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56 Brighton Street, Bundeena 2230

megabens@gmail.com

OBJECTION TO HVO SOUTH MODIFICATION 5 PROPOSAL PA 06_0261

I object to the HVO South Modifiation 5 –Progression of Mining proposal for the following reasons –

1. **The Socio-Economic case for the proposal is flawed.**

The proponents do not attempt to accurately account for, or cost, the potential negative consequences of their proposal on the community. The proposal clearly overstates the benefits to the proponents and understates and ignores long term social costs of their current and proposed operation.

Further costs to the community will be directly attributable to the expansion and progression of the mining proposal. Impacts include:

1. Increased air, dust and blasting impacts (including noise) from the site – likely to be greater than predicted during extreme weather events
2. Loss of Visual amenity with the increased overburden height of 80metres
3. Increase in greenhouse gas emissions
4. The proposal and operational mine has already negatively affected the real estate values of surrounding properties. The proponents have acquired properties necessarily impacted by current operations diminishing the social and environmental amenity of the region. Residents who have already been forced or bought out from their homes and land in order to mitigate the noise and dust pollution resulting from the operation are part and parcel of the history of this mine.
5. The increased drawdown of groundwater by an additional 2.8m will have a cumulative impact of nearly 10m drop in groundwater sources – with unknown impacts to surrounding land and vegetation
6. The final void will increase from 404ha to 523ha and will be a perpetual, useless, toxic water sink unless rectification planning, implementation and costs can be assured
7. Pollution from mine water discharge will further contaminate the Hunter River. This problem will increase with the predicted extreme weather events caused by climate change.

Community consultation has identified amenity and resource impacts irrespective of the proponent's current technical assessments. The community has already witnessed the predictable and adverse impacts from mining addressed at operational level. But managing problems in retrospect, after the damage is done, is simply irresponsible, costly and unfair to the community.

Clearly, expansion of the proponent's existing facility will capitalize on their existing infrastructure investments. Benefits, in the first instance, are planned to flow to the company and their shareholders. The proponents state "The proposed modification will facilitate the extraction, processing and transportation of a state resource by an existing mining operation. This can be efficiently achieved by

Coal and Allied because of the hundreds of millions of dollars invested in the operation and its existing access to product transport and distribution infrastructure such as road, rail and port".

The arrogance of this statement is breathtaking. The economic cost of the proponent's proposal to the community must be considered. The community's contribution to the mines operation includes direct government subsidies which come in the form of infrastructure funding, fuel tax credits, company tax credits, and clean coal research. Government subsidies are not permanently assured and the absence of such subsidies (especially the fuel tax credits) should be accounted for. ***(Open-Cut Coal Mining in Australia's Hunter Valley: Sustainability and the Industry's Economic, Ecological and Social Implications. Drew Cottle, Angela Keys, UTS Press International Journal of Rural Law and Policy Mining in a sustainable World).***

2. **The cumulative costs and impacts of coal mining in the region have not been considered or costed**

The proponent misleads when stating that the proposed modification is justified because "it will add to the important regional and local economic and social benefits from the mine's operations" **(17.5 Conclusion)** The real, external costs suffered by local communities when coal mining projects move into their areas is well documented and such costs remain unaccounted for by the proponents.

Risks from coal expansion in the region include greenhouse gas emissions, environmental and social impacts particularly pollution along transport routes, insecure future employment opportunity and depletion of the state's natural resources.

The expansion of HVO South comes at a cost to the region's competing resource interests that depend on clean air and water.

It is unacceptable that the proponents fail to address health issues – particularly costs - experienced in the region as a direct result of the mining and transportation of coal and the cumulative impacts of the coal mining industry in the region. In 2011 'The Mining and Burning of Coal: Effects on Health and the Environment' report gave a definitive assessment of the negative health impacts of coal mining in the Hunter Valley ***(William M Castleden, David Shearman,George Crisp and Phillip Finch (2011) 195(6) The Medical Journal of Australia 333).***

No coal mining proposal should be viewed in isolation of the cumulative impacts of that industry within the region.

