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Dear Mr O'Brien

**Greater Macarthur Land Release Investigation
Preliminary Strategy and Action Plan**

Illawarra Coal notes the release for comment of the Greater Macarthur Preliminary Strategy (the Strategy) and writes to express its position regarding the coordination of land development in the Macarthur region with approved mining in that area.

Background

Illawarra Coal has held Mining Lease CCL767, which covers the area and is a consolidation of leases which were in place since the late 1950s and early 1960s. In 2008 the Company submitted an application for the Bulli Seam Operations (BSO) Project. The BSO Project identifies a mining footprint for the next 30 years. The Company did this to modernise its consent in accordance with amendments to the Environmental Planning and Assessment Act (1979). The added benefit for both the Company and regulators is that it provided certainty in mine planning and clearly established our future mining footprint. We conducted extensive consultation with the community and Governments and finally achieved an approval after almost four years in December 2011.

The BSO Project is a commitment from the Company to clearly identify our activities in a strategic planning timeframe. Having regard to Illawarra Coal's commitment to long-term mine planning demonstrated by the BSO Project, Illawarra Coal believes land use conflicts are avoidable. Avoiding such conflicts will provide business certainty to all industries in the region and respects the existing approvals.

Preferred mining areas and layouts are evaluated through the directional planning process. Multiple scenarios are evaluated to determine the optimal mining sequence and layout configuration. Detailed mine designs are not typically 'locked-in' more than five years prior to extraction. The key inputs to the directional planning process are tenure, geological exploration data, surface features, infrastructure and economic assumptions. Mine layouts are designed to enable the most economic, efficient and sustainable extraction of the available resource. Once determined, mining domains are relatively inflexible in that long lead times are required to enable significant changes to mine layouts. By way of example, development for the Appin Area 9 domain (which emanates north-west from Douglas Park) commenced some 8 years prior to the planned start of the first longwall from that domain.

It is planned to mine the Appin Area 7 and Appin Area 9 domains before proceeding to Appin Area 8 (beneath the Wilton Priority Precinct). The main reason for this sequence is that, until Appin Area 9 is developed (underground), economic access to Appin Area 8 cannot occur.

Appin Area 7 and Appin Area 9 domains have sufficient resources defined to continue our concurrent (two longwall) operations in the Bulli coal seam for approximately another 15-20 years. Therefore, it is anticipated that mining in Appin Area 8 would not commence before this timeframe.

Illawarra Coal's Economic Contribution

Illawarra Coal's operations currently support more than 2200 direct local jobs and with flow-on effects, close to 4000 local jobs. We also support more than 300 local businesses which supply their products and services to Illawarra Coal.

There is an estimated resource of approximately 52 million tonnes of coal within the proposed Wilton area and Illawarra Coal's Appin Area 8 Bulli Seam Operations approval footprint, with the potential to generate substantial royalty payments for the NSW Government which may be lost should the residential development proceed prior to mining.

The BSO Project has a lifespan of 30 years with plans to continue mining in the region beyond this timeframe. Mining is a large source of employment and makes a significant economic contribution to the region.

Policy Context

Illawarra Coal supports consideration of the Greater Macarthur strategy in a holistic policy context which embraces a plan for Sydney's growing housing demand, simultaneously with the creation of new employment opportunities without risking existing industries that have supported the region for decades. As such, there is a role for the resources industry to play in this strategy and Illawarra Coal maintains its commitment to working with all levels of government to ensure the strategy delivers optimum value to the State.

Menangle Park and Mount Gilead

We note that at Page 5 of the Strategy, in relation to the Menangle Park and Mount Gilead areas, that it is recognised that mining is continuing in the southern portion of the proposed development precinct and that for development to occur proposals will need to comply with the relevant 'rezoning pathway steps'.

Wilton

At Page 7 of the Strategy, which refers to the Wilton area, it is noted that mining is approved, in a significant proportion of the area proposed for development, to take place over the next 15 to 30 years. The strategy states that for development to occur – it would need to do so "after mining operations have ceased" or proposals will need to comply with relevant rezoning pathways steps.

