

SUBMISSION

Draft Hunter Regional Plan

March 2016

NSW MINERALS COUNCIL



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Executive Summary

The Hunter region is the largest regional economy in Australia, a key driver of overall State growth, and is forecast to grow significantly in the future. Mining has been an integral part of the Hunter region for more than 200 years, and has been the cornerstone of the Hunter regional community for many decades. No other region has played a more prominent role in the history of Australian mining.

The total contribution of mining to the Hunter economy in 2014/15 is estimated at \$10.2 billion. Despite a challenging operating environment the mining sector remains a strategic, high-value industry for the Hunter and independent bodies forecast a positive outlook for the Region's prospects for future coal exports.

The Hunter Regional Plan (the Plan) plays an important role in delivering the settings that will allow the mining industry to continue to develop and contribute to the Hunter. NSWMC is broadly supportive of the four 'goals' identified by the NSW Government as critical to the Hunter Region's future growth. However, there are areas where the Plan could benefit from clarification as well as additional information and direction.

It is important to acknowledge that the Upper Hunter sub-region (referred to in the Plan as the Western Hunter) has been subject to a lengthy and exhaustive State-wide strategic regional land use planning process in recent years. The Plan should identify this process, and the NSW Strategic Regional Land Use Policy, as establishing current government policy with regard to agricultural land and mining. It should be made clear that directions and actions included in the Plan do not replace or override the State-wide land use policy.

The Plan appropriately identifies the temporary nature of mining and the possibilities for mined land to continue to contribute to the community, environment and economy of the Hunter. The NSW mining industry is supportive of the concept of developing plans for post mining land use. The Plan needs to be clear that these plans are post mining, for land uses that in some cases are decades away, and acknowledge the inherent limitations of planning over such long periods. In addition, greater recognition of the role that mining offset areas and rehabilitation of mined land to native communities can play in regional connectivity of conservation lands should be included in the Plan.

The Plan includes a specific section on the assessment of mining projects. Policy with regard to assessment does not belong in a strategic planning document for a particular region, particularly where it singles out one industry. This section should be removed.

The Plan provides helpful direction with regard to housing in the Hunter. The impact of the peaks and troughs of mining development on housing is a sub-regional issue for the Western Hunter. The NSW government should provide leadership to the councils of the sub-region on this issue.

NSWMC welcomes recognition by the Plan that the mining industry will continue to play an integral role in the future of the Hunter, and that the undeveloped coal resources located in the region provide immediate and long-term opportunities for growth.

About the NSW Minerals Council

The NSW Minerals Council represents the State's \$21 billion minerals industry.

NSWMC provides a single, united voice on behalf of our 85 members, ranging from junior exploration companies to international mining companies, as well as associated service providers.

Mining has and will continue to be a key economic driver for NSW. NSWMC works closely with government, industry groups, stakeholders and the community to foster a strong and sustainable minerals industry in NSW.

About this submission

The Plan sets out a series of directions and actions that will collectively deliver upon the four goals identified by the NSW Government as critical to the Hunter Region's future growth. This submission addresses those specific goals, directions and actions where the industry can provide useful additional information, clarification or direction.

Goal 2: Grow the largest regional economy in Australia

Mining's economic contribution to the Hunter

Mining is vital to the Hunter economy, and NSWMC anticipates that the sector will remain an essential part of the region's economy for the foreseeable future.

In the Hunter region, mining operations contributed an estimated \$4.8 billion in direct spending in 2014/15 - equivalent to 42 per cent of industry's total spend across NSW - through:

- \$1.4 billion in wages and salaries to 11,189 full-time employees
- \$3.3 billion in the purchases of goods and services from 3,417 local businesses
- \$30.3 million in local government payments and contributions to 586 community organisations.

The economic benefits of mining in the Hunter extend well beyond the mining sector directly to the broader Hunter economy, helping to generate small business activity and support non-mining jobs. In 2014/15 the \$4.8 billion in direct spending generated an additional \$6.4 billion in purchases of goods and services along the supply chain, and \$3.1 billion in wages and salaries associated with an additional 52,225 supplier jobs.

The total contribution of mining to the Hunter economy is estimated at \$10.2 billion, equivalent to 22.9 per cent of Gross Regional Product. This immense contribution underpins the economic strength of the Hunter region and cannot be underestimated or downplayed.

Future outlook

Long term energy demand forecasts are strong, and there continues to be strong international demand for the Hunter's coal. All commodity-based industries go through cyclical downturns, and the current oversupply of coal in international markets has led to a challenging operating environment. Figures from Coal Services showing coal exports from the Port of Newcastle increasing by 4.7 million tonnes ("Mt") (3.1 per cent) in the last financial year to more than 160Mt¹.

