



Cobbora Coal Project: Application Number 10_0001

Submission by Greens NSW MP John Kaye

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The development of the Cobbora coal mine will lock NSW into a heavily-subsidised, fossil fuel-reliant energy future. It will impose economic losses on the state of up to \$3.4 billion and will set back the necessary transition to renewable energy by decades.

The Greens' oppose the proposed development of the Cobbora coal mine and the government's role in the perpetuation of an unviable and unsustainable solution to the state's energy needs.

The Greens concerns fall into three main categories.

1. Issues for the State. The proposal would:

- 1.1. Impose an unjustifiable cost on the state's budget, estimated to be as high as \$3.4 billion over the life of the mine, to provide subsidised coal to the privatised power stations and gentraders, at the expense of other social and infrastructure spending;
- 1.2. Expose the state to on-going financial risks associated with developing and operating the mine;
- 1.3. Compromise the growth of the renewable energy sector with a consequent loss of jobs and investment opportunities for the state of NSW;
- 1.4. Perpetuate NSW's dependency on coal for electricity generation, thus locking out zero emission, high employment renewable energy and energy efficiency alternatives;
- 1.5. Distort the electricity market by subsidising the fuel of one source and consequently undermine the effectiveness of the carbon price and other attempts to rescue emissions in the electricity industry; and
- 1.6. Rely on inflated and unrealistic demand forecasts for its plans.

2. Issues for households. The proposal would:

- 2.1. Result in increased taxes and charges to pay for the subsidies to the mine
- 2.2. Reduce opportunities for rooftop solar and other low emissions redistributed renewable energy

3. Issues for affected communities. The proposal would:

- 3.1. Impose unjustifiable health risks and disruption on the local community and residents along the coal transport corridors.

4. Issues for the environment. The proposal would:

- 4.1. Conflict with the State and Federal government's commitments to reduce carbon emissions, and it will be responsible for 25 million tonnes of CO2 per year in emissions, compared to clean energy alternatives.
- 4.2. Situate the mine on high value land for threatened species and ecosystem protection and will compromise water security of the region with adverse impacts for the local community, agriculture and the riparian environment.

These objections are explained below.

1. Issues for the State

The Cobbora coal mine was originally designed to provide cheap coal to state owned electricity generators to enable the previous government to privatise the electricity industry.

It became a key component of providing additional value to the gentrader contracts transaction of late 2010, by guaranteeing a coal price to Origin and TruEnergy, thus increasing the sale price.

In effect, taxpayers were locked into a deal to provide 5.5 million tonne per annum (mtpa) for 17 years at a heavily subsidised price. The risks associated with developing and operating the mine were to be borne by the public, while the gentrader could enjoy a locked in, below-market-cost coal stream for almost 2 decades.

The economic consequences of the 2010 gentrader contracts with Cobbora are:

- ◆ Taxpayers will end up footing the bill for the profits of the gentraders at the expense of high taxes and charges and lower spending on social programs and infrastructure;
- ◆ The electricity market will be distorted by subsidies in the primary fuel stock feed to the state's coal-fired generators providing a substantial, uneconomic and unfair advantage;
- ◆ Other energy sources are unfairly disadvantaged by the provision of a subsidy to the coal-fired generators;
- ◆ Jobs and investment opportunities in the renewable energy sector will be compromised;
- ◆ The state will be effectively locked into responsibility for the provision of coal, even as new technologies for electricity generation emerge that would otherwise displace coal; and
- ◆ The state of NSW is locked into a coal-fired future.

At this stage, only 5.5 mtpa of Cobbora's output is contracted to non-state entities. The remaining 6.5 mtpa is either uncontracted or promised to state entities. In the latter case, section 21N of the State Owned Corporations Act gives the NSW government the power to order the state-owned generation companies to abandon their rights under the contracts.

The decision of the O'Farrell government to proceed with the sale of the power stations will inevitably result in the remaining 6.5 mtpa passing out of public hands. It is clear that Cobbora is to be used to lock in cheap coal prices and thus inflate the sale price of the power stations.

The negative financial, economic, social and industrial impacts of the mine will now be extended and locked in to cover the entire output.

In opposition, the current Treasurer Mike Baird raised valid concerns relating to the economics of the mine.

Mr Baird said *"...in terms of a long term subsidy, if the Government had instead sold the coal on the open market it could have realised billions in additional revenues over the next 17 years – so it is a real opportunity lost in relation to that."*

Forecasts for total state costs and risks have been placed as high as \$3.4 billion, while the Treasurer has recently admitted to an impact of at least \$1.5 billion.

The underlying uneconomic nature of the proposal will not be changed by selling or leasing it to the private sector. When originally proposed the mine was supposed to be developed using non-government capital and private ownership. In the event, no private sector operator could be found given the quality of the coal and the contract prices on offer from the NSW government.

In attempt to privatise the mine would inevitably involve subsidies to cover the loss and risk.

The demand for coal-fired electricity has dropped since the project was first proposed, making forward projections inaccurate. The drop in price for exported black coal reinforces the inaccuracies of original projections and removes the justification of using cheaper coal in NSW to remain competitive nationally.

