Nature Conservation Council of NSW
The voice for the environment since 1955

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Major Planning Assessments
Department of Planning and Infrastructure
GPO Box 39
Sydney 2001

16 November 2012

Dear Sir/Madam,

Submission of Objection – Cobbora Coal Project Application No: 10_0001

The Nature Conservation Council of NSW (NCC) welcomes the opportunity to comment on the Cobbora coal project.

NCC is the peak environment body for New South Wales, representing over 100 organizations across the state. We have long-standing experience in state environmental assessment and planning and are extremely concerned with the proposal to develop the Cobbora coal project in central west NSW.

This project will waste taxpayer dollars, destroy over 1850 hectares of important wildlife habitat, and runs counter to the country's efforts to decrease greenhouse gas emissions by providing half-priced coal to our state's coal burning power stations for more than 20 years.

NCC objects to the proposal on the following grounds.

Inappropriate use of taxpayer funds:
The Cobbora coal mine is a high cost, high risk project that will expose NSW taxpayers to massive financial liabilities, while delivering an enormous and environmentally perverse subsidy for polluting coal fired power generators.

The justification for the project is based on incorrect projections of demand for coal-fired electricity over the next 10 years. Demand has dropped significantly since this project was proposed as part of the Keneally government's electricity privatisation deal. The price of black coal on the export market has also dropped below the projections used to justify the need to source cheaper coal for domestic use.

It is inappropriate to invest taxpayer funds in a project that will provide heavily subsidized coal to six power generators in NSW and run at a loss. Economists at Large recent research states, '*The coal will be sold to these generators not at a market price, but at a "pre-agreed price", of $31.16 per tonne (NSW Auditor General, 2011). The difference between valuing the project with a coal price of $77 and $31 per tonne is clearly significant, at this price suggesting a net present value of minus $1 billion. The difference*

between the value of the project at $77 per tonne and the "pre-agreed price" represents a benefit, or subsidy, to the chosen generators.'

Additionally, the economic assessment of the Cobbora Coal Project by Gillespie Economics does not take into account the additional social costs associated with the project. The assessment should be revised to account for omission of greenhouse gas impacts, social value of employment, noise, dust, vibration, health impacts, social value of rural communities, natural habitat impacts and water quality. A project that will lose revenue is particularly ill conceived at a time when the NSW government is cutting funding for needed personal and programs.

Undermining competition in the energy market

We believe that the Cobbora coal project forms a central element of an arrangement that will substantially lessen competition in the electricity market. In essence it ensures that a number of existing NSW electricity generators will not have to pay for coal on the open market, and can therefore buy coal at a lower price than they otherwise would have to.

The renewable energy industry is at a crucial stage in competing with the current coal fired electricity. While we are seeing a global upward trend in renewable energy investment, many of the renewable energy industries at present are more expensive than coal. The availability of artificially cheap coal continues to ensure that coal fired electricity outprices renewables.[1]

There are significant barriers to entry to renewable energy and other sources of power such as gas. In particular, the electricity grid is not designed to deal with renewable energy that is often supplied on a more intermittent basis. There is often also significant distance from renewable energy sources to the national electricity grid. There have also been significant subsidies provided to the coal fired electricity sector during its establishment that meant it was built on low interest government guarantees.[2] The largest barrier to entry to new competitors in the industry is the significant investment required in energy production for all types of electricity.

The Economists at Large report highlights that, '*In a competitive market, suppliers price their product equal to their long run marginal cost (LRMC). If all suppliers were given a subsidy, then the industry's LRMC would decline and prices would also fall, passing benefit to consumers (or at least to distributors and retailers). But where only three suppliers are subsidised they can either take the subsidy as a windfall or reduce their price to the subsidised marginal cost. Doing this would pass benefits onto their buyers (in this case retailers, not consumers), but at the expense of non-subsidised generators.'*

The report further finds that, '*If the aim of deregulating electricity in NSW is to promote competition, it would seem counter-productive to then apply a non-competitive policy such as a selective subsidy to favoured generators. This clearly anti-competitive policy works against the long run interests of consumers and other producers, ie renewable and gas-fired generators and non-subsidised coal generators.'*[3]

We are seeing an upward trend in global and domestic coal prices, in the absence of anti-competitive coal supply arrangements. For example, coal demand in the United States

