Mr Stephen Barry
Acting Executive Director
NSW Independent Planning Commission

By email: [redacted]

Dear Mr Barry

Russell Vale Revised Underground Expansion Project
Response to Clarification Request

The Department provides to following response to the Independent Planning Assessment Commission's (the Commission's) information request on the Russell Vale Revised Underground Expansion Project (UEP) dated 4 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?

The Department notes that the key issues raised in public hearing submissions regarding economic benefits of the proposed UEP were in relation to the validity of the net producer surplus and company income tax estimates in the *Economic Impact Assessment* (EIA) prepared by Cadence Economics for the UEP (Appendix 10 of the Revised Preferred Project Report). In summary, several submissions questioned the:

- **net producer surplus** estimate of $39.7 million, given the company ownership structure is reported to be changing in December 2020; and
- **company income tax** estimate to NSW of $38.5 million, given the significant losses the company has reported since 2013 (meaning it is unlikely to pay company tax on the project).

In relation to net producer surplus, it is confirmed that the EIA was prepared based on a local shareholding of 35.4%, which was accurate at the time of the analysis. The estimated net producer surplus attributable to NSW of $39.7 million is correct based on this shareholding.

It is acknowledged that shareholdings in any company are dynamic and have the potential to increase or decrease at any point. A reduction in the local shareholding to zero would result in a reduction of the expected net benefit of the UEP from $174.3 million to $134.6 million, which would remain a substantial net benefit for a project with a 5-year life.

In relation to company tax, the EIA appropriately provides a financial analysis of the UEP in isolation, therefore avoiding the potential for an applicant's broader operations to influence the financial performance of a project. A financial analysis of a project must stand alone, noting that NSW planning approvals run with the land, not the applicant.

Notwithstanding, even if company tax revenue from the UEP attributable to NSW is set as zero, the UEP would still return a significant positive net benefit of $135.8 million, largely due to royalties and employee/supplier benefits.

Overall, assuming zero local shareholding and zero company tax, the net benefit of the UEP is estimated as $96.1 million which remains a significant net benefit for the State given the relatively short duration of the UEP. The Department therefore considers that the economic benefit of the UEP ascribed to the State and region remains valid.

2. If mining operations at the Project Site were to end prior to 5 years from the date of commencement, would the rehabilitation costs be covered?

As indicated in the Resource Regulator's (RR's) response to the Commission of 10 November 2020, as the rehabilitation security is calculated based on current rehabilitation obligations and are continually revised throughout the life of an operation, rehabilitation costs would be covered if mining operations were to end prior to 5 years from the date of commencement.

3. What is the current cost of rehabilitation?

As indicated in RR's response the current assessed rehabilitation security held for the existing operations is $12,354,000.

4. Will additional rehabilitation be required if development consent is granted?

As indicated in RR's response, prior to the commencement of activities associated with new development consent, a Mining Operations Plan (MOP) would be required to be submitted and approved by the RR. The title holder would be required to prepare a Rehabilitation Cost Estimate (RCE) in accordance with the Regulator's rehabilitation cost estimation tool. Any additional disturbance associated with rehabilitation obligations would need to be included in the MOP and the rehabilitation security deposit will be re-determined by the RR to ensure that the amount is sufficient to cover the full rehabilitation costs for the mine.

5. What will be the cost of any additional rehabilitation if development consent is granted?

As indicated in RR's response, should the development consent be granted, a subsequent RCE would be required to be submitted by the titleholder for assessment and determination by the RR before commencement of activities. At this time the cost of any additional rehabilitation as a result of the expansion project will be determined. Wollongong Coal Limited (WCL) has advised that, should the UEP proceed it would not result in any material change in rehabilitation costs.

6. Will the current security deposit of $12.3 million be sufficient to cover both existing and additional rehabilitation costs if development consent is granted?

As indicated in RR's response, the current security deposit has been calculated based on current rehabilitation obligations and as such covers only the existing approved operations. As outlined in the response to Question 5 above, a subsequent RCE would be required to be submitted by the titleholder for assessment and determination by the RR.

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?

WCL has advised that the proposed section of the Wongawilli Seam which would be mined as part of the UEP is the lower or basal section. This comprises approximately 57% coking coal and 27% thermal coal with rejects accounting for the remaining 16%.

WCL has advised that the ROM coal meets specification for unwashed coking coal and that it would be exported as a lower ash, single product coal for use in iron and steel making. WCL has also advised that the pricing assumptions used in the project economic assessment considered the blended ROM product for years 1 and part year 2 of the project, and incorporated relevant price discounts, and the washed coal product for years 2 to 5 of the project in its economic assessment.

If you have any questions, please contact me on mobile [redacted] or email at [redacted]

Yours sincerely

Stephen O-Donoghue
Director Resource Assessments
Energy, Resources and Compliance