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Director Regions, Western
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Via online submission

BYLONG COAL PROJECT
SUBMISSION ON DRAFT CENTRAL WEST AND ORANA REGIONAL PLAN

1. OVERVIEW

We refer to the 'Draft Central West and Orana Regional Plan' (draft CW&ORP) released for public exhibition by the Department of Planning and Environment (the Department) in April 2016. KEPCO Bylong Australia Pty Ltd (KEPCO) thanks the Department for the opportunity to provide a submission on the draft CW&ORP.

Background

In December 2010, KEPCO Bylong Australia (KEPCO) acquired Authorisations (A) 287 and A342 in the Mid-Western Regional Council local government area (MWRC LGA) of New South Wales (NSW). Since this time KEPCO has carried out exploration activities in these areas to define the resources for potential future mining.

KEPCO propose to develop the Bylong Coal Project (the Project), a coal mine comprising of two open cut areas and an underground mining area. The Project involves the construction and operation of a coal mine and associated infrastructure utilising open cut and underground mining methods to recover up to approximately 6.5 Million tonnes per annum (Mtpa) of Run of Mine (ROM) coal. The project life is approximately 25 years comprising a two year construction period and 23 year operational period. Open cut operations are proposed to commence first and continue for approximately 10 years (including two years decommissioning) with the operation of an underground mine commencing in around the seventh year of the Project.

Various rehabilitation and decommissioning activities will be undertaken during both the course of and following the 25 years of the Project. Rehabilitation is seen as a key critical component/outcome of the Project. To this end, KEPCO is developing an industry leading rehabilitation program with the objective of providing a landform that is safe, low maintenance, and geotechnically stable; blending in with the surrounding topography.

The final landform will reinstate an equivalent amount of equal or higher quality agricultural lands (i.e. Class 3 and 4) to mitigate the impacts of mining activities. In particular, rehabilitation of the open cut mining areas will commence progressively in the third year of mining, minimising the time that land will be removed from productive use. Achieving these objectives will substantially reduce the potential amenity impacts of the Project post-mining.

The design of the Project is based on a detailed exploration and feasibility phase, in parallel with an iterative mine planning process. This planning phase has allowed for the development of a comprehensive Environmental Impact Statement (EIS), followed by the Response to Submissions (RTS) report, which were lodged with the Department in July 2015 and March 2016, respectively. The State Significant Development Application (SSDA) for the Project is to be determined through the NSW planning approval process.

KEPCO has carried out a review of the draft CW&ORP and accompanying background information on the Department's website and makes this submission having regard to its Project.

2. REVIEW OF THE DRAFT CW&ORP

2.1. Introduction and Vision

Mapping Boundaries

KEPCO acknowledges the need for geographic boundaries that are based on LGA boundaries, and appreciates that sound and practical planning also requires flexibility. Therefore, it is submitted that there be a statement incorporated into the introduction of the CW&ORP acknowledging the strategic resource development relationship to immediately adjoining regions including the Hunter Region. This relationship is important for having an integrated management approach to the investment of the State's valuable coal resources and to intra-regional impacts.

Further, reinforcing the above statement, is the recognition of the "Upper Hunter Region" through the *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007* (SEPP Mining), which, by virtue of Clause 4, includes the Mid Western Regional Council (MWRC) Local Government Area (LGA) and the Bylong Valley.

Vision

The draft CW&ORP recognises that for the Central West region, the *"economic strengths of this part of the region lie in manufacturing and mining, including coal mining concentrated around Lithgow and Mudgee"* (p.5). In addition, *"an expanding mining sector"* (p.8) is identified as one of the significant drivers of change for the regional economy.

The above statements are then reflected in this part of Vision (p.13) for region which states:

"A sustainable mineral and energy resource sector will remain a major contributor to the regional economy, particularly in the Central West, with additional mining operations established in the Orana. The region's mining communities will be more adaptive and resilient to change across the mining lifecycle. There will be opportunities to capitalise on the economic benefits of renewable energy (such as wind, solar and biofuels) across the region."

KEPCO supports this Vision as coal mining has an important role to play in the local, regional and State economy (refer to further discussion under Section 2.2).

2.2. Goal 1 – A growing and diverse regional economy

Mining Industry

In 2011, it is noted that mining contributed \$2.3 billion to gross regional product in the Central West and employment of 4,600 persons. The Bylong Coal Project has been assessed to provide the following economic benefits (Hansen Bailey, 2016):

“The Project will provide net production benefits to Australia of approximately \$596 Million (approximately \$315 Million to NSW) and will:

- Maximise the recovery of a thermal coal resource, within the environmental constraints identified, for which there is an increasing global demand;*
- Create approximately 830 direct and indirect jobs on a regional basis (MWRC LGA);*
- Create approximately 1,496 direct and indirect jobs in NSW;*
- Continue and extend financial support to the region, NSW and Australia with taxation and royalty benefits of approximately \$592 Million over the life of the Project; and*
- Achieve the most efficient economic use of the land in question.”*

Direction 1.3 is about the management of the mineral and resources sector in a sustainable manner. Whilst the Vision supports future mining in the region, there is some doubt about its role in the context of the statement on page 23: ***“If this sector is to be a key economic driver into the future, areas containing mineral and energy resources must be protected and managed to ensure multiple land use opportunities”*** (emphasis added). Therefore, KEPCO submits that the economic importance of mining to the region needs to be reinforced in Direction 1.3.