By locking NSW into a coal-fired future, Cobbora would do more than just perpetuate the 60 million tonnes of CO2 emitted annually by the state's coal-fired power stations.

It would also:

- ◆ cripple the renewable energy industry that has been projected to create 73,800 new jobs if NSW moved to entirely abandon its coal fleet;
- ◆ destroy renewable energy investment opportunities that would attract new capital and jobs into the state; and
- ◆ compromise the development of export-orientated renewable energy manufacturing and services industry. Without a domestic base to incubate expertise and reduce costs, there is little chance of a thriving export industry evolving in this state.

The Cobbora coal proposal sits at the heart of a series of bad decisions that are reducing current and future employment opportunities in the renewable energy sector. This is putting upward on the state's emissions and driving up both private and public costs in the electricity industry.

Rejecting Cobbora on the grounds that the economic costs outweigh any putative benefits would provide a circuit breaker to these decisions and force the NSW government and energy industry to look beyond fossil fuels.

2. Issues for households

According to some estimates, Cobbora coal mine will impose economic losses on New South Wales of up to \$3.4 billion.

Inevitably this will lead to higher taxes and charges and a reduction in spending on social programs and infrastructure. Households and taxpayers will be footing the bill for the mine for its entire life.

Due to the contractual nature of the mine, it will in effect lock out renewable alternatives, households could be facing higher power bills in the longer term than they would under a future where the clean energy alternatives were given a chance to compete.

At a time at which the price of rooftop solar continues to fall, creating a long term contractual obligation for the mining and burning of coal makes little sense.

3. Affected residents will be subjected to unjustifiable health risks and disruption.

The NSW government has already purchased 68 of the 90 properties in the affected area.

The loss of the farming community and large-scale food production has not yet been adequately assessed. Existing studies have failed to take into account the social disruption or the competition between industries for workers, particularly agriculture. The costs of the necessary major infrastructure upgrades, particularly rail lines for the increased coal transport are also unknown.

Additionally, towns and properties along the coal transport and storage chain will be negatively impacted by additional noise and dust from the increased activity. The health of local residents should not be sacrificed for the sake of an outdated, unsustainable and expensive industry.

In an environment that is already at extreme risk from coal seam gas mining, the addition of these threats from traditional mining is unacceptable.

4. Issues for the environment

The project conflicts with the State and Federal commitments to reduce carbon emissions. It will be responsible for 25 million tonnes of CO₂ per year in emissions compared to clean energy alternatives.

The electricity industry in NSW already pumps 60 million tonnes of CO₂ in the atmosphere every year. Far from addressing the State's priority action plan to reduce greenhouse gas emissions, the proposed project would perpetuate at least 25 million tonnes of CO₂ per year. Tax payer's money would be better invested in renewable energy sources.

Renewable energy is reliable, clean and limitless and the central west region is in an excellent position to capitalise on the potential for jobs, fulfil energy requirements and surpass the state's renewable energy target of 50% by 2020.

The site of the mine is on high value land for conservation and animal protection and will extremely impact on the water security of the region.

The Cobbora project has a large environmental footprint and will have substantial and irreparable impacts on woodland habitat as well as groundwater and surface water sources.

The location of the mine will also destroy at least 79 Aboriginal cultural sites.

The project will require the clearing of 1,867 ha woodland habitat which will compromise the survival of a large number of endangered animals and vulnerable plants.

The biodiversity offset package proposed has not yet been finalised and is inappropriately focused on post-mining rehabilitation. The replacement of high conservation value habitat, especially tree hollows, in slow growing woodland species is complex and takes centuries.

The mine will require up to 3,700 million litres of surface and groundwater. The use of high security licensed water from the Cudgegong River will threaten the water security of the wine and tourism industries in the Mudgee region.

It could also threaten the long-term security of urban water supply from Windamere Dam. In an area that has experienced severe and long term droughts this level exploitation and risk is objectionable.

Conclusion

The Greens are aware that there are a number of other submissions that analyse in detail the local environmental impacts of the proposal. This submission associates itself with those concerns and values the input of the experts involved in the submission development.

The Greens urge the PAC to reject the Cobbora coal mine proposal and save NSW from decades of dirty coal.

The O'Farrell government's hands are not tied by the previous Labor government's contractual arrangements.

Over half of the 12 million tonnes of coal caught up in this deal, are either not contracted or are committed to a State-owned generator which can be easily cancelled. For the remaining 5.5 million tonnes, the only reason the Treasurer won't renegotiate with Origin Energy is that the Coalition wants to fatten up the power stations for sale by providing them with subsidies coal. In effect, the sale will be a nice little hit of cash for the State Government, which we will all be paying for in decades to come.

This is a proposal for more of the same. Coal should no longer be an option for NSW. It is an outdated source of energy that is environmentally and economically expensive. Agreeing to Cobbora locks NSW into rising greenhouse gas emissions and falling employment in the energy sector. The opportunity to forge a new direction on energy should not be sacrificed for a quick dollar or to appease the fossil fuel industry.