Pathway Steps

Page 8 of the document discusses the aforementioned Pathway Steps in relation to coal mining. It correctly identifies the co-existence of coal mining and urban development as a risk to the NSW Government and mining companies. Further, two issues are highlighted as the basis of such risk; high costs associated with managing mining impacts including mine subsidence, and community

intolerance. Illawarra Coal broadly agrees with this assessment however our position is that such risk is not confined to the parties identified but also; local government, developers, builders and associated parties.

However, as the document identifies, this risk may be entirely mitigated if a staged approach is adopted such that “urban development occurs first in subsided areas with the remaining urban development areas occurring in due course once mining/subsidence is complete”.

Illawarra Coal’s position is supportive of the approach outlined immediately above. As indicated in the ‘Background’ section of this document, after four years of planning, assessment by Government and the Planning Assessment Commission, public exhibition and public hearings, Illawarra Coal’s significantly reduced (from the initial application) proposed mining footprint was approved in 2011. We have proceeded on the basis that the resources for which we have any or all of; development consent, mining lease and exploration title, will be available to mine as planned. If the risks, identified in the Strategy, to co-existence are able to be mitigated through a staging of development activities, this would seem to be a sensible and reasonable solution which facilitates optimisation of employment opportunities through mining and those arising from development.

The staging or ‘sequencing’ concept is captured in item 3 “Long term urban land release sequencing plan” also on Page 8. It is Illawarra Coal’s position that sub-clause 3a goes some way towards mitigating the risks associated with co-existence, however our position is that the sub-clause falls short of achieving this objective and Illawarra Coal proposes the following;

“a. Prepare a long term sequencing plan covering all proposed developments in the Menangle Park and Mount Gilead and Wilton precincts and the resource extraction (and associated activities) plans. This sequencing plan to be agreed by the relevant resources company(s)”.

However and further to the above, we have concerns regarding the lack of clarity regarding the **pathway steps** outlined in the Strategy, as the method by which it is proposed to undertake the following is not described:

Where urban development is proposed on land encumbered by coal mining operations:

1. *Plan for early exploration and resource extraction;*
2. *Provide building design standards and compliance regimes;*
3. *Prepare/develop a long term urban land release sequencing plan;*
4. *Prepare a Communications Strategy.*

The lack of clarity regarding responsibilities and timelines for these pathway steps provides insufficient certainty for Illawarra Coal and its planning requirements and to this end, the Company cannot support this approach which, in part, would seem at odds with the clarity of the statement of risk and stated preference for staged development.

As discussed above, Illawarra Coal is not opposed to development in the region. However, we concur with the position outlined in the Strategy that to avoid risk, mining should occur prior to urban development in approved mining areas. As such, the Company would also support further development in the West Appin study area where a substantial amount of mining (and subsidence) has already occurred.

There is an additional risk not referred to in the Strategy which relates to subsidence impacting multi-storey structures. While Illawarra Coal deals with subsidence matters regularly in the course of business, it is our view that the Mine Subsidence Board should be asked to comment on this matter as it has implications for the timing/location of the town centre and high density residential developments.

Page 8 of the Strategy also recognises the importance of stakeholder engagement and communication; strategy and plans. Illawarra Coal is wholly supportive of the development of such strategy and plans and seeks that its role in such activities be strengthened.

Gas Activities

We note the Strategy's references to Appin East and Appin West Gas power stations (both of which are situated on Illawarra Coal operational sites). These stations have been in operation by Energy Developments Limited since 1995 and there is no immediate plan for their closure. These plants utilise gas extracted from the coal mining process for power generation – they are not part of other coal seam gas infrastructure as is inferred by its presentation on page 9 of the document.

Wilton Proposed Major Centre – Location

Illawarra Coal notes that the location of the proposed Wilton Major Centre as depicted on the draft vision structure on Page 6 of the Strategy document appears to be inconsistent with the location previously depicted on other documents identified as the Master Plan.

