

APPROVING T4

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T4 PPR submission

Zane Alcorn

November 22, 2013

I HEREBY FORMALLY REQUEST TO PRESENT AT THE
PUBLIC HEARING REGARDING THE PROPOSED ABOMINATION.

A handwritten signature in blue ink, appearing to read 'Zane Alcorn', with a stylized, flowing script.

zane alcorn

Introduction

Various other submissions will eloquently make the case, quite compellingly, that Newcastle needs a fourth coal loader like it needs a hole in the head. T4 would add to particulate pollution, worsening the already existing health issues stemming from coal and mining dust. It would facilitate the further decimation of farmland, horse studs, ecologically unique forests, and entire rural communities. The extra mining that would feed T4 will trash the aquifers that the aforementioned communities (and countless future generations) need. It will wipe out some of the most ecologically significant migratory bird habitat on the east coast of Australia.

Rather than addressing these issues all over again I want to focus on two key issues.

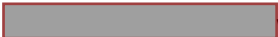
Number one, the slow but steady shift from coal to renewables, and the implications for T4.

Worldwide investment in renewables overtook investment in fossil fuel fired power stations in 2011 and the gap only widened in 2012 and 2013. The current pace of change may not be enough to stop six degrees warming, full arctic collapse and the decimation of food and water supplies worldwide. But it is most certainly enough to wreak havoc upon the global coal industry.

The nature of renewable energy is that even at small levels of grid 'penetration', cheap energy is fed into the grid at 'inconvenient' times, commercially speaking, and starts to displace coal and gas fired power from some of the most lucrative daily selling sessions that the 'baseload' business model relies upon. Put it this way: coal fired generators do not make their money in the middle of the night when they are wastefully generating a massive oversupply of energy. Their serious coin is made in peak demand periods. To have renewables delivering cheap power at these times is bad for coal.

It is in this context that PWCS are seeking to build a fourth coal loader. **Why?** The port of Newcastle already has about sixty million tonnes per annum of spare coal loading capacity. Meanwhile, Deutsche bank projects global steaming coal demand may only rise by thirty million tonnes to 2020! T4 is a relic of a bygone era. It is a relic of pre-GFC 'economics on steroids'. It is a relic of the heady days of bold assumptions that China would spend the next few decades vacuuming up every last ounce of available coal, in an exponential frenzy of coal fired power station building.

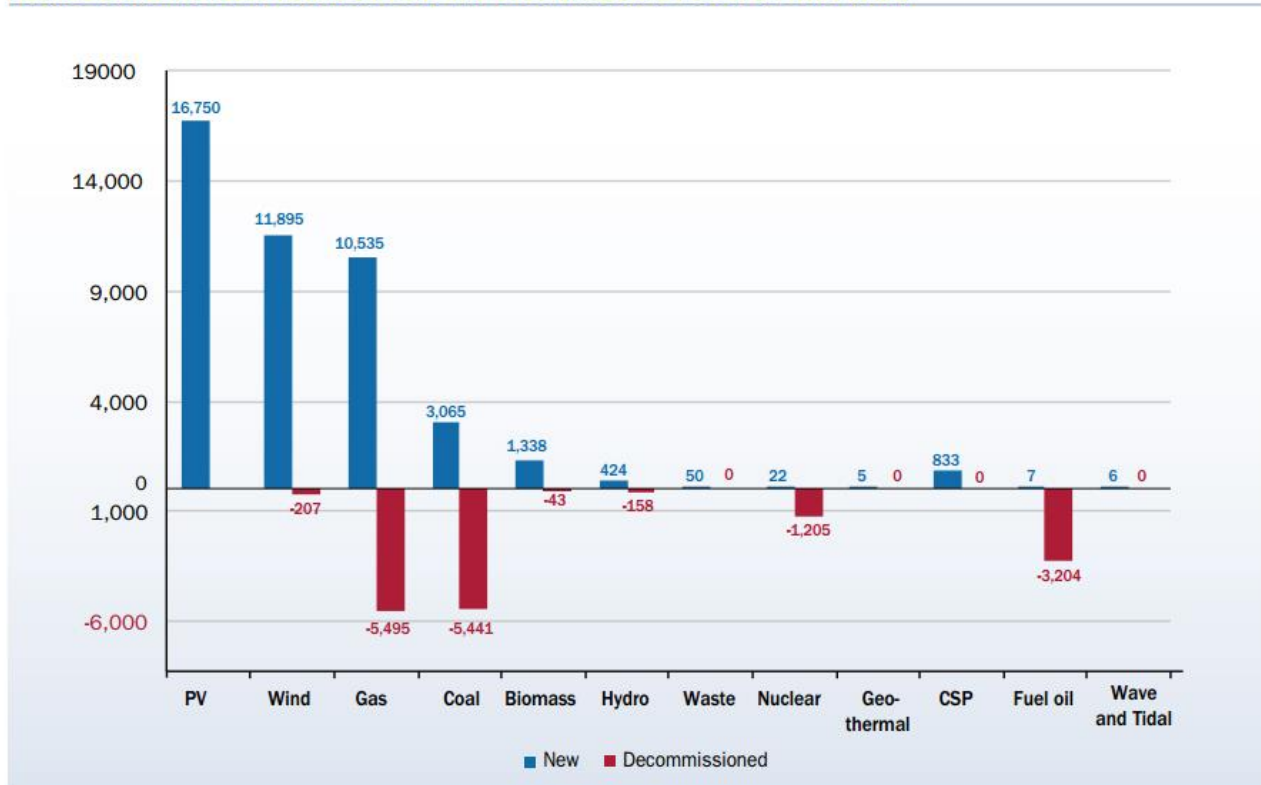
T4 is also a symbolic project. To walk away from a new loader here in the world's largest coal port is to acknowledge the party is over – for now at least, if not permanently. In a corporate world built so heavily around intangible "confidence" and *front*, to take the logical step and walk away from an unviable and unnecessary project is unacceptable. Perhaps a CEO or three may even speculate that flooding an already oversupplied world market with yet more coal may be preferable to admitting that renewables are starting to put the pinch on coal.

