

Warkworth Continuation Project

Holding Submission
August 2014

Rod Campbell

About The Australia Institute

The Australia Institute is an independent public policy think tank based in Canberra. It is funded by donations from philanthropic trusts and individuals, memberships and commissioned research. Since its launch in 1994, the Institute has carried out highly influential research on a broad range of economic, social and environmental issues.

Our philosophy

As we begin the 21st century, new dilemmas confront our society and our planet. Unprecedented levels of consumption co-exist with extreme poverty. Through new technology we are more connected than we have ever been, yet civic engagement is declining. Environmental neglect continues despite heightened ecological awareness. A better balance is urgently needed.

The Australia Institute's directors, staff and supporters represent a broad range of views and priorities. What unites us is a belief that through a combination of research and creativity we can promote new solutions and ways of thinking.

Our purpose—'Research that matters'

The Institute aims to foster informed debate about our culture, our economy and our environment and bring greater accountability to the democratic process. Our goal is to gather, interpret and communicate evidence in order to both diagnose the problems we face and propose new solutions to tackle them.

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Holding submission

This holding submission was requested by Elle Donnelley, the officer responsible for the Warkworth Continuation Project proposal in the NSW Department of Planning. The Australia Institute will make a detailed submission on the Environmental Impact Statement (EIS) of the Warkworth proposal by the 19th August, as requested by Ms Donnelley.

The current EIS presents largely the same project as the earlier Warkworth Expansion Project. Two researchers from The Australia Institute (TAI) gave evidence in the Land and Environment Court case which revoked approval of that project in 2012-13. Our opinions now, as then, are that costs of the proposals to NSW outweigh the benefits. This was also the finding of Chief Judge Preston, later upheld by the Supreme Court of NSW:

I am not satisfied that the economic analyses provided on behalf of Warkworth support the conclusion urged by both Warkworth and the Minister, namely that the economic benefits of the Project outweigh the environmental, social and other costs.

TAI objects to the current proposal due to the costs of the project outweighing its benefits.

TAI's final submission will focus on the economic assessment of the Warkworth proposal, particularly Appendix E – Economic Study, written by consultants BAEconomics. Based on our assessment to date, there are a number of flaws in the Economic Study, which result in the overstatement of the value of the project. Topics that will be addressed in our final submission include:

- Failure to transparently assess overall costs and benefits
- Optimistic assessment of value of product coal
- Optimistic and non-transparent estimates of operating expenses
- No discussion of capital expenses
- Failure to assess financial viability of the project under current market conditions
- Treatment of employment within Cost Benefit Analysis
- Assumptions behind royalty estimates
- Sensitivity testing
- Treatment of external costs within Cost Benefit Analysis
- Input-output analysis in project assessment

Our final submission will show that these flaws in the BAEconomics assessment serve to overstate the benefits and understate the costs of the proposal. In fact, its benefits are unlikely to outweigh its costs, and the proposal should be rejected on this basis.