Exploration

While staged development in time with mining seems a sensible approach, Illawarra Coal does not support any expectation that mining and its preliminary activities including exploration be expedited.

It should be noted that exploration must be undertaken prior to the commencement of mining or high density urban development. The nature of the work dictates that it is incompatible with residential areas. Existing exploration data and proposed exploration data within and surrounding the Wilton area is inadequate. Additional exploration in the area is required to meet JORC reporting standards for a measured resource and to support mine planning.

We have estimated this exploration program to take between 5 to 6 years to complete pending the availability of funds and resources. At the end of that period a final mine layout plan would be developed providing certainty of required surface facility locations.

At this time the Appin Area 8 exploration program has not been scheduled due to other business priorities. Notwithstanding any unforeseen changes in the mining sequence it is estimated that this work would not commence until the mid-2020's.

Impact of Wilton Urban Development on Mining

As previously expressed, should the development of Wilton occur prior to mining occurring this will significantly impact the outcomes for Appin Area 8. While Illawarra Coal has demonstrated that it is possible to effectively manage mine subsidence impacts to built and natural features, including

those located in developed areas, large scale urban development has the potential to cause significant and avoidable land use conflict.

Illawarra Coal invests considerable energy to ensure all stakeholders are aware of our activities and our plans. This proposal increases the risk to our social licence and will place additional pressure on the Company and the Government to resolve when extraction approval is requested.

In Illawarra Coal's view, a serious threat to our approved BSO Plan is the inability to manage the community's expectations and public perceptions of mining around the Wilton proposed development. Illawarra Coal works extremely hard to maintain a social licence to operate and has been recognised as Industry leading in a number of areas.

However community opposition to mining operations is now evident in residential, rural and agricultural areas.

Faced with the prospect of additional high density housing at Wilton, maintaining a social licence to operate will be difficult, particularly in the current environment and that which will likely exist in the future when mining becomes a reality at Appin Area 8.

It would seem evident that the best and only position is as stated in the strategy document: co-existence of coal mining and urban development is a risk and that a staged approach is preferred where urban development occurs first in already subsided areas, with the remaining urban development areas occurring in due course once mining/subsidence is complete.

Development prior to mining will potentially restrict mining activity resulting in flow on effects such as: loss of direct and indirect employment, loss of State revenue through royalty payments and restriction of economic growth in the region.

Infrastructure Management

It should be noted that movement from mining subsidence will extend beyond the mining footprint. Far field movements from mining can extend up to one kilometre beyond the mining area and this should be considered in relation to planned major infrastructure such as: bridges; traffic overpasses; gas pipelines; fibre optic cables and the installation of other utilities. *"Far-field horizontal movements tend to be bodily movements towards the extracted goaf area and are accompanied by very low levels of strain. These movements generally do not result in impacts on natural features or surface infrastructure, except where they are experienced by large structures which are very sensitive to differential horizontal movements"*. (MSEC Subsidence Predictions and Impact Assessments for Appin Longwalls 901 to 904 © MSEC June 2012|Report Number MSEC448| Revision B)

Conclusion

Illawarra Coal agrees, as stated in the Greater Macarthur Preliminary Strategy, that the co-existence of coal mining and urban development is a risk to the NSW Government and mining companies as they are likely to incur high costs involved with managing mining impacts including subsidence and community intolerance which may, in the longer term, lead to resource sterilisation.

Illawarra Coal supports a staged approach in the area of mining reserves with development occurring in due course once mining/subsidence is complete.

Illawarra Coal remains willing to participate in the development of policy and procedures which may govern land uses of all types in the Menangle Park and Mount Gilead and Wilton precincts. It is our clear position that only a whole of government approach to this issue will enable the benefits of mining and urban development to be realised.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Troy McDonald', with a stylized, cursive script.

Troy McDonald
Asset President
South32 Illawarra Coal