The second point I want to cover regards climate change. Attaching the label 'scope 3 emissions' to the massive carbon footprint of the coal T4 will ship – and then denying any responsibility for this aspect of the approval – is as absurd as it is sinister. Ten, twenty and fifty years from now the excuse that those responsible for approving this project were 'technically not instructed to look at the greenhouse gas emissions of those 70 million tonnes per annum of coal' will be seen for the utter  wake up to yourselves. Seriously.

Coal v renewables in Europe – net reduction in coal

I really like this graph and I wanted to share it with you all because it is an excellent example of what is happening in Europe and what awaits the rest of the world. It is from the European Wind Energy Association and looks at new build power stations, Europe wide, for calendar year 2012:

FIGURE 1.3 NEW INSTALLED POWER CAPACITY AND DECOMMISSIONED POWER CAPACITY IN MW



http://www.ewea.org/fileadmin/files/library/publications/statistics/Wind_in_power_annual_statistics_2012.pdf

That's right. You are looking at 31GW of new renewables and a net reduction of 2.4GW of coal. Bam.

Cheap renewables are here to stay and are driving a stake into the heart of the coal industry. According to the UNEP, there was \$244billion of investment in renewables worldwide in 2012-13. Notably, \$112billion of that investment occurred in the global south versus \$132billion in developed countries.

<http://fs-unep-centre.org/publications/global-trends-renewable-energy-investment-2013>

China

I shan't dwell on China other than to say [redacted]. Smokestack pollution is a massive issue in China and prompted authorities to announce earlier this year that coal usage would peak in 2015 and then start to decline. And with that, the dream of infinitely expanding coal

exports to China was unceremoniously felled. China is also the worlds largest producer of wind turbines and solar panels.

The left wing environmental think tank *Citibank* had the following to say in a September report titled “The unimaginable – peak coal in China”:

‘Put simply, if non-coal generation growth outstrips power demand growth, which is already slowing, coal use is set to plateau or decline. This outcome could have significant repercussions across multiple global commodity markets, and ***we believe it now needs to be priced-in into any global energy forecast at a much higher probability than markets currently anticipate.***’

<https://ir.citi.com/z5yk080HEXZtolax1EnHssv%2Bzm4Pc8GALpLbF2Ysb%2FI21vGjprPCVQ%3D%3D>

<http://www.smh.com.au/business/carbon-economy/time-for-change-china-flags-peak-in-coal-usage-20130206-2dxrv.html>

Barnett: coal in ‘long term structural decline’

Seeking to delineate the oversupply plaguing east coast thermal coal exports from Western Australian iron ore exports, West Australian premier Colin Barnett went so far as to describe thermal coal as being in a “long term structural decline” earlier this year.

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<http://www.theaustralian.com.au/business/in-depth/coal-facing-a-structural-decline/story-fnivd8cj-1226671643971>

India – saviour Australian thermal coal exports?

