



Cobbora Coal Project: Application Number 10_0001
Submission to the Preferred Project Report and Response to Submissions
Greens NSW MP John Kaye

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 Preferred Project Report (PPR) and Cobbora Holding Company's (CHC) responses to the submissions made thus far fail to alleviate the concerns that the Greens have about the environmental and economic damage that Cobbora coal mine will inflict on NSW.

The PPR outlines that the Cobbora Holding Company have increased their water demand from what was originally outlined in their initial proposal, and have acknowledged that they intend to clear greater areas of woodland if the mine goes ahead.

The Greens' continue to oppose the Cobbora coal mine development and the government's role in perpetuating 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 fuel to the state's coal-fired 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 over 29 million tonnes of CO₂ per year in emissions, all of which would be avoidable if investment in the clean energy alternatives were substantially increased.
 - 4.2. Situate the mine on land with high value for threatened species and ecosystem protection and compromise the region's water security with adverse impacts for the local community, agriculture and the riparian environment.
 - 4.3. Require an unsustainable amount of water from the Cudgegong River in order to wash the low-grade high-ash coal that will be mined

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. By guaranteeing a coal supply and price, Cobbora became a key component of providing additional value to the GenTrader contracts transactions.

It is now set to play a key role in increasing the sale value of the state-owned generators, although any additional financial return to the state will be more than surpassed by long term taxpayer costs of supporting the mine.

While Cobbora may have offered a sort term financial boost to the state budget by increasing the value of the GenTrader contracts, the long term costs imposed on the people of NSW by the mine are significant.

The 2010 GenTrader transaction was supported by contracts that were designed to lock taxpayers into providing 5.5 million tonne per annum (mtpa) for 17 years to the GenTraders at a heavily subsidised price. The risks associated with developing and operating the Cobbora coal 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 Greens reject CHC's argument that the capital costs will eventually be recovered through the sale of coal, and challenge the assertion that the NSW government's financing of the project doesn't represent a 'subsidy'¹.

Given the locked-in sale price of the coal and the analysis of costs provided by now Treasurer Mike Baird to the 2010 Upper House Inquiry into the GenTrader transactions², it is extremely unlikely that

¹ Cobbora Coal Project PPR & RTS - Chapter 14 - Greenhouse gases, page 212.

² Evidence of Mike Baird at the GPSC1 Gentrader Inquiry hearing 24 Jan 2011, <http://www.parliament.nsw.gov.au/Prod/parlment/committee.nsf/0/093EFD146FD97897CA2578220078E2C5>

all costs will be recovered over the 21 year life of the mine and in fact the state will be left with a substantial financial loss on the project over its life.

By proceeding with Cobbora, the NSW government is committing itself to financing the supply of below-production-cost and below-market-cost coal to the state's power stations with little or no likelihood that that this money will be retrieved in the long term.

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

- ◆ Taxpayers will end up footing the bill for the profits of the GenTrader's 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.

The Greens challenge CHC's assertion in Chapter 14 of their PPR that the proceeding with Cobbora coal mine is necessary to secure coal supply for the electricity generators to meet the "*legally enforceable*" contractual obligations of the 2010 energy reform transactions.

The Greens understand that only 5.5 Mtpa of Cobbora's 12 Mtpa 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.

It is clear that Cobbora is to be used to supply the currently state-owned generators with low priced thermal coal, thus inflating the sale price of the power stations. If the O'Farrell government proceeds with the sale of the power generators, contracts for the remaining 6.5 Mtpa of subsidised coal will pass out of public hands and into the ownership of the purchasers of the generators.

In opposition³, 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 late last year to an impact of at least \$1.5 billion.⁴

The underlying subeconomic 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.

³ *Op cit*

⁴ <http://www.smh.com.au/business/nsw-to-start-talks-on-gentrader-asset-sales-20121114-29cfd.html>

An attempt to privatise the mine would inevitably fail unless it involved some form of subsidies to cover the loss and risk. CHC's acknowledgement in Chapter 19 of the PPR that the *"the Project is not being developed by a private company for commercial gain"* reinforce the Greens' position that it will be extremely difficult to attract private bidders to buy or enter into a long term lease of the mine, and to do so would require further government subsidies.

The demand for coal-fired electricity has also 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.

The Greens also refute CHC's claim in chapter 19 that *"coal is and will almost certainly continue to be the primary fuel source [in energy demand]."*

The Greens reject this statement in its entirety and submit that by proceeding with Cobbora, the NSW government would be actively perpetuating the reliance on fossil fuels rather than meeting an inherent need for coal. In this regard demand for coal is essentially a question of government policy, which is not predetermined and can be subject to change.