Japan continues to be the biggest market for the Hunter's coal comprising 43 percent of total exports, followed by South Korea at 18 per cent, China with 17 per cent and Taiwan at 11 per cent. NSWMC also notes that, although small as a percentage of the total, coal exports from Newcastle Port to India grew by approximately 322 per cent year-over-year. This dramatic growth is a promising sign for the future.

Global energy demand is projected to grow significantly over the 21st century, with the International Energy Agency (IEA) forecasting primary energy demand growth of nearly one-third and electricity consumption growth of more than 70 per cent by the year 2040². Further, the IEA estimates an additional 1 billion tonnes of coal will be used in 2019 compared with today and that by 2040 global coal trade will grow by 40 per cent.

Most of this growth is expected to occur in Asia, where coal is expected to remain the backbone of global electricity generation and steel production for the foreseeable future. By 2040, the IEA forecasts that Asia will account for four out of every five tonnes of coal consumed globally (in

¹ Source: NSW Coal Services

² International Energy Agency (2015), World Energy Outlook 2015

equivalent terms), and in South-East Asia coal demand is expected to triple and coal's share of electricity generation in the region is expected to increase from 32 per cent to approximately 50 per cent³.

The Hunter's enviable position as a supplier of low ash, low sulphur and high calorific value thermal coal places the Region in an excellent position to take advantage of this forecast growth. However, the extent to which the Hunter capitalises on these advantages is predicated on future investment and government policy settings.

NSW Government Policy on the protection of strategic agricultural land

The Plan states that it replaces the Strategic Regional Land Use Plan for the Upper Hunter (Upper Hunter SRLUP). NSWMC is concerned that this statement gives the impression that some actions within the Plan reopen settled NSW policy with regard to mining and agricultural land.

The NSW Government's Strategic Regional Land Use Policy and the Upper Hunter SRLUP were finalised in 2012 after lengthy consultation with a wide group of stakeholders. The main components of that Policy and protections for agricultural land provided in the SRLUP are:

- The Gateway process
- The identification of biophysical strategic agricultural land and its status in relation to development proposals
- The identification of Critical Industry Clusters and their status in relation to development proposals.

These protections are now formalised in the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP).

The NSW minerals industry believes that the assessment of strategic agricultural land can be adequately dealt with within the development assessment process and that the addition of the gateway process is duplicative. The Gateway has added little value to the assessment process but months of additional time for the projects that are affected. However, the Plan is not the appropriate instrument to change State-wide policy.

While the Plan may replace the SRLUP as a regional plan, it does not change the State-wide policy with regard to mining and agricultural land, and this should be clearly stated in the Plan. In order to assist users of the Plan, it should also reference the Mining SEPP and any other documents relevant to the NSW Strategic Regional Land Use Policy.

Recommendation:

- The Plan should explicitly state that the framework for the protection of strategic agricultural land set out in the NSW Strategic Regional Land Use Policy continues to apply to the Hunter.
- The Plan should clearly reference the Mining State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 and any other documents relevant to the NSW Strategic Regional Land Use Policy.

³Ibid

Support the growth of the Region's important primary industries (Direction 2.1, Action 2.1.2)

The NSW Government has worked with stakeholders in recent years to identify strategic agricultural lands and the Plan states that, among other things, the government will refine and enhance biophysical strategic agricultural land mapping to reflect updated data.

Given its importance to mining operations the Industry has collated a significant amount of valuable data as to the nature and extent of biophysical strategic agricultural land in the Hunter. This information should be integrated with existing data, and NSWMC believes that the NSW Government should work with the Industry to facilitate its inclusion in accordance with the Plan's objectives.

Recommendation:

- The NSW Government should work with mining industry to integrate biophysical strategic agricultural land mapping data.

Protection of agricultural land (Direction 2.1, Action 2.1.3)

Action 2.1.3 of the Plan states that the NSW Government will continue to work with councils to develop a methodology for identifying land important for agriculture, and will develop a region-wide database of important agricultural land.

It is imperative that the Plan is clear that 'important agricultural land' has no special status with regard to exploration and mining, and is unrelated to 'Strategic Agricultural Land' (SAL). Proposed developments on SAL (either has biophysical SAL or as land included in a critical industry cluster) already trigger special treatment, including assessment by the Gateway Panel and intense scientific scrutiny, including in relation to aquifer and agricultural impacts.

The NSW Government has established a rigorous SAL identification and verification process by way of strategic regional land use plans, and the Mining SEPP, and more than two million hectares of land has been mapped as SAL across the Upper Hunter and New England North West regions.