Maybe India will be the saviour of Australia’s export coal industry? Not according to this October 4 article in India’s *Economic Times*. The headline says it all:

“Over 30 big power projects on block, big companies uninterested”.

The article describes that there are 35-50Gigawatts of new coal fired plant “at various stages of construction” for sale. But no one wants to buy them.

http://articles.economictimes.indiatimes.com/2013-10-04/news/42718178_1_power-sector-stranded-projects-power-stations

Does the PAC wish to be complicit in facilitating further oversupply?

As mentioned earlier in this document, Deutsche bank has stated that thermal coal is likely to experience only very modest growth between now and 2020 and that the thermal coal market “will remain oversupplied this decade”.

<http://www.reuters.com/article/2013/05/09/energy-coal-idUSL6N0DQ0UU20130509>

The coal industry may try to offset the low prices that are a product of this oversupply by trying to further ramp up production (i.e. to sell more at a lower price). This may also be seen as a means of delaying the rise of renewables by artificially lowering the price. This is a risky strategy.

It is one thing for coal producers to deliberately inflame the existing oversupply of coal in order to try and regain some semblance of profitability. The more logical means of achieving this however is to cut production and slow the rate of bringing new mines online, instead of flooding an already oversupplied market with vastly more coal.

Regardless, ***it is not the role of the NSW planning department nor the PAC that will assess T4 to facilitate a speculative coal bubble.***

Rio Tinto's woes

To correctly assess the context of the T4 proposal it would be remiss not to look into the situation of the single largest shareholder in PWCS: Rio Tinto. An October 26 article in the Australian stated that Rio Tinto holds an 89% stake in Coal & Allied.

<http://www.theaustralian.com.au/business/mining-energy/glencore-inks-1bn-rio-clermont-deal/story-e6frg9df-1226747686465>

An April 7 article by chief Newcastle Herald coal industry reporter Ian Kirkwood claims that Coal & Allied is a stakeholder in PWCS to the tune of “about 35per cent”.

<http://www.theherald.com.au/story/1415205/rio-sale-plans-shake-hunter-coal-industry/>

Multiplying 35 by 0.89 we can thus extrapolate that Rio's share in PWCS is just over 30%.

Why is this relevant to T4? Well, we have already looked at the state of the industry. In Europe and the USA, the rate at which coal fired power stations are being closed down is greater than the rate at which they are being built, and the new plants also use less coal to generate a given amount of electricity. China has announced a cap on coal usage. Renewables have overtaken coal as the primary

In the recent past, Rio Tinto could wear tens of billions of dollars of debt as a badge of honour. The more debt the company was carrying, the logic goes, the greater the extent to which they were

gearing themselves up for future profits.

And you would hope so. A February 26 FT.com article quoted rating agency Standard & Poors who stated that “Rio’s gross debt rose to US\$26.7bn from US\$21.5bn in the year to December 2012” and that an adjusted gross debt figure was in fact more like “US\$33bn, which takes into account asset retirement costs, pensions and leases”.

<http://www.ft.com/cms/s/0/279caad2-7fc9-11e2-8d96-00144feabdc0.html#axzz2lC7X0NKb>

Fast forward a few years though, and with thermal coal selling at \$88 per tonne instead of \$140, and with serious questions about whether the flattening off of demand for coal is perhaps not ‘cyclical’ but ‘structural’, and all of a sudden \$30 billion of debt... is just \$30 billion of debt. No sugar on top.

To make matters worse, Rio’s massive Bingham canyon copper mine in the USA suffered an epic pit wall collapse in April.



A commonwealth bank article stated that the mine “was expected to contribute around US\$701m net profit or **6% of total earnings in 2013**”.

<https://www.mywealth.commbank.com.au/companies/rio-copper-mine-shut-after-landslide-news20130415>

Image from
<http://designbuildsource.com.au/handling-of-open-mine-landslide-demonstrates-rios-safety-chops>

A September 16 article at miningaustralia.com.au reported that there had been a second landslide at the pit during cleanup operations, and said that it would take until the end of 2015 to remove the 98 million cubic metres of rock and dirt mobilised in the April landslide.

According to the article “it is estimated the mine will see a 50 per cent reduction in output as a direct result of the first landslide.”

<http://www.miningaustralia.com.au/news/second-landslide-hits-rio-s-bingham-canyon-mine-10>

Coincidence? Or something more?

Something pretty funny happened back in April - just prior to the Bingham canyon collapse.

On April 3, an article in the Wall Street Journal reported that Rio was “seeking a buyer for up to 29% of its Coal & Allied unit as it moves to cut costs and boost shareholder returns”.