[1] ABARE, Australian Energy Resource Assessment, pg. 1

[2] M.Diesendorf, *Greenhouse Solutions with Sustainable Energy*, pg. 292

[3] Economist at Large, Review of Cobbora Coal Project, Environmental Assessment - Appendix R (economic assessment) November 2012.

has been on a consistent decline. '*In terms of actual production, renewable electrical output increased by 25.82 percent in the first three months of 2011 compared to the first quarter of 2010. Solar-generated electricity increased by 104.8 percent, wind-generated electricity rose by 40.3 percent, hydropower output expanded by 28.7 percent, and geothermal electrical generation rose by 5.8 percent. Only electricity from biomass sources dropped, by 4.8 percent. By comparison, natural gas electrical output rose by 1.8 percent and nuclear-generated electricity increased by only 0.4 percent, while coal-generated electricity dropped by 5.7 percent*.'[4]

Given the consistent downward trend in the cost of renewable energy generation, locking in a long term effective subsidy for coal fired power will undermine efforts to secure least cost abatement of carbon emissions across the Australian economy.

This project will have the likely effect of substantially lessening competition in the wholesale energy market and prevent the entry of renewable energy industries in the same market. The Cobbora mine proposal will entrench coal power at the expense of lower emission energy sources.

Contribution to climate change:
The Cobbora coal project will generate new greenhouse gas emissions directly conflicting with State and Federal policies to reduce climate change. There is overwhelming scientific evidence that the burning of fossil fuels directly contributes to climate change. Australia is already suffering from the impacts of a warming climate including, increased floods, droughts and heat waves. Given this reality, it is wholly irresponsible to provide half-priced coal to power stations that will lock the state into coal-fired electricity generation until 2036.

The argument for continued coal-fired electricity in comparison to the long-term investment in renewable energy sources has not been adequately investigated. We recommend the government conduct a cost benefit comparison of investing the equivalent amount in renewable energy sources.

Destruction of high conservation value land and threatened wildlife:
The project will disturb approximately 47km^2 of land with important high conservation and agricultural value and will destroy 1,867ha of significant woodland providing habitat for 39 threatened species, including nationally listed endangered species. The project will also impact groundwater and surface water sources and desecrate at least 79 Aboriginal cultural heritage sites.

Flora Impacts:
The proposed destruction of endangered woodland ecological communities in the Central West region is highly significant because of the level of disturbance that has occurred since first Europeans crossed the Great Dividing Range.

The proposal indicates that areas of impact will destroy endangered ecological communities and vegetation assemblages that have had 75% or more of their original extent cleared in the Central West Catchment Management Authority (CW CMA) region.

This includes areas of Box Gum Grassy Woodland, Mugga Ironbark Grey Box Woodland, Scribbly Gum Open Forest, Red Stringybark Woodland, Rough-barked Apple Woodland, Fuzzy Box Woodland and Inland Grey Box Woodland.

[4] Eric Wesoff, Greentechmedia, *Report: Domestic Renewable Energy Produces More Than Nukes*, 6 July 2011.

Some areas of woodland occurring in the mine footprint have been identified by the CW CMA as important regional biodiversity corridors. This project will cause a significant loss to biodiversity targets and planned landscape connectivity improvements in both the short and medium term.

Four threatened plants, including three listed as matters of national environmental significance (NES) under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), will have populations destroyed by the proposal.

These are the endangered *Tylophora linearis* and Ingram's Zieria (*Zieria ingramii)*; and vulnerable *Homoranthus darwinioides.* The fourth plant, Ausfeld's Wattle (*Acacia ausfeldii*) is listed as vulnerable under the NSW *Threatened Species Act 1995* (TSC Act).

The proposed impact on these threatened plants is highly significant and cannot be adequately offset:

- 100% loss of the local population of *Tylophora linearis*
- 58% loss of the local population of Ingram's Zieria (*Zieria ingramii)*. This places the local population at risk of extinction and is not consistent with the recovery plan for the species (DEC 2007)
- 53% loss of the local population of *Homoranthus darwinioides.* This population is only one of three known populations and is close to the southern distribution of the species. Habitat in the study area may be critical to the survival of this species.