NSWMC is concerned that no definition has been provided for 'important agricultural land', which is a subjective term, nor has any guidance been provided as to the status the title confers or the criteria employed to arrive at determinations.

Failure to differentiate SAL from 'important agricultural land' will lead to confusion in the industry and community.

Recommendation:

- The Plan must clearly state that 'important agricultural land' does not have any special status in relation to mineral exploration or mining development.
- The term 'important agricultural land' and the criteria to identify it should be defined.

Post mining land use plans (Direction 2.4, Action 2.4.1)

The Plan identifies that mining is a temporary land use. Land that has been mined can continue to be commercially productive, or add to conservation and recreation lands in the region. The objective of identifying the opportunities for post mining land use is supported by the mining industry in NSW. Examples 1 and 2 below illustrate how land used for mining can continue to contribute to the agricultural industry in the region.

Example 1: Pasture rehabilitation - Upper Hunter Mining Dialogue grazing study⁴

This four-year study is being undertaken at two mines and adjoining control sites:

- Pasture which was mined at Coal & Allied's Hunter Valley Operations (HVO) mine site and non-mined control pastures located on the nearby Wandewoi property
- Pasture which was mined at BHP Billiton's Mt Arthur Coal mine site as well as the adjoining Edderton control property.

The NSW Department of Primary Industries is managing the project and has been assessing the grazing areas that have been mined and rehabilitated, as well as neighbouring unmined control sites.

So far, the results have been promising. As of September 2015, cattle at the rehabilitated sites have been gaining around 1kg per head per day, and have gained around 100kg more than their counterparts at unmined native pastures. This represents an approximate increase of 0.4kg per head per day.

The rehabilitated mine land sites have a greater herbage mass available for grazing which is one of the proposed reasons that steers at rehabilitated sites are gaining significantly more weight than at unmined control pastures.

Example 2: Cropping land rehabilitation⁵

Coal & Allied's cropping land rehabilitation trial in the Hunter Valley is the first trial of its kind in NSW to demonstrate that alluvial land used for mining can be rehabilitated to match the crop production levels of nearby farms. The trial took place between 2003 and 2007. During the period lucerne was grown on the trial site with production results above the local average for 3 consecutive years. Some differential settlement has occurred and been remediated since the trial.

The trial area has subsequently been leased to a local farmer, with crops of Triticale being sown in 2013 and 2014.

NSWMC is supportive in principle of the Plan's recognition of multiple sequential land use through land use plans. NSWMC appreciates that the development of land use plans reflects the community's desire to understand what the Hunter will look like after mining, and what opportunities might lie in the post mining landscape.

Care must be taken to ensure that the plans do not lock in a specific type of end use for a specific piece of land. The life of a mine can extend over decades and any land use plan must be flexible

⁴ For more information about the UHMD and the study go to the UHMD website - <http://www.nswmining.com.au/dialogue/home>

⁵ To read the full case study go to - <http://www.nswmining.com.au/menu/media/case-studies>

enough to account for the unique circumstances mining developments might encounter over that period of time, as well as the changing social and commercial environment.

NSWMC recommends that the focus of land use plans should be an updating of the *Synoptic Plan for the Upper Hunter* (1999); that is, to provide a baseline map of the rehabilitation that is planned through an aggregation of the mining plans of current operations; identify appropriate areas for conservation and agricultural land to ensure that individual operations are able to integrate proposed mine rehabilitation into the broader regional landscape.

This approach would serve to inform and guide proponents, regulators, and the community about appropriate types of rehabilitation for a project, and should assist the community to identify where rehabilitation has been undertaken. These plans should be developed in consultation with the industry and Hunter community.

Additionally, NSWMC believes that the term 'land use plan' is likely to cause confusion for stakeholders given its similarity to other instruments such as strategic land use plans, and as such it should be amended to provide clarification.

Recommendation:

- The NSW Government should commit to a proper consultation process with industry regarding the development of post mining land use plans.
- Land use plans should adopt an approach which allows sufficient flexibility to account for the unique circumstances of each operation as well as the changing social and commercial environment.
- The development of the post mining land use plans amount to an updating of the *Synoptic Plan for the Upper Hunter*.
- The term 'land use plan' should not be used as it is synonymous with pre-development planning.

Assessment of mining activities (Direction 2.4, Action 2.4.4.)

The Plan includes a section on the assessment of mining activities, stating that the Government will '*implement a robust assessment process to consider social, economic and environmental implications of mining activities*'. NSWMC believes that the Plan unintentionally infers that NSW has a deficient planning framework, and that greater regulation is needed. This view is incorrect.