<http://online.wsj.com/news/articles/SB10001424127887323296504578399463110726302>

According the article, Rio Was seeking to reduce its stake in C&A “to as little as 51%” and said “analysts [had] speculated that London-based Rio Tinto would need to sell or close some operations to meet a target of slashing costs by more than US\$5 billion by the end of next year”.

How peculiar. On the one hand Rio Tinto has about a 30% stake in PWCS, who are looking at building a multibillion coal loader. That’s an expensive undertaking. Yet on the other hand Rio has massive debts and is trying to “slash costs”.

So it was a little coincidental – to say the least – that on April 9, just six days after the Wall street journal story broke, an article appeared in the Newcastle Herald saying T4 “might be shelved if the coal slump continues”. PWCS chief executive Hennie Du Plooy of PWCS told a coal industry conference that the company “was considering expanding its existing Kooragang loader as an alternative to T4”.

Herald Journalist Ian Kirkwood reported that “figures Mr du Plooy provided to the conference made clear, PWCS’s customers are now shipping almost 20per cent less than they are contracted to provide, and the gap is widening” and said the new loader would not be up and running until 2018 at the earliest.

<http://www.theherald.com.au/story/1420905/t4-delayed-again-as-options-explored/>

For such announcements to appear so soon after the Wall Street Journal article on Rio’s coal selloff shows how closely the fate of PWCS is tied up in the fortunes (or lack thereof) of Rio Tinto.

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The urgency with which an approval is being sought for T4 is plainly not consistent with the actual need for a new loader. Reputable commentator Deutsche bank is on record projecting global thermal coal demand to experience net growth of just 30million tonnes between now and 2020 – meanwhile the port of Newcastle alone has spare capacity for some 60million tonnes more exports (between PWCS and NCIG).

Even if Deutsche bank is underestimating demand growth, it is undeniably the case that demand growth is nowhere near what was projected a few years ago. And it was precisely this massive projected growth that made T4 seem necessary – even as NCIG were still constructing the massive T3 operation.

Now. were this a *cyclical* downturn in the coal industry (as opposed to *structural*, i.e. symptomatic of the rise of renewables), and were Rio Tinto not so bothered by its debt situation, it is entirely feasible that the plans for T4 would genuinely be shelved until such a time as the loader was *actually needed*. Shelved as in application withdrawn.

Sure, PWCS have spent a bunch of cash designing T4 and engaging in the approval process. But that's loose change compared to the construction costs for T4. So we arrive at the somewhat bizarre situation of PWCS stating that whilst the loader will not be necessary for at least 5 years, they still want an approval now.

Whilst it is not possible to conclusively prove that a T4 approval has ceased being about averting a supply shortfall and is now in large part being pursued as a 'sale sweetener' for Rio's stake in C&A, it would be remiss of the PAC not to consider this dimension of the proposal.

Godwin's law

I don't usually like to invoke Godwin's law but if ever there was an example in which this was justified, it is the case of planning bodies approving new coal loaders in 2013 and claiming that they aren't responsible for considering the climate impacts of such approvals.

What a patently ridiculous notion.

Just like we are able to look back in hindsight and say that it was not good enough for German military officials to claim they were 'just following orders' when they murdered thousands of people, so too it is simply not acceptable to ignore climate change when deciding whether to approve new coal loaders at a time when the arctic ice cover is collapsing, and methane is pouring out of the arctic tundra, superstorms are hammering the Philippines, early spring bushfires are smashing NSW, and temperature records keep being broken worldwide.

'Scope 3' emissions

This idea that 'it is not up to us to consider what they do with the coal once they buy it' is absurd. What do you think they are going to do with it? Make industrial quantities of coal flavoured muffins? Use it to soak up radioactive water at Fukushima? Plough it into cropland perhaps, and try and grow coal trees?

Thermal coal has one use: being burned. In power stations. Which emits heaps of carbon dioxide.

By not approving T4, a massive amount of carbon dioxide emissions can be avoided.

Global warming and T4

The burning of an additional 70Mt of coal a year will add about 174Mt of carbon dioxide to the atmosphere. Although not part of Australia's formal commitments under the UN climate change convention (UNFCCC), this equals 30% of Australia's total annual GHG emissions. The International Energy Agency predicts that to limit global warming to under 2 degrees Celsius, global coal demand must peak in 2016,¹ at least a year before PWCS indicates T4's will begin operation.

The RS/PPR from PWCS states that the climate impacts of T4 "need to be viewed in the context of the human development and poverty reduction benefits that will come from the broader availability of affordable and reliable energy supplies" and claims that "this is considered to be a balanced view".