Fauna Impacts:
The scale of this proposal and the need to remove 1,867 ha of established woodland habitat with high conservation value and an additional 967 ha of native grasslands that provide food sources for threatened species is a significant loss in the CW CMA region that has national implications.

The removal or disturbance of key habitat values including large hollow-bearing trees, ridgeline, foraging areas and important instream deep pools and drought refugia is not consistent with the recovery of a range of threatened species listed for protection under the TSC Act and EPBC Act.

The EA identifies that the project may cause the local extinction of the following threatened species:

- Glossy Black-Cockatoo (*Calyptorhynchus lathami)*
- Barking Owl (*Ninox connivens)*
- Masked Owl (*Tyto novaehollandiae*)
- Powerful Owl (*Ninox strenua*)
- Hooded Robin (*Melanodryas cucullata*)
- Diamond Firetail (*Stagonopleura guttata*)
- Varied Sittella (*Daphoenositta chrysoptera*)
- Grey-crowned Babbler (*Pomatostomus temporalis*)
- Speckled Warbler (*Chthonicola sagittata*)
- Freshwater Catfish (*Tandanus tandanus*)

Important roosting, foraging and possible breeding sites will also be lost for the following threatened microbats recorded in the study area:

- Southern Long-eared Bat (*Nyctophilus corbeni*)
- Large-eared Pied Bat (*Chalinolobus dwyeri)*
- Little Pied Bat (*Chalinolobus picatus)*
- Yellow-bellied Sheathtail Bat (*Saccolaimus flaviventris*)

The environmental assessment for this very large proposal does not adequately consider the cumulative impacts of loss of key habitat resources for many of these species within the region. The recent approvals for the expansion of the Ulan Mine and the establishment of the Wilpinjong and Moolarben coal operations directly to the east of this proposal have resulted in significant loss of habitat for many of the same threatened species.

These cumulative impacts must be given high priority consideration.

Aquatic ecology impacts:
The proposal occurs in the catchment of the Lowland Darling River aquatic endangered ecological community (EEC). This EEC will be impacted by increased fragmentation through loss of low flow connectivity and groundwater drawdown, particularly in periods of prolonged drought.

The reduction in surface flows to Laheys Creek, Sandy Creek and the Talbragar River will be caused by loss of catchment in the mine footprint and loss of base flows due to groundwater drawdown. These are ephemeral streams with an aquatic habitat that is highly dependent on low flow and base flow supply during drought.

This will particularly impact on drought refugia for the threatened Freshwater Catfish (Tandus tandus) that has been recorded in these streams. Loss of base flows will also cause degradation of riparian vegetation and other groundwater dependent ecosystems. The reliance of threatened terrestrial species on habitat provided by healthy riparian vegetation and access to water during drought has not been adequately considered in the assessment.

Biodiversity Offset Strategy:
The proposed biodiversity offset package has not been finalised and is based on a modified version of the NSW Government Biobanking Assessment Methodology.

It is inappropriate for identified offset areas to overlay coal resource unless they are dedicated as a protected conservation reserve. Otherwise, these areas are likely to be destroyed by future mine expansion, as has occurred with the approved Warkworth mine expansion in the Hunter Valley. This will destroy any mitigation of the significant biodiversity impact of this proposal.

The replacement of high conservation value habitat, especially tree hollows in slow growing woodland species, takes centuries and cannot be replaced with an offset.

The proposed use of rehabilitated mine land to provide offsets for threatened vegetation communities is not appropriate and should not be used as credits in the Biobanking calculations.

Inadequate Bushfire Risk Management:
The Bushfire Assessment Report does not address all bushfire issues. This is of concern, as the increased activity at the proposed project may result in increased bushfire risk.

Details on potential ignition sources and their management are not adequately covered. A site bushfire management plan, identifying how the risk of fire will be reduced within the project (internally) or how ignitions from the surrounding bushland (arson, lightning) will be managed, should have been have been included in the Environmental Assessment.

A site bushfire management plan would not only include Asset Protection Zones, but Strategic Fire Advantage Zones and Land Management Zones. The NSW Rural Fires Act (1997) requires the owners of land to prevent the ignition and spread of bushfires on their land. It is not clear how this will be achieved.

