underground-expansion-project-review/completed-review-report/russell-vale-review-report--main-volumepdf.pdf

https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2014/12/russell-vale-colliery-underground-expansion-project-review/completed-review-report/russell-vale-review-report--main-volumepdf.pdf

[2] The Centre for International Economics, 2015, Review of CBA for Russell Vale extension, prepared for the Department of Planning and Environment p. 2

[3] NSW PAC, Russell Vale Colliery – Underground Expansion Project Review Report, Pg 21 https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2014/12/russell-vale-colliery-underground-expansion-project-review/completed-review-report/russell-vale-review-report--main-volumepdf.pdf

[4] NSW PAC, Russell Vale Colliery – Underground Expansion Project Review Report, Pg 21 https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2014/12/russell-vale-colliery-underground-expansion-project-review/completed-review-report/russell-vale-review-report--main-volumepdf.pdf

water loss post-mining from the catchment. Please note royalties are not meant to offset the costs to the community of developing resources projects. Royalties are meant to fund things like schools and hospitals.

NSW DPIE has conceded two points that we made in our first submission – i.e., that the company tax and net producer surplus benefits described in the cost-benefit analysis (CBA) are unlikely or will not be realised. This last-minute concession exposes the risk of asking NSW DPIE – which is this case is effectively an advocate for the project – to critically review the CBA it has been promoting. These are not trivial issues. $39.7 million in net producer surplus and $38.5 million in company income tax were spruiked as benefits of this Project. Neither are likely to accrue to NSW.

It should also be noted that the Department has not responded to many of the issues raised in community submissions about other weaknesses of the CBA. These include:

1. **Water treatment in perpetuity**

   WCL estimates that the construction and ongoing operation of a reverse osmosis (RO) plant to treat 110 ML/year of water to a potable standard over a 10 period would cost around $2.4 million." There may be a water treatment liability for this project in perpetuity.[5] The cost of treating water for centuries has not been costed into the CBA.

2. **Scope 1 and Scope 2 GHG emissions may cost at least $23.9M to abate**

   The Clean Energy Regulator conducted the 11th Emissions Reduction Fund auction on 9 and 10 September 2020. At the 11th auction, the average price per tonne of abatement purchased was $15.74. If you multiply the average price per tonne of abatement x the 1,523,000 t CO2-e of Scope 1 and 2 emissions that will be generated over 5 years, then the cost to taxpayers to abate these emissions - if the Emissions Reduction Fund were set the task - would be approximately $23,972,020. This cost has not been included in the CBA.

The Department's CBA for Russell Vale rests on the economic viability of the Project successfully turning a profit from bord and pillar mining. The Department has informed the IPC that bord and pillar mining at Dendrobium is "uneconomic".

As a matter of urgency, it would very much be in the public interest if the NSW IPC could establish how two competing and apparently contradictory claims made simultaneously by NSW DPIE can be true.

On the one hand, on 16 November 2020, NSW DPIE effectively promoted bord and pillar mining at Russell Vale as economically viable and environmentally responsible, claiming that the CBA for this Project "remains valid".

Meanwhile in a meeting – also on 16 November 2020 – NSW DPIE told the IPC's Dendrobium panel that they did not ask South32 to consider bord and pillar as an alternative to longwall mining because they did not think South32 would view bord and pillar as economically viable (which perhaps means 'sufficiently profitable'). A NSW DPIE representative explained the decision not to ask South32 to consider bord and pillar thus: "because we had a pretty

[5] Geoterra/GES, p 97. Actual page 390 of this document:
https://majorprojects.accelo.com/public/7f32dda24beaa9a6c18ea7d52be9c53d/RtPAC%20Second%20Review%20FINAL.pdf

fair idea of what their response would be, and, really, they would say, 'We have no project here. We can't make it work. We won't do it'."[6]

Another statement was then made by NSW DPIE in the same meeting (pg 22 of the transcript) that "we're required to look at alternatives, obviously, under the Act. I guess I would leave it to the commission to determine whether that requirement of alternative analysis would go as far as exploring bord-and-pillar mining as part of that process, but certainly it's not something we've done in any detail in our assessment."

This detail is important in terms of your consideration of NSW DPIE's insistence that the Russell Vale project will deliver a net economic benefit to NSW. NSW DPIE's view is that bord and pillar is so economically marginal that they did not ask South32 to consider it as an alternative mining method for the Dendrobium Extension Project, describing it as likely being an "uneconomic proposal". And yet NSW DPIE are asking the IPC's Russell Vale panel to accept – with no independent economic analysis – that the same mining method *is* economically viable at Russell Vale, and *will* deliver economic benefits.

This creates significant uncertainty for the IPC. It suggests that either the Russell Vale project may not be economic or that the Dendrobium project should have considered the so-called 'non-caving' mining method as an alternative to longwall mining (as DPIE's economic assessment of this proposal at Russell Vale is that it *is* economically viable).

7. Can the Department confirm that the proposed coal to be extracted is metallurgical coal? And can the Department provide an indication of proportion of coal type?

We note the IPC's question requesting clarification of what type of coal this Project proposes to produce and DPIE's answer that 27% of the coal will be thermal coal. We also note that the 110-page DPIE Assessment Report contains not a single mention of 'thermal coal'. Instead, NSW DPIE "notes that coal produced from the Revised UEP would most likely be used for steel-making". Whilst this may be the case for the 57% of expected output that is metallurgical coal, it is clearly misleading with regard to the 43% of mine output that is not suitable for steel-making.

[6] INDEPENDENT PLANNING COMMISSION, MEETING WITH DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT RE: DENDROBIUM EXTENSION PROJECT, 16 November 2020, pg 21, https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/transcripts-and-material/2020/dendrobium-extension-project/department-meeting-transcript.pdf