

From: [Brian Cole](#)
To: [Paul Freeman](#)
Cc: [REDACTED]
Subject: FW: Vickery Extension Project - Production Constraints
Date: Tuesday, 17 September 2019 4:47:50 PM
Attachments: [image001.png](#)
[Chart 1 - Net Benefit of the Project.pdf](#)

Paul,

Please see below additional information regarding the capacity of the Whitehaven CHPP in Gunnedah and associated constraints on production.

In summary:

- The Whitehaven CHPP imposes no additional constraints on ROM coal production from the three approved mines beyond the constraints imposed by the approved coal road haulage limits – the approved Whitehaven CHPP dispatch rate of 4.1 Mtpa product coal is equivalent to a processing efficiency of approximately 90% of the maximum approved haulage limit of up to 4.5 Mtpa ROM coal.
- It is true the maximum approved ROM coal production rates from the Approved Mine and Tarrawonga are constrained by the existing approved coal road haulage limits. The effect of this is that the EIS potentially underestimates the incremental net benefits of the Project, as the Project would remove these existing constraints. For a scenario where some Approved Mine ROM coal is constrained by road haulage limits (due to Tarrawonga), net benefits to NSW would be between \$454 million and \$1,163 million in NPV terms.

Approved Coal Production and Haulage

Table 1 outlines the maximum approved coal production rate for the Tarrawonga and Rocglen Coal Mines as well as the approved Vickery Coal Project (the Approved Mine).

All three operations contain identical conditions relating to ROM coal haulage along the Approved Road Transport Route, such that the cumulative ROM coal haulage would need to be managed between the three operations. It is clear that under the existing approvals maximum production from these operations could not occur simultaneously.

Table 1
Approved Coal Production and Haulage

Mining Operation	Approval Limit	Conditions
Tarrawonga Coal Mine (PA 11-0047)	Coal Extraction	3 Mtpa ROM coal
	Approved Coal Haulage	<p>6. For the period up until the commissioning of the Kamilaroi Highway overpass, the Proponent:</p> <p>(a) shall not transport more than 3 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(e) shall, together with the owners of the Rocglen and Vickery coal mines, ensure that the cumulative haulage of coal along the approved haulage route does not exceed 3.5 million tonnes each year during all other calendar years.</p> <p>7. For the period following the commissioning of the Kamilaroi Highway overpass, the Proponent:</p> <p>(a) shall not transport more than 3 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(d) shall, together with the owners of the Rocglen and Vickery coal mines, ensure that the cumulative haulage of coal along the approved haulage</p>

		route does not exceed 4.5 million tonnes.
Rocglen Coal Mine (PA 06-0198)	Coal Extraction	1.5 Mtpa ROM coal
	Approved Coal Haulage	<p>6A. For the period up until the commissioning of the Kamilaroi Highway overpass, the Proponent:</p> <p>(a) may not transport more than 1.5 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(d) shall, together with the owners of the Tarrawonga and Vickery coal mines, ensure that the cumulative haulage of coal along the approved haulage route does not exceed 3.5 million tonnes each year during all other calendar years.</p> <p>6B. For the period following the commissioning of the Kamilaroi Highway overpass, the Proponent:</p> <p>(a) may not transport more than 1.5 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(c) shall, together with the owners of the Tarrawonga and Vickery coal mines, ensure that the cumulative haulage of coal along the approved haulage route does not exceed 4.5 million tonnes each year during all other calendar years.</p>
Approved Vickery Coal Project (SSD-5000)	Coal Extraction	4.5 Mtpa ROM coal
	Approved Coal Haulage	<p>7. For the period up until the commissioning of the Kamilaroi Highway overpass, the Applicant:</p> <p>(a) may not transport more than 3.5 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(d) shall, together with the owners of the Tarrawonga and Rocglen coal mines, ensure that the cumulative haulage of coal along the approved haulage route does not exceed 3.5 million tonnes.</p> <p>8. For the period following the commissioning of the Kamilaroi Highway overpass, the Applicant:</p> <p>(a) may not transport more than 4.5 million tonnes of ROM coal from the site in any calendar year;</p> <p>...</p> <p>(d) shall, together with the owners of the Tarrawonga and Rocglen coal mines, ensure that the cumulative haulage of coal along the approved haulage route does not exceed 4.5 million tonnes.</p>

Note at the time of the approval of the Approved Mine, it was anticipated that commercial arrangements would be in place for coal from the Tarrawonga Coal Mine to be transported via the Boggabri Coal Mine CHPP and rail loop. However, a commercial agreement has not been reached and on this basis coal from Tarrawonga is required to continue to be transported via the Approved Road Transport Route. In addition, the Rocglen Coal Mine is no longer mining coal. Consistent with the relevant Consent conditions outlined in Table 1 above, in the absence of any modifications, Whitehaven would need to manage the ROM coal production rates from the approved operations such that combined transport along the Approved Road Transport Route would not exceed the approved haulage rate.

