

COALPAC CONSOLIDATION PROJECT (10_0176)

DIRECTOR GENERAL'S ASSESSMENT REPORT

The Coalpac Consolidation Project involves open cut mining along the valleys and slopes of the western edge of the Ben Bullen State Forest, approximately 25 km north west of Lithgow. The Ben Bullen State Forest is characterised by well-established native woodland and sandstone cliff lines and rock formations known as pagodas.

Coal mining has been undertaken in the area for at least 100 years, but these mines have largely been underground. Various smaller open cut mines have also been developed in the area over the last 10 to 15 years, including the Invincible and Cullen Valley coal mines which are operated by Coalpac Pty Ltd (Coalpac).

The Coalpac Consolidation Project has been amended on a number of occasions during the course of the assessment process to reduce the potential impacts of the project on the pagoda rock formations and the associated slopes, particularly in the south east of the site where the most significant significant rock formations occur.

These changes have reduced the total volume of coal that would be extracted from the site from 108 to 86 million tonnes (Mt). In summary, the project now involves:

- extraction of up to 86 Mt of run-of-mine coal at a maximum production rate of 3.5 Mt of coal a year using open cut and highwall mining methods for a period of up to 21 years;
- construction and operation of infrastructure, including a Coal Handling and Preparation Plant, rail siding and loading facility, and an overland conveyor to the Mount Piper Power Station;
- transportation of up to 2.5 Mt of product coal to the Mount Piper Power Station via the overland conveyor, and to other customers by a combination of road and rail;
- 24 hours, 7 days a week operation; and
- progressive rehabilitation of the site.

The conclusion of this assessment has been guided by:

- almost 1100 submissions received by the Department during the assessment of the project, with 171 supporting and 817 objecting to the project;
- the recommendation and associated findings of the NSW Planning Assessment Commission (PAC) that the project should not be approved;
- submissions from key government agencies, particularly the NSW Office of Environment and Heritage (OEH) in regard to impacts on threatened species and regional biodiversity;
- representations made by the NSW Treasury and the NSW Department of Trade and Investment, Regional Infrastructure and Services; and
- various additional studies and responses provided by Coalpac to address issues raised and to strengthen environmental safeguards for the project.

In particular, the conclusion of this assessment relies on the independent assessment undertaken by Departmental officers (see attached reports).

Economic Implications

It is important to note that there are *significant* economic implications associated with this particular mining proposal.

Coalpac is one of the major suppliers of coal to the Mount Piper and Wallerawang Power Stations, and has a contract with Energy Australia to supply up to 2.5 million tonnes of coal a year to the Mount Piper Power Station until 2029. This represents approximately 60% of the supply requirements for Mount Piper over this period.

While the Department's assessment shows that suitable alternatives are available to meet the demand for coal at the Mount Piper and Wallerawang Power Stations in the short, medium and long term, if the Coalpac project does not proceed, Centennial could enjoy a monopoly over the supply of coal to the power stations.

In these circumstances, advice from NSW Treasury indicates that Energy Australia may have to pay around 40% more for its supply of coal to the power stations. Economic modelling undertaken for Energy Australia indicates that if it has to pay these higher prices, the retail price for electricity in NSW is likely to increase by 4 to 12%.

These implications will have to be considered in the context of the significance of the environmental impacts and alternatives.

Environmental Impacts

In regard to the environmental impacts of the project, the Department's assessment concludes that the issues of air quality, noise, blasting, and water resources can be adequately managed and controlled through appropriate conditions.

However, the assessment found that the conservation values of the site as a whole are significant, and that the project (in its current form) would essentially destroy these values, and significantly compromise the conservation significance of surrounding areas.


The Department considers these impacts to be unacceptable and cannot be mitigated. Further, it believes the site is fundamentally unsuitable for such a large scale open cut mining proposal.

Conclusion

While the substantial economic benefits and implications of not proceeding with the project are fully recognised, it is concluded that the nature and scale of the environmental impacts of the current proposal are not acceptable.

It is therefore recommended that the mining operations as currently proposed not be approved.

In the circumstances, there may be some merit in allowing a smaller extension that avoids the most sensitive parts of the site. This would enable some of the remaining coal resources to be extracted, the existing mining voids to be filled and appropriately rehabilitated, and a suitable final landform created that integrates with the surrounding landscape.


Director General 4/10/2013