"The central idea behind the assessment and management of cumulative impacts is that it is insufficient to only consider the impacts of a single project or action. Sustainable development requires that the full range of human generated stresses are understood in their environmental, economic and social context. The role of the assessment of cumulative impacts is to identify, examine, and respond to such impacts. The aim of cumulative impact management is to keep the total effects of all stresses at acceptable levels and to enhance opportunities through co-ordination. ***(Cumulative impacts, A Good Practice Guide for the Australian Coal Industry, Daniel Franks, David Brereton, Chris Moran, Tapan Sarker, Tamar Cohen, University of Queensland ISBN 978-0-9581710-2-1, 2010)***

3. The Proposal is not justified

The global coal industry is in structural decline. Noted in the following excerpt, this has specific repercussions for the Hunter Region:

Call for transition strategy to assist Hunter coal mining communities in wake of job losses:
"Federal Member for Hunter Joel Fitzgibbon is advocating the development of a regional strategy to promote economic diversity in mining areas and Muswellbrook mayor Martin Rush has called on the NSW Government to commit $30 million to an Upper Hunter Economic Development Corporation to help affected communities transition to new industries and create job opportunities.
Cr Rush said with markets retreating and coal prices dropping, it was "becoming increasingly clear this is no longer a cyclical downturn, but a structural decline for the future of thermal coal".
"The State Government needs to ensure that areas that have contributed so much for so long to the state's economy are protected during this period of very strong economic headwinds," Cr Rush said.
Mr Fitzgibbon said job losses and the halving of coal prices over three years had prompted him to lobby for a transition strategy. He has proposed the Hunter branch of Regional Development Australia oversee the building of a business case for government support .
"It is not in anyone's interests to accelerate the demise of coal but market forces indicate that in the long run, it will play a smaller role in our local economy," he said.
(http://regionaldevelopment.org.au/call-for-transition-strategy-to-assist-hunter-coal-mining-communities-in-wake-of-job-losses/)

The business case for this proposal must be seen in light of the regional demise of the industry. The economic fundamentals for the proposal are weak and the project should be considered high risk.

Alternative energy is threatening coal's dominance in energy production and investment decisions regarding coal production are changing. It has been reported that Rio Tinto (along with other major coal producers like BHP and Peabody) have been systematically divesting their coal assets over recent years. In this instance, concern has been raised about the new owners (Yancoal's) cutting costs at the mines by shedding employees ***(ABC News 25 Jan 2017 Thuy Ong, Liz Parquar, Cecillia Connell Rio Tinto agrees to sell Australian coal unit to China's Yancoal for $3.2bil).***

The recent acquisition by Yancoal of HVO South is obviously in their best interests. It is important to state that Yancoal, who own a number of Hunter regional coal mines, has been paying heavily for their "take or pay" contracts to transport coal to Newcastle Port for a number of years. These contracts mean that coal companies have to lock into to transport contracts 10 years in advance, and must pay for any capacity they don't use or can't trade. In 2013***,*** Yancoal paid an estimated $50 to $55 million for rail and port capacity that they did not use. ***('Take or pay hitting coal companies IanKirkwood, May 2013 Newcastle Herald).***

The original socio-economic assessment for the ERM (2008) Environmental Assessment is outdated and the information contained in that report, now repeated with this proposal, is clearly biased. When the coal industry itself is struggling to reliably predict demand for their coal, is not assured of a selling price and is selling in a global market that is in oversupply – surely the risk to the community of approving an extension to HVO South must be seen as high.

Climate Change:

The unmistakable conclusion of the global community of climate scientists and the vast majority of world governments agree that we must reduce our carbon emissions from the burning of fossil fuels if we are to limit warming to between 1.5 and 2 degrees Celsius. The science is clear that we need to adapt to a changing environment now and in the future. The binding commitments to The Paris Agreement have been ratified by 131 countries, including Australia.

It does not make sense, (nor can it be substantiated) to argue that if this coal proposal does not go ahead, "less efficient energy production from low quality coal and/or less efficient mining would involve a higher contribution". (p231 ES6.10). Please see Appendix 1 "China Busts Australian Coal Myth".