Specifically Actions 1.3.1 and 1.3.2 under this Direction are intended to address the assessment process of mining activities, mining impacts and implications and mechanisms to support communities in order to capture the resulting economic benefits. KEPCO has no objection to the adoption of these actions for the mining sector and welcomes the opportunity to provide comment on the draft new tools/assessment processes that will be developed.

KEPCO has undertaken detailed mine planning and environmental impact assessments to understand the impacts of the mining lifecycle for the Project. A key focus and commitment of KEPCO is the Project Rehabilitation Strategy which aims to return the land to its former uses.

Education and Training

Action 1.4.2 notes that there is a shortage of skilled workers in the mining sector and highlights the importance of supporting employment and investment in education and training. Although the recent loss of jobs in the mining sector may mean the skill shortage is not so severe, KEPCO will continue to support ongoing training and education. KEPCO supports the creation of educational and training opportunities for mining employees and will be providing employee education and training initiatives to develop its skilled workers. Further, KEPCO has a Local Content Policy and Indigenous Participation Policy, and is preparing Local Content and Indigenous Participation Plans to facilitate the participation of local and under-represented groups in the Project’s workforce and supply chain.

2.3. Goal 2 – A region with strong freight transport and utility infrastructure networks that support economic growth

Action 2.2.1 addresses the coordination of infrastructure delivery to support the future needs of residents, business and industry. The support of a sustainable mining project often requires the coordination and potential augmentation of a range of infrastructure – road, rail, electricity, water, waste and so forth. To support significant economic activities such as mining in the region, KEPCO recommends further definition of the frameworks be established to ensure the coordinated planning and timely delivery of critical infrastructure including council and government agency responsibilities. This framework is vital to ensure the realisation of project timeframes.

The management of water is critical for the efficient operation of a mine. Information provided under Action 4.2.1 indicates that water *“supply deficiencies of greater than 50 per cent by 2036 are forecast in Mid-Western”* (p.42). The source for this statement is identified as being the ‘State

Infrastructure Strategy – Regional NSW’, however, in reviewing that reference, it is noted there is no further information provided about how this deficiency is calculated and which of the LGA’s water resources are projected to be most impacted. Further, KEPCO considers that the draft CW&ORP provides only limited guidance/strategy about how this anticipated deficit will be overcome and how water supply will be managed between mining, agricultural, other rural and urban uses in the LGA. Further discussion on water resources is made under Direction 3.4 (refer to Section 2.4 below).

2.4. Goal 3 – A region that protects and enhances its productive agricultural land, natural resources and environmental assets

Land Uses

Direction 3.2 aims to protect the region’s mineral and energy resources. KEPCO possesses two mining authorisations or coal exploration titles (A287 and A342). Action 3.2.2 is supported by KEPCO as it promotes the productive use of land over the mining lifecycle. Thus the Project with its two key components– the extraction of the coal resource and the progressive rehabilitation of the lands – is consistent with this action.

Direction 3.3 is about managing competing and conflicting interests to ensure that greater investment certainty can be facilitated. The NSW Government’s Strategic Release Framework is referenced in this Direction which is designed to manage competing land uses. KEPCO queries how the Strategic Release Framework will be developed and implemented across the region and its relationship with existing, proposed and future potential mine sites and the Strategic Statement on NSW Coal. KEPCO queries the focus on competing land uses, as opposed to coexisting land uses.

Equine Critical Industry Clusters

KEPCO made a submission on the Draft Hunter Regional Plan (Draft HRP) in February 2016 to the Department regarding the Equine Critical Industry Cluster (CIC) mapping. A key difference between Figure 9 (Selected Primary Industries) of the Draft HRP and Figure 12 (Resources) of the Draft CW&ORP is that the proposed mapping for “Equine Critical Industrial Cluster” does not appear in the Draft CW&ORP.

KEPCO notes that the CIC mapping for the Draft HRP included land outside the boundaries of the Draft HRP including land within the Project’s Authorisations. In this regard, KEPCO submits that information on CIC mapping is to be provided in the Draft CW&ORP to understand if this mapping will still be applied to affected lands within the Project Boundary.

KEPCO reinforces the recommendation from its previous submission on the Draft HRP that *“the three properties, owned by KEPCO, that occur within or partly within the Project’s Authorisations should not be considered as part of the Equine CIC in any future revision of the CIC mapping completed for the draft HRP, or other NSW Government policy”*.

