Submission to the
NSW Department of Planning and Environment

Guidelines for the economic assessment of mining and coal seam gas proposals

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Introduction and policy context

NSW Farmers is Australia’s largest state farming organisation and the peak representative body for commercial farm business in NSW. Agriculture in NSW is worth approximately $12 billion annually. The sector employs over 66 000 people, and 70% of the NSW land mass is managed by farmers who are and world leaders in sustainable food and fibre production.¹

NSW Farmers appreciates the opportunity to make a submission to the Department of Planning and Environment’s Draft Guidelines for the economic assessment of mining and coal seam gas proposals (Draft Economic Guidelines). NSW Farmers submits that the Draft Economic Guidelines are an improvement on the current policy framework in that the guidelines will provide an increased level of transparency on the assessments that are occurring as part of the Environmental Impact Statement (EIS) for any given project. NSW Farmers has a number of recommendations for improvements to the policy which we feel will benefit local community members and people potentially affected by these sorts of developments, as well as make the process more readily understood by the general community.

NSW Farmers notes at the outset the context that these proposed guidelines are occurring as ‘stage 3’ of an ‘integrated mining policy’ package. As raised in the NSW Farmers’ submissions to the first two stages of the integrated mining policy package, we are still not clear on how these policy packages are integrated. It would be beneficial to have clarity on the progression of the first two stages, and whether the changes as suggested by NSW Farmers have been considered by Government, and the final shape of each stage. It is important to be able to comment on each stage as well as the cumulative effect of each proposal. Economic assessments are an integral component of the EIS and hence the Secretary’s Environmental Assessment Requirements (SEARs) and the overall requirements of the planning and assessment framework.

As also raised in the NSW Farmers submissions to the integrated mining policy package, NSW Farmers primary position on changes to the planning and assessment framework is that broader changes to the framework are required in order to improve certainty, best use of world leading scientific information, and transparency in terms of the decisions that are being made. NSW Farmers as an Association is not against coal mining, coal seam gas (CSG) extraction, or the extractive industries in general, but do believe that there are areas of NSW

containing highly productive agricultural land that are simply not worth risking for a relatively short term gain of an extractive activity.

Where extractive industries are permitted, we are calling for stronger protection of agricultural land and water, as well as strengthened landholder rights in terms of a company’s access to private land. NSW Farmers members are not satisfied that the current framework goes far enough in protecting these elements, nor improving the system in the above mentioned ways. The changes contained in the Draft Economic Guidelines are piecemeal improvements, however NSW Farmers maintains that broader reform is required.
Summary of recommendations

**Recommendation 1:** Include a separate piece on agricultural (economic) impacts as it (particularly in the case of mining) will be one of the most if not the most impacted local industries in terms of change of land use.

**Recommendation 2:** Include guidance for the impacts on surface water as well as groundwater, as they are managed separately in NSW.

**Recommendation 3:** Include the carbon cycle of farming as well as the efficiency gains to agricultural practices in terms of emissions.

**Recommendation 4:** Include guidance for when the environmental impacts to BSAL are irreversible so as to be fully transparent on the expected impacts.

**Recommendation 5:** Amend the impacts to air quality to include the consideration of impacts of air quality on local agricultural activities. This would best fit inside a separate economic analysis of the impacts to agriculture to inform the Agricultural Impact Statement of any given project.

**Recommendation 6:** Re-write the guidelines for the economic assessment of impacts to existing water use and water rights for both groundwater and surface water in a valley, state and federal context.

**Recommendation 7:** Include impacts on the water market, including impacts on third party water licence holders on both surface water and groundwater sources.
Local effects analysis (LEA)

Given that a significant amount of land targeted for use by mining companies is used for, or is in the vicinity of, agricultural land use, NSW Farmers firmly believes that the Draft Economic Guidelines need a clear section on agricultural (economic) impacts. The economic impact findings from an agricultural assessment could be used to inform the Agricultural Impact Statement which would then draw upon the other expected impacts to agriculture.

In NSW Farmers’ experience, the Agricultural Impact Statements (AIS)’s that are currently made as part of the EIS, are generally weak in terms of the assessment of the economic impacts to the relevant agricultural land use. They will use a mismatch of data gathering techniques, and often it would appear that proponents are sourcing information related to agricultural affects that best suits their purposes (i.e. outdated data which downplays the expected effect on the local agricultural industry).

Agricultural land use crosses across all three ‘triple-bottom-line’ concepts. Agriculture provides direct and indirect economy stimulation. Agricultural practices also provide environmental services, including a carbon cycle. Agriculture also provides a social value in many ways. Whilst the economic analysis is not mutually exclusive to these other considerations, throughout the assessment process there needs to be both a straightforward (direct and indirect) economic impact analysis related to agriculture, and secondly a quantification of social and environmental considerations of agriculture itself. The Economic Guidelines are the perfect place to really look at the economic impacts that the displacement of agriculture (or the effect on nearby agriculture) that the proposal will have on the locality.

**Recommendation 1:** Include a separate piece on agricultural (economic) impacts as it (particularly in the case of mining) will be one of the most if not the most impacted local industries in terms of change of land use.
Appraisal guidelines for environmental, heritage, social and transport impacts

The workbooks currently developed to assist in these appraisals are: Aboriginal heritage, air quality, greenhouse gas emissions, groundwater, non-aboriginal heritage, traffic impacts, and visual amenity. As stated above, given the potentially vast amount of agricultural land that stands to be affected by mining and gas proposals, NSW Farmers believes there should be separate piece on the economic assessment of impacts to agriculture.