The IEA's World Energy Outlook for 2016 indicates the global transition to renewable energy production is well underway:

*"The pledges made as part of the Paris Agreement have accelerated the pace of change in the energy sector. Low-carbon fuels and technologies, mostly renewables, along with natural gas, win the race to meet the growth in energy demand, accounting for more than 80% of the increase to 2040. The share of oil and (especially) coal, the largest fuels in today's global energy mix, falls back."**(https://www.iea.org/newsroom/news/2016november/world-energy-outlook-2016)***

Geoff Summerhayes, Executive director of The Australian Prudential Regulation Authority (APRA) recently commented on the implications of climate change and climate risk and the implications for the financial sector. He noted that climate change is not just the concern of scientists – but of planners, policy makers, businesspeople and economists. Summerhayes stated that:

The Centre for Policy Development and the Future Business Council released an influential legal opinion on company directors' legal obligations to consider the impacts of climate change …. The opinion found that company directors who fail to properly consider and disclose forseeable climate-related risks to their business could be held personally liable for breaching their statutory duty of due care and diligence under the Corporations Act. The author warned that is "only a matter of time: before we see this sort of litigation against a director". ***(3.Legal opinion on directors' duties, Australia's new Horizon: Climate change challenges and prudential risk http://www.apra.gov.au/Speeches/Pages/Australias-new-horizon.aspx)***

Nowhere in the documentation for the proposal, did I see any reference to "Climate Risk" – allow me to quote Summerhayes again –

……"if entities' internal risk management processes are not starting to include climate risk as something that has to be considered – even if risks are ultimately judged to be minimal or manageable – that seems a pretty reasonable indicator there might be something wrong with the process. Similarly, if you're an investor and you're not already asking questions about how the companies you invest in approach these issues – perhaps you should be" ***(http://www.apra.gov.au/Speeches/Pages/Australias-new-horizon.aspx).***

In light of the above statement, it is obviously a scurrilous claim made by the proponents that "Any residual impacts will be balanced against the provision of a cost effective and efficient means of energy generation which provides for humanity's current and future needs".

The proponents would be well aware of the IEA's 2016 Outlook document which accounts for coals' global green house gas contribution : "*Coal, which is the most carbon-intensive fossil fuel, became the leading source of world energy-related CO2 emissions in 2006, and it remains the leading source through 2040 in the Reference case. However, although coal accounted for 39% of total emissions in 1990 and 43% in 2012, its share is projected to decline to 38% in 2040, only slightly higher than the liquid fuels share.* ***(https://www.eia.gov/outlooks/ieo/emissions.cfm)***

The proposal cannot be justified when the environmental as well as economic impacts have a future residual and negative legacy (primarily greenhouse gas emissions in a carbon constrained world) that is ignored by the proponents. We've been told time and again that climate change poses the most severe of all risks to the coal industry, our environment, our society and our economy.

Employment

The proponents state that their proposal is consistent with the notion of intergenerational equity and contributes to social equity "by providing a viable operation that will allow for continued direct and indirect employment"(p232 ES6.19 /Justfication and conclusions)

Obviously, mining isn't the only option for the economic prosperity of the region and the State. The proponents have failed to show that people are actually seeking employment in the coal industry and that the industry has achieved the social license to operate.

What we know is that the mine exists now and has an anticipated life span till 2028 with or without the modification **(15.2.3 Existing socio-economic benefits).**

The Hunter region has been progressively detaching itself from its coal mining roots for many years now. ***(Coal communities in NSW's Hunter Valley trying to survive the mining slowdown http://www.abc.net.au/news/2014-12-14/coal-communities -trying-to-survive-the-mining-slowdown/59664 4,000 coal mining jobs in NSW lost in 2014 – Singelton diversifying its economy away from coal)***

In 2012 the Hunter Regional Plan noted "*A more diverse economic base, including more employment in higher 'added value' industries and more future facing sectors, including renewable energy are essential elements for economic growth"* ***(Regional Development Australia (Hunter) Regional Plan 210-2012 p11)***

The proponent's statement cannot be realistically supported. As stated previously, concern has already been expressed that jobs could be shed due to cost saving measures applied by the new owners and the region is looking toward new employment opportunity.