CHC's statement in Chapter 14 that *"Electricity generation using renewables is not yet able to meet the reliability or cost society demands for electricity and will not be able to in the immediate future"* is also incorrect. If the O'Farrell government were to introduce realistic wind guidelines and encourage the development of large scale renewable energy projects, NSW could begin the transition to a secure renewable energy supply that would obviate the need for supplies of new low quality thermal coal.

By locking NSW into a coal-fired future, Cobbora would unfairly disadvantage emerging renewable energy technologies which would not enjoy the same level of government subsidies and would find it hard to compete in a market flooded with cheap coal fired electricity.

Proceeding with Cobbora coal project would:

- ◆ cripple the renewable energy industry that has been estimated⁵ to have the potential 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.

Almost \$12 billion worth of investment⁶ in wind energy alone is ready to go, waiting for the green light from the O'Farrell government. Locking the people of NSW into a 21 year commitment to the Cobbora coal project rather than embracing these renewable energy technologies will have devastating economic and environmental impacts for decades to come.

⁵http://e1.newcastle.edu.au/coffee/pubs/reports/2008/CofFEE_Just_Transition/Just_transition_report_June_30_2008.pdf

⁶ http://www.cleanenergycouncil.org.au/dms/cec/factsheets/CEC_POWER-OF-WIND_NATIONAL-SNAPSHOT_May-2012_FINAL/CEC_POWER%20OF%20WIND_NATIONAL%20SNAPSHOT_May%202012_FINAL.pdf

Rejecting Cobbora on the grounds that the economic costs outweigh any putative benefits would provide a circuit breaker to these decisions and create the environment in which the NSW government and energy industry would 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.

The contracts that would result from the approval of Cobbora would in effect lock out renewable energy alternatives. Households would consequently face 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.

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

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

4. Issues for the environment

a. Carbon emissions:

The project conflicts with the State and Federal commitments to reduce carbon emissions. The coal burnt from Cobbora will be responsible for producing over 29 million tonnes of CO₂-e per year.

The electricity industry in NSW already pumps approximately 60 million tonnes of CO₂-e into the atmosphere every year.

Far from addressing the State's priority action plan to reduce greenhouse gas emissions, the proposed project would perpetuate over 29 million tonnes of CO₂ per year.

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 20% by 2020.

b. Impacts on local biodiversity:

The Cobbora project has a large environmental footprint and will have substantial and irreparable impacts on woodland habitat and local flora and fauna populations.

According to the PPR, the Cobbora coal project mine footprint will increase from 3,950 ha to 4,130 ha.

This includes up to 1,960 ha of woodland vegetation and about 1,200 ha of grasslands, which will have a devastating impact on local flora and fauna populations. The PPR actually increased the area of destroyed woodland by 92 ha, showing a complete disregard for previous submissions which expressed concerns over the loss of native vegetation.

CHC identifies in Chapter 9 of the PPR that 8% of the vegetation to be removed will affect significantly impact ecological communities, with three threatened flora and 21 threatened fauna species "significantly impacted" by the project after mitigation.

Despite acknowledging that the area to be cleared has diverse plant and animal species, CHC have failed to include a biodiversity offset package in the PPR. At this stage of the project and planning process this is unacceptable.

The Greens reject CHC's assertion that the final offset strategy, which is yet to be shown to the public, will result in a *"gain in protected threatened species habitation the Central West region."*

The replacement of high conservation value habitat, especially tree hollows, in slow growing woodland species is complex and takes centuries.

c. Water

The PPR proposes increasing water demand for mining operations from 3,700 ML per year up to 4,340 ML per year. This will threaten the security of both surface water and ground water supplies.

The use of high security licensed water from the Cudgegong River will threaten the water supply for 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 of exploitation and risk is objectionable.

Conclusion

The Greens are aware that there are a number of other previous 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 to prevent NSW being lumped with an economic and environmentally destructive mine that will burden the state for decades to come.

Despite the arguments outlined by the CHC, 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 subsidised coal. In effect, the sale will be a nice little hit of cash for the State Government, which the people and environment of NSW will pay for in decades to come.

The Greens wholeheartedly reject the assertion by CHC that coal is the future of energy generation in NSW. With the falling cost of solar and wind energy generation, now is the time to transition to renewable energy sources, not sink billions of dollars of public money into a mine that will lock NSW into a coal-fired future.

Agreeing to Cobbora locks NSW into rising greenhouse gas emissions and falling employment in the energy sector. A transition to a renewable energy economy can create 73,800 jobs, and build a robust export market to boost productivity in NSW.

The O'Farrell government should cancel the Cobbora coal project and focus on developing policies that encourage renewable energy investment and development in NSW. This make Cobbora coal mine redundant and facilitate the transition to a jobs-rich clean energy economy.