Water Resources

Water resources are recognised under Action 3.4.1, as being a complex matter that is managed by the three levels of Government. A list of water sharing plans is contained on page 62, however there are two such draft and final plans that are relevant to the region and to the Project that are not identified namely:

- The Water Sharing Plan for the Hunter Unregulated and Alluvial Water Sources 2009 (WSP); and

- The Draft Water Sharing Plan for the North Coast Fractured and Porous Rock Groundwater Sources (Draft WSP).

The Project is being assessed under the provisions of the WSP. The Project is located within the Goulburn Extraction Management Unit within the Bylong River management zone. KEPCO has secured approximately 2639 units of water from the Bylong Water Source under the WSP.

KEPCO made a submission in March 2016 to DPI Water in relation to the Draft WSP. The nature of mining activities means that it intercepts groundwater, but a significant amount of this groundwater evaporates or is bound in spoils and coal, meaning it is not available for use for dust suppression or coal washing. Under the Draft WSP this would mean that mining companies would be required to purchase large volumes of water that is unable to be utilised for their operations.

Further, it was noted in the submission that DPI Water had proposed embargoes which is considered to have potential impact on future mining developments as there is no guarantee of a functional operating market based on supply and demand when competing miners and other land users will be able to store water units.

As mentioned earlier in Section 2.3, there remains limited information about how water supply deficits are proposed to be effectively managed over the next 20 years. KEPCO recommends that further information be provided in the Draft CW&ORP on this important item.

Environmental Assets

KEPCO supports the improvement of access to accurate information and mapping on environmental values and natural hazards such as flooding and bushfire. This would assist with the appropriate selection and maintenance of biodiversity offset areas and asset protection especially for highly valuable mine infrastructure, historic heritage items, Aboriginal sites and other significant assets.

2.5. Goal 4 – Strong communities and liveable places that cater for the region’s changing population

Direction 4.3 refers to the fluctuating demand for housing for mining communities depending on the phases of mining operations. It is stated that *“greater housing diversity needs to be available to cater for these seasonal employment needs”* (p.80). One such mechanism is the provision of temporary workers accommodation facilities or temporary housing villages as referred to in Action 4.4.3. It is noted that *“further guidance is required for temporary mining accommodation”* (p. 84).

KEPCO recommends that flexibility be encouraged in environmental planning instruments (addressing zoning, permissibility and development standards) to establish temporary workers facilities based principally on an assessment of the social, economic and traffic impacts to the local and regional context. It is important for a mine operator to have a secure source of accommodation especially during the construction phase to minimise potential social impacts. In particular, temporary workers facilities minimize potential impacts to affordable housing and cumulative impacts to the local short-term accommodation market so as to not create potential housing “bubble” effects.


3. CONCLUSION AND RECOMMENDATIONS

The Bylong Coal Project is classified as a State Significant Development under the EP&A Act which, if approved, will result in the extraction of a State significant coal resource. It has long been identified for development by the NSW Government as it will provide material social and economic benefits to the local region and more generally to the whole of NSW.

KEPCO supports the overall vision, directions and specific actions relating directly to the mining industry in the draft CW&ORP. The following recommendations are made for the purposes of providing clarity and enhancement to the proposed goals, directions and actions:

- A statement of intent be incorporated in the introduction regarding the strategic resource development relationship of immediately adjoining regions, including the Hunter Region,
- Provide further definition of frameworks to ensure coordinated infrastructure planning and timely delivery including council and government agency responsibilities under Direction 2.2.
- Further details be provided under Direction 3.3 about how the Strategic Release Framework will be prepared and implemented in the region and its relationship with existing, proposed and future potential mine sites and the Strategic Statement on NSW Coal.
- Information on CIC mapping is to be provided in the Draft CW&ORP to understand if this mapping will still be applied to affected lands within the Project Boundary.
- The three properties, owned by KEPCO, that occur within or partly within the Project's Authorisations should not be considered as part of the Equine CIC in any future revision of the CIC mapping completed for the draft HRP, or other NSW Government policy.
- Further information is required with regard to the forecasted water supply deficit for the Mid-Western LGA, how it has been calculated and which of the LGA's water resources are projected to be most impacted. Additional actions are considered necessary to effectively respond to the forecasted deficit and how water supplies/resources (both surface and groundwater) will be managed between mining, agricultural, other rural and urban uses as identified in Actions 4.2.1 and 3.4.1.
- The list of water sharing plans included under Action 3.4.1 is to be inclusive of all plans including draft plans which apply to the region.
- Encourage flexibility in environmental planning instruments (addressing zoning, permissibility and development standards) to establish temporary workers facilities based principally on an assessment of the social, economic and traffic impacts to the local and regional context.

Should you have any queries in relation to this letter, please do not hesitate to contact me on (02) 8904 9508.



William Vatovec
Chief Operating Officer
KEPCO Australia Pty Ltd

Attach:

- Regional Locality Plan - Bylong Coal Project
- Equine CIC within the Project Locality