Conclusion

The HVO South Modification 5 proposal should be seen in light of the inevitable demise of the Hunter Region's thermal coal industry.

The economic fundamentals of the proposal are flawed, dependent on a long term uptake in the global coal export market. This is far from assured.

There is no socio-economic case for the proposal as evidenced by the current promotion of alternative development for the region and current lobbying for a transition from the coal industry.

The proposal cannot be justified when identified negative impacts and risks are inherent in the proposal.

Yours faithfully,

Megan Benson.

I have read the Department's Privacy Statement and agree to the Department using my submission in the ways it describes. I understand this includes full publication on the Department's website of my submission, any attachments, and any of my personal information in those documents, and possible supply to third parties such as state agencies, local government and the proponent.

Appendix 1

China busts Australian coal myth
Tim Buckley
7 Jun 2016, 10 p.m.
Newcastle Herald

CHANGES: While the price of coal is becoming too low to turn a profit in Australia, it's still too expensive for our traditional buyers, primarily India and China.

NSW coal is the highest quality in the world. So if you're in the market for some of the black stuff, forget Indonesia, forget Colombia, get yourself some Australian.

As for the Chinese and the Indians, their coal is the supermarket homebrand coffee to our single origin.

Hence the Baird government's future projection for NSW implying the state will extract more than 10 billion tonnes of coal at the rate of almost 1 million tonnes a day by 2056. That's an increase of around 60% in production volume.

Because naturally, even though the world is cutting down on coal, the Australian cream will rise to the top, right?

Wrong. It's in fact so far-fetched it seems like the NSW Government has been adding something a little stronger to its collective cappuccino.

A recent article from the *Australian Financial Review* shed some light on the issue.

It reported that the Minerals Council of Australia is making a big deal about the new wave coal power stations in China, which have been named ultra-super critical generators by the PR gurus.

Yet, on an industry-sponsored tour of the newest Waigaoqiao No.3 Power generation Co., in the course of a conversation with the correspondent, the General Manager Professor Feng Weizhong, let it be known that dirty old Chinese coal and Indonesian lignite alone is being fed into the sparkling new furnace at Waigaoqiao No.3 Power Generation Co.

Shock horror. Surely the newest tech calls for the best coal? Not at all. In fact, he revealed what resources analysts know but the government can't seem to understand: coal is coal.

What matters is the price. And here's the rub. The Australian coal price has dropped so low that miners are losing money hand over fist, falling over each other to offload unprofitable assets. But while the price is too low to turn a profit in Australia, it's still too expensive for our traditional buyers, primarily India and China.

China has a mountainous coal glut as less and less is burned for electricity, with demand down 3.2% year on year for January to April 2016. In a declining market, with 1.2 million jobs already under threat from mine closures, China is obviously prioritising domestic coal use over imports. Having peaked in 2013, thermal coal imports to China have subsequently fallen 40% over 2014-2015.

In India, Energy Minister Piyush Goyal continues to repeat his target of eliminating thermal coal imports. It's not a complicated equation. Domestic solar is already cheaper than imported coal and the price is dropping like a stone. As a consequence, in April 2016 coal imports fell 15% year on year. The Indian Power Ministry said in June 2016 it would not need any new thermal capacity for the next three years.

And to put this into perspective, India and China made up 35% of the market in international coal in 2015.

Coal is being permanently replaced, because even at its cleanest, it is more polluting than gas. And moreover, renewable energy and energy efficiency are winning on cost. And of course, because internationally traded coal is the most expensive, this market is feeling the brunt of the pain.

And it's in nobody's interest to continue pretending otherwise, least of all for the remaining financially-stressed producers in Australia adding further supply into an already over-supplied market.

Tim Buckley is from the Institute for Energy Economics and Financial Analysis