Approved Rail Dispatch Rate – Whitehaven CHPP

Table 2 outlines the approved coal processing and rail transport rates for the Whitehaven CHPP (DA 0079.2002).

Table 2
Whitehaven CHPP Approved Coal Processing and Transport Rates (DA 0079.2002)

Approval Limit	Condition
Coal Processing	<i>6. The Applicant shall not process more than 3.0 million tonnes of ROM coal on the site in a calendar year.</i>
Coal Transport	<i>7. The Applicant shall not dispatch more than 4.1 million tonnes of coal from the site in a calendar year.</i>

Note that approved dispatch rate of 4.1 Mtpa product coal includes a combination of processed coal (up to 3 Mtpa ROM coal) and bypass coal (remainder). The dispatch rate of 4.1 Mtpa product coal is equivalent to the maximum coal haulage (4.5 Mtpa ROM coal) with a coal processing efficiency of 90% at the Whitehaven CHPP.

Therefore the approved dispatch rate of 4.1 Mtpa product coal from the Whitehaven CHPP does not result in additional constraints on ROM coal production beyond the constraints imposed by the approved coal haulage transport rates (as per Table 1 above) of 3.5 Mtpa (existing) or 4.5 Mtpa with the Kamilaroi Highway Overpass.

Direct Response to IPC Issues Report

Direct responses to the IPC's Issues Report regarding production constraints are provided below.

329. The Commission notes that the EA compares the Project against the Approved Project and a Reference Case (being a "do nothing" case, which excludes the existing Tarrawonga and Rocglen Mines, since these mines are already operational at a 4.5 Mtpa capacity). However, the EA does not consider the impact of the Approved Project on the existing Tarrawonga and Rocglen Mines, in circumstances where the Approved Project consent restricts output to a combined total of 4.5 Mtpa for all three mines, the effect of which is that the Approved Project can only operate at full capacity if the Tarrawonga and Rocglen Mines close or output is significantly constrained. The EA does not consider this impact.

- Yes, the cumulative production of the approved operations needs to be managed by Whitehaven so as to achieve the approved limits on coal haulage rates. This was always the intention, as evidenced by the existing conditions in all three approvals referring to cumulative haulage (refer Table 1).
- It is true that a flow on benefit of the Project is the removal of such constraints (i.e. on the Vickery and Tarrawonga maximum production rates occurring simultaneously) and therefore the Project Economic Assessment (as per the Amendment Report) potentially underestimates the incremental net benefits of the Project.
- The Project Economic Assessment (as per the Amendment Report) does not include the economic benefits of mining at Tarrawonga as these benefits are associated with operations that are already approved.
- An alternative scenario (in response to the IPC's comment that the Approved Mine may constrain Tarrawonga) is that the Approved Mine coal production is constrained below 4.5 Mtpa due to Tarrawonga taking up a proportion of the cumulative haulage limit.
- As per Chart 1 attached, for this alternative scenario the incremental net benefits of the Project would be between \$454 million and \$1,163 million.

330. The Commission further notes that the existing Gunnedah CHPP has an approved capacity of 3 Mtpa, thereby restricting output of the three approved mines (given the combined approved output of the three mines is 9 Mtpa). The EA does not consider

this impact.

- As described above, currently approved ROM coal production is not constrained by the Whitehaven CHPP beyond the approved road haulage rate. The 3 Mtpa capacity is for ROM coal processing and does not account for bypass coal.

331. As such, the Commission considers that the incremental economic benefits of the Project may not be an accurate assessment, since if the Approved Project scenario were to be followed, compared with the Project there would be a significant negative economic impact on the existing Tarrawonga and Rocglen Mines (see paragraph 329).

- Refer to Chart 1 provided above, which indicates the incremental net benefits of the Project relative to the Approved Mine as presented in the EIS may be conservatively low.

Please don't hesitate to contact James or myself if you have any further queries or would like to discuss.

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