The objectives of the NSW Rural Fire Service Act (1997) are to prevent, mitigate and suppress bushfire while having regard to the protection of the environment. There is no mention of how threatened flora and fauna will be managed in the Asset Protection Zones (which is the only zone mentioned in the Bushfire Assessment), let alone Strategic Fire Advantage Zones and Land Management Zones. The following threatened flora and fauna species found at the proposed project site are also fire sensitive and have not been considered in the Bushfire Assessment. Fire management recommendations are taken from the Threatened Species Hazard Reduction List (2004).

Species	**Specific Conditions relating to the use of fire**	**Conditions relating to mechanical forms of hazard reduction**
Flora		
Tylophora linearis	No fire more than once every 10 years	No slashing, trittering or tree removal
Zieria ingramii	No fire more than once every 10 years	No slashing, trittering or tree removal
Homoranthus darwinioides	No fire more than once every 10 years	No slashing, trittering or tree removal
Fauna		
Glossy Black Cockatoo	No burning of allocasuarina thickets	Yes but no allocasuarina thickets
Barking Owl	No burning around nesting sites at any time	No slashing, trittering or tree removal around nesting sites
Masked Owl	No burning around nesting sites at any time	No slashing, trittering or tree removal around nesting sites
Powerful Owl	No burning around nesting sites at any time	No slashing, trittering or tree removal around nesting sites
Diamond Firetail		No slashing, trittering or tree removal
Grey-crowned Babbler		No slashing, trittering or tree removal
Speckled Warbler		No slashing, trittering or tree removal

In addition, ecological burning is an important component of vegetation and ecosystem management, yet it has not been considered in the Environmental Assessment. With over 400 flora and fauna species in NSW alone threatened from inappropriate fire

regimes, it is critical to incorporate fire management as an integral part of land management.

The Bushfire Assessment identifies that the Dapper NSW Rural Fire Service has limited membership, equipment and training and that CHC will enhance the region's bushfire fighting capabilities. It does not detail what resources (in dollars, equipment and manpower) CHC intends to provide. The NSW Rural Fire Service is struggling to retain brigade members, particularly in areas where mining companies have taken over rural properties. The proposed mine should not be putting extra pressure on an already stretched brigade, but should be training up its own staff to form a brigade that can also be utilised for the benefit of the local community.

The success of proposed mine rehabilitation and offsets based on woodland revegetation might be at risk in the long term, if a comprehensive fire management plan is not in place after the life of the mine.

Impacts on limited water resources:
There has been no evidence provided to the community to indicate that modeling for the new drought of record was used in the assessment of the transfer of water licenses from the lower Macquarie River up to the Cudgegong River.

The project will compete with the Mudgee wine and tourism industry for water supply during drought conditions. The mine will need to use up to 3,700 ML (million litres) of water per year from surface water and groundwater interception. The use of high security licensed water from the Cudgegong River will not only threaten the water security of the Mudgee region wine and tourism industries, it could also threaten the long –term security of urban water supply from Windamere Dam.

This project will compete with agricultural activities for the use of limited groundwater resources and moreover, all necessary groundwater licenses have not been acquired.

Community disruption:
The project aims to mine 20 million tonnes per annum (mtpa) to produce 12mtpa of usable coal of extremely poor quality with high ash content. The coal will fuel power stations in the Upper Hunter and Central Coast and will negatively impact the quality of the land, air and water in that area. The health impacts of using poor quality coal have not been adequately assessed. Towns and properties along the coal chain will be impacted by additional noise and dust from increased coal train movements.

With long-term, empirical evidence linking significant health impacts to coal mining, it is important that the costs associated with impacts are included in consideration of this project. Clearly these are costs that accrue to the local and NSW community and should be included in the environmental assessment.

The NSW Government has purchased 68 of 90 properties in the affected area. The loss of farming community and broad scale food production has not been adequately assessed.

The cost benefit analysis for the project has not taken into account the social disruption; competition for workforce with other industries, particularly the agricultural industry across western NSW; or the costs of major infrastructure upgrades, particularly rail lines, to accommodate additional coal transport.

Conclusion:
Given the impacts on the land, water, climate and the NSW taxpayers, it is irresponsible to develop the Cobbora coal project and we urge the NSW government to reject the proposal.

Yours sincerely,

Pepe Clarke
Chief Executive Officer