Anthropogenic warming is perilously close to triggering feedback loops such as the collapse of the arctic ice cap (which will turn reflective sea ice into dark ocean that absorbs heat) and associated release of methane from the arctic tundra, as well as causing increased ocean acidity which reduces

¹ IEA, World Energy Outlook 2011. <http://www.worldenergyoutlook.org/publications/weo-2011/>

the capacity of ocean plant life to metabolise carbon dioxide out of the air. These ‘feedback loops’ will lock in a further four to six degrees of warming, which will decimate global food production and water availability, result in the deglaciation of the Himalaya, and will lock in collapse of the Greenland ice sheet, ultimately causing the flooding of cities such as Manila, New York, Melbourne, and vast (and densely populated) portions of Bangladesh.

A 2013 report in the journal *Nature* estimated the cost of climate impacts from continued ‘business as usual’ fossil fuel use at upwards of **\$60 trillion** over the next century alone.

<http://www.smh.com.au/business/carbon-economy/arctic-methane-release-could-cost-us60-trillion-nature-20130725-2qk95.html>

The idea that six degrees of warming (which is what the approval of projects like T4 will lock in) is in any way offset or ‘balanced’ by the questionable notion that those in the global south will benefit from a bit of cheap coal is patently absurd. It is like weighing the benefit of not replacing the oil in your car, thus saving you the cost of a few litres of oil, against the cost of replacing your engine. ***It will be those who have least in this world and who have contributed the least to warming that will hurt most from it.***

The RS/PPR from PWCS references the International Energy Agency (IEA) world energy outlook 2011, saying that this report “indicate[s] that coal will continue to supply a significant proportion of energy needs into the future”. The RS/PPR **fails to mention the more up-to-date 2012 edition of that same publication.** This is notable, because the 2012 version, in contrast to the 2011 version, states:

“Successive editions of this report have shown that the climate goal of limiting warming to 2 °C is becoming more difficult and more costly with each year that passes. Our 450 Scenario examines the actions necessary to achieve this goal and finds that almost four-fifths of the CO2 emissions allowable by 2035 are already locked-in by existing power plants, factories, buildings, etc.

If action to reduce CO2 emissions is not taken before 2017, all the allowable CO2 emissions would be locked-in by energy infrastructure existing at that time.”

<http://www.iea.org/publications/freepublications/publication/English.pdf>

Furthermore, the IEA released a special report in April 2013 (five months before the release of the RS/PPR), in which the organisation’s executive director [Maria van der Hoeven](#) uses unusually strong language, stating that:

“We built our civilisation by harnessing energy, which is at the core of economic growth and prosperity. But in 2012, in a weak world economy, oil prices soared and carbon dioxide emissions from energy reached record highs. **The ways we supply and use energy threaten our security, health, economic prosperity and environment. They are clearly unsustainable. We must change course before it is too late.**

<http://reneweconomy.com.au/2013/iea-op-ed-29880>

On the one hand, members of the public have been given two months to respond to the 1500 page, five volume RS/PPR. Yet on the other hand, despite having numerous paid staff working full time on the RS/PPR, and despite climate change being a highly topical aspect of the controversial proposal, PWCS have referenced an out-of-date 2011 report from the IEA instead of responding to the most up-to-date commentary.

In conclusion:

- It is not the role of the NSW Planning department nor the PAC to approve projects if it could reasonably be determined that an overwhelming motivation of such an approval was to 'value add' to a private company's asset sales rather than serving an actual need. This possibility should be seriously considered by the PAC.

If the proponent does not seriously intend to build the project anytime soon, they need to withdraw the proposal. Otherwise the planning process becomes captive to speculative proposals rather than necessary and viable projects.

- It is not the role of the NSW planning department nor the PAC to facilitate risky and highly speculative 'volume strategies' in the thermal coal market which threaten to implode, causing massive job losses.

If a robust case cannot be made that T4 will service actual demand for thermal coal in overseas markets in the next few years then it should not be approved.

- That PWCS and the NSW Department of Planning would seek to put the label 'scope 3' on the emissions caused from burning this coal and subsequently deny any responsibility for these emissions is outrageous and completely unacceptable.

Approving this coal loader is a massive step in the wrong direction at a time when we cannot afford any more idiocy of this nature. Wake up and smell the vast quantities of methane coming out of the melting arctic tundra and seafloor you fools.

The utter contempt for current and future generations of the human species that a T4 approval would constitute is nothing short of criminal.