23 November 2015

Ms Liz Develin  
Deputy Secretary  
Growth, Design & Programs Division  
Department of Planning and Environment  
GPO Box 39  
SYDNEY NSW  2001

Dear Ms Develin

Subject:  Submission on draft Guidelines for the Economic Assessment of Mining and Coal Seam Gas Proposals

I am writing to make a staff submission on the draft Guidelines for the Economic Assessment of Mining and Coal Seam Gas Proposals, which are currently on public exhibition.

Lake Macquarie City is a large local government area with extensive mining leases within its boundaries. Council has an interest in ensuring a rigorous environmental and economic assessment of projects to ensure costs and benefits are fully understood and integrated in decision-making processes.

General Comments

Overall, the preparation of comprehensive guidelines to support economic project assessment is supported, and these provide a sound basis for consistent impact assessment.

There is doubt as to the extent to which the draft Guidelines support the objects of the Environmental Planning and Assessment Act 1979 and specifically apply the principles of ecologically sustainable development (ESD) referred to in the Act, especially the principle of intergenerational equity. The discounting rates adopted within the Guidelines are inconsistent with ESD principles and are too high to provide a realistic assessment of the intergenerational impact on many of the values identified. There should be scope to lower the discount rate on a case-by-case basis.

The draft Guidelines do not appear to adequately take into account the uncertainty associated with mining proposals. Our experience indicates that few mining projects proceed as originally planned. Economic evaluation must account for this uncertainty with robust sensitivity analysis, particularly for employment and production.

Because of the generic nature of the Guidelines, it would be desirable to trial their use with real examples before they are finalised, and to include practical examples of an acceptable economic assessment within the final documentation.

Specific Comments

Our Ref: F2011/01807   Your Ref:
Specific comments on the details of the draft Guidelines and proposed changes are as follows:

**Local effects analysis (LEA) boundary**

- Defining the locality for the LEA is very important to the acceptance of the analysis within the community. For many mining and coal seam gas proposals using SA3 boundaries will be inappropriate and not reflect either communities of interest, economic impacts or geographic features.
- The Guidelines should include scope to modify or amalgamate SA3 boundaries to ensure that the local impact can be realistically calculated to provide a meaningful result for the local community of interest, especially local government authorities.

**Accounting for biodiversity impacts**

- The section on biodiversity (pages 54 – 57) provides a brief overview of the process for consideration of biodiversity and offsetting practice. Assessment of biodiversity impacts is inherently complex and subject to uncertainties and dynamic changes, which must be recognised in any economic evaluation.
- Use of biodiversity ‘credits’ is not a real market value and the economic cost of biodiversity impacts must be based on a true replacement value (ie what would be the cost of full restoration of an ecosystem and associated ecosystem services over a realistic period of, say, 200 years).
- Where biodiversity offsets are provided, the risk of management must be costed, recognising that management in perpetuity is required, and in practice, some offsets are not achieved.
- Step 2 (page 56) should recognise that biodiversity impacts must be assessed on both the project and regional scale. These impacts are not always adequately considered in the Framework for Biodiversity Assessment method to allow for adequate economic costing of impacts, and additional assessment is required at the regional scale to be consistent with the evaluation of other economic impacts.
- Consideration should be given to having a consistent calculation methodology for offsetting with the Commonwealth Department of the Environment offset calculator, since it is a high probability that mining developments will affect both NSW and Commonwealth listed species of interest.

**Use of land prices as an indicator of value**

- Page 12 of the draft Guidelines suggests using land prices as an indicator of value for economic evaluation. It is, however, inappropriate to use land prices as an indicator of the ‘present value’ of future output, especially for agricultural land. This is not realistic and should be changed.

**Precedent setting development**

- Mining developments often result in precedent setting land use changes affecting settlement structure. This potentially changing the dynamics of development patterns at both local and regional scales, by either preventing alternative land uses, or
constructing infrastructure, which has later flow on effects. These can have substantial long-term economic consequences.

- Precedent-setting land use impacts should be included as a separate section in Part 5 of the Guidelines, and a methodology included for how to account for the economic impact of these impacts.

- Use of short project life can underestimate economic benefits, as although mining approvals are normally for a 21-year period, many resource extraction activities have a much longer expected life and are subject to future extensions.

**Local government costs**

- In most mining and coal seam gas projects direct impacts from the development on local government finances would be expected. Local government authority boundaries should be recognised as a level of government for which a separate economic impact assessment should be undertaken, as well as for the state of NSW.

**Discount rates**

- Using a standard NSW Treasury 7% discount rate for the economic evaluation, and a maximum 30-year time horizon for assessing environmental impacts is inappropriate and is expected to undervalue some irreplaceable natural values such as biodiversity. Although the 7% discount rate may be appropriate for built infrastructure, a discount rate of say 2% is more appropriate for natural assets. Sensitivity analysis using both discount rates, as a minimum, should be undertaken, to enable a more rigorous assessment of impacts on intergenerational equity.

- Worksheets must include explicit differentiation between impacts on values that are irreversible, those that can be reversed, and the time period of their expected impact.

**Consideration of development options and alternatives**

- The Guidelines should be amended to ensure that alternative development options are able to be considered and costed.

**Conclusion**

The preparation of Guidelines for the Economic Assessment of Coal Seam Gas Proposals will support consistent decision-making for these projects. The changes proposed above would support more realistic economic evaluation of true costs, and improve community acceptability of project proposals.

I hope that this submission is of assistance. Should you require further information, please contact Council’s ecosystem Enhancement Coordinator, Mr Symon Walpole on 4921 0393 or email swalpole@lakemac.nsw.gov.au.

Yours faithfully

[Signature]

Dr Alice Howe  
Manager - Sustainability