The guidelines also state that a standardised valuation workbook has not been developed for the appraisal of residual biodiversity impacts and residual noise impacts because of the potential case-by-case nature of these impacts. In the case of surface water however, it is not clear why guidance has not been given to proponents on assessing the impact of any given project on the economy of the water market. Surface water impact analysis is imperative to the assessment.

As noted above one of the environmental considerations of agricultural land use is the cyclical nature of farming. The workbook focused on Greenhouse Gas Valuations, using the USA’s Environment Protection Agency’s National Pollutant Inventory would not necessarily account for the carbon cycle of farming and the changes that are currently occurring in that context in NSW.

The sequestration and emission of carbon in the farming cycle would need to be included to capture the true status quo of the existing land use or expected impacted agricultural land use. There is also a significant amount of research and roll-out occurring surrounding improving emissions efficiency on-farm in NSW which would need to be considered for projections of existing and continued land use and environmental impact.

**Recommendation 2:** Include guidance for the impacts on surface water as well as groundwater, as they are managed separately in NSW.

**Recommendation 3:** Include the carbon cycle of farming as well as the efficiency gains to agricultural practices in terms of emissions.

*When to undertake more detailed analysis*

NSW Farmers questions the statements in this section in particular:
More detailed analysis or completion of primary studies may be required where the proposed project is likely to cause a significant environmental impact, the environmental impact is likely to be a decisive factor in the approval process or the environmental impacts may be irreversible and the site specific environmental impacts are not adequately captured by existing economic values.  

We question this because in the case of biophysical strategic agricultural land (BSAL) for example, even using best available science it may be unclear whether BSAL can be effectively reinstated in that locality. Where the environmental impacts are so great to BSAL, long term economic impact is almost certain. This is precisely the area that proponents would need assessment guidance on.

**Recommendation 4:** Include guidance for when the environmental impacts to BSAL are extensive or even irreversible so as to be fully transparent about the expected impacts.

**Air quality**

NSW Farmers notes that the focus of air quality inputs and tasks for valuation is primarily focused on human health and visual amenity. NSW Farmers argues that there needs to be a factoring of air quality impacts on neighbouring agricultural practices, for example dust impacts on nearby cotton crops. This point illustrates why the Economic Guidelines need a separate economic assessment of the impacts to agriculture that can be used to inform the Agricultural Impact Statement (AIS) which we have found to date to be not rigorous enough. For example, parts of an AIS will often ‘refer’ to other parts of the broader EIS document, only to become apparent that the assessment has actually been done in a different context which is not completely applicable to the impact on agriculture in the context of balancing the use of land in NSW.

**Recommendation 5:** Amend the impacts to air quality to include the consideration of impacts of air quality on local agricultural activities. This would best fit inside a separate economic analysis of the impacts to agriculture to inform the Agricultural Impact Statement of any given project.

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Groundwater and surface water

Overall, the considerations for groundwater and surface water completely miss the mark in terms of an analysis of the economic impacts due to proponent’s intended water use or water source interference. There appears to be no consideration of the established water market that would form an integral consideration of an economic analysis of a project.

In terms of groundwater, the reference sheet indicating the reduction or increase in the quantity of available water through extraction or dewatering is what appears to be an information sheet for purely commercial purposes about mine dewatering products written by a U.S. company in 2008\(^3\).

The draft guidelines set out a step by step process for evaluating unforeseen impacts on groundwater resources. These steps are assessing the importance of the groundwater resource to the region, determining the potential magnitude of unforeseen impacts of the proposed project and evaluating the overall significance of the potential impact of mining on the groundwater resources.

Whilst NSW Farmers agrees that unforeseen impacts are incredibly important to address, what is more appropriate to address in the first instance, are projected economic impacts to the locality because of the impacts on groundwater and surface water. Water rights, and trading regulations as well as specific jurisdictional requirements (valleys, state-based, and federal) will be relevant for this component.

NSW Farmers submits further that throughout the Economics Guidelines document it is surprising to note there is no guiding analysis on the water use component in terms of a water market, including the impact on Water Sharing Plans, and other water licence holders. These impacts have a strong economic theme and clearly need to be included.

The entire water section including surface and groundwater needs re-focusing to provide proponents as well as community members and other water users what the impacts of the project (not just the impacts of a potential unforeseen incidents causing contamination or pollution, for example) are expected.

**Recommendation 6:** Re-write the guidelines for the economic assessment of impacts to existing water use and water rights for both groundwater and surface water in a valley, state and federal context.

**Recommendation 7:** Include impacts on the water market, including impacts on third party water licence holders on both surface water and groundwater sources.
Conclusion

NSW Farmers appreciates the overall aim of the draft economic guidelines is to improve certainty for proponents, and transparency for communities, in relation to the economic assessment of mining and CSG proposals and we feel that the document on exhibition does make that improvement to the current framework. However NSW Farmers submits that particular impacts such as the groundwater and surface water impacts are not accurately framed in the guidelines so as to provide a clear picture on what the locality’s net gain or loss could possibly be because of a proposed project.

NSW Farmers argues that these impacts would be more effectively addressed if a section of the economic guidelines was solely focused on the agricultural (economic) impacts. This is important because there is a high likelihood that use of land the subject of the proposal as well as in the vicinity of the proposal will be agricultural land use. The economic impacts as they are related to agriculture are an extremely important component of any economic assessment and part of the EIS and AIS and are generally not analysed nor communicated effectively.