The current planning process provides a framework for the rigorous assessment of proposed mining projects based on detailed scientific studies of potential impacts, mitigation measures, cost-benefit analysis and community input. Proposals can take years to assess, and contentious issues such as impacts on water are frequently peer-reviewed and subject to independent assessment prior to approval.

The Plan serves to provide a strategic, long-term vision for the Hunter. It is not a policy-making instrument and as such it is inappropriate to include the assessment of mining activities, or of those of other industries, in a document dealing with strategic regional planning. NSWMC recommends that Action 2.4.4 be removed as this information can be provided elsewhere.

Additionally, it is unclear why the assessment of mining activities has been singled out for specific consideration. If the Plan is to consider the assessment of mining-related activities, it must also do so for other types of activities undertaken by other industries.

Recommendation:

- Action 2.4.4 should be removed.

Goal 3: Protect and connect natural environments

Regional habitat connectivity (Direction 3.1, Action 3.1.2)

Given the high levels of clearing present in the Western Hunter, the Plan should identify the role of restoration through offsetting, and the rehabilitation of mined land, in connecting habitat and adding to conservation lands in the region.

The Plan should also identify the link between the post mining land use plans proposed in Action 2.4.1 and regional habitat connectivity. The role of the mining industry in adding to conservation land in the region by protecting and restoring offset sites and returning mined land to native communities should be acknowledged by the Plan (see Example 3).

Example 3 - Mt Owen Mine

Glencore's Mt Owen Mine adjoins the Ravensworth State Forest. Regeneration and revegetation efforts across Mt Owen's offsets and rehabilitation are targeted to add to the native community that makes up the forest.

At the end of the mine's life, it is expected that rehabilitation of mined areas, and active plantings and management of vegetation across Mt Owen's offsets will result in an area of native woodland approximately five times larger than the woodland community that existed prior to mining. This total area of woodland - 1774 hectares - will be comparable with the largest areas of existing remnant vegetation on the Hunter Valley floor.

NSWMC supports strategic assessment. The mining industry in the Western Hunter has been working with the Australian and NSW governments to improve biodiversity outcomes in the Upper Hunter through the *Upper Hunter Strategic Assessment* (UHSA). The UHSA will identify impacts of the participating mines over a 25 year period, identify what areas can be cleared and offset, and what those offsets will be.

Identifying clearing and offsetting upfront has many significant advantages. The UHSA will be able to identify cumulative impacts on particular species and communities with greater certainty than a project by project assessment. Importantly the creation of an offsetting fund through the UHSA will allow government to take a more strategic, long term approach to offsetting, including identifying offset properties and paying landowners to manage for conservation.

Given its importance the Plan should acknowledge the role of the proposed UHSA in contributing to regional connectivity, and maintaining and improving biodiversity in the region

Recommendation:

- The Plan should acknowledge the role for mine offset sites and mine site rehabilitation in increasing regional connectivity and adding to conservation land in the region.
- The Plan should identify the link between the post mining land use plans (action 2.1.4), regional connectivity and the maintenance and improvement of biodiversity in the region.

Goal 4: Support robust regional communities

Housing needs of the Western Hunter subregion (Direction 4.2, Action 4.2.4)

The Plan provides a number of directions and actions that will provide for the housing needs of Hunter communities. This includes the monitoring of housing needs; supporting growth in housing that is tailored to communities' needs and is affordable; as well as facilitating infrastructure development to enable housing growth.

However the Plan appears to put too significant an onus on local governments to meet the challenges of housing. In 2013, the Upper Hunter Mining Dialogue embarked upon a housing study project that focussed predominantly on the housing needs of the Upper Hunter community (an area similar to the Western subregion).⁶ It specifically considered housing availability and affordability within the context of the effects upon housing following a rapid expansion of mining in the early 2010's followed by a tapering off of mine investment.

The stakeholders that were engaged as part of this project recommended a number of initiatives that would allow the region to better manage housing in the region. Ultimately, it was clear that there was no single entity that was responsible for housing in the region, and that a regional approach needed to be taken to consider the specific housing related issues that exist there. To alleviate many of the problems the community was encountering, it was considered beneficial if some form of collaborative working party were established, led by a state agency (such as DPE), that considered housing issues and provided recommendations for action.

Recommendation:

- The NSW Government should establish a Housing Strategy Working Party (or similar) that includes relevant stakeholders within the Western Hunter sub-region (and other sub-regions, as appropriate).
- The Working Party could provide ongoing consideration of housing issues and needs in the sub-region and provide recommendations to relevant government agencies for action.

⁶ For further information about the UHMD Housing Study go to - <http://www.nswmining.com.au/dialogue/latest-projects/social-impacts-and-infrastructure/housing-study>