

Strategic Statement on NSW Coal

August 2014

Introduction

The NSW Government is committed to growing the State's economy for the benefit of all the residents of NSW. We are rebuilding the economy, returning quality services, renovating infrastructure, strengthening our local environment and communities, and restoring accountability to government. We need a growing economy to deliver the services that our growing population expects - like hospitals, schools and roads.

Mineral resources are a key source of wealth for the State. Our objective is to deliver strong and sustainable economic growth by getting the balance right between resource development and the management of our other State assets – our farmland, our waterways, our parks and forests and our environment.

The NSW Government aims to realise this economic value while protecting our environment and the health of our communities. To meet this challenge we will seek and consider informed expert advice to ensure we balance economic, social and environmental considerations.

Value to the economy

NSW is rich in coal resources - it is one of our particular strengths, contributing to our high standard of living. Coal mining has a long history in NSW and close ties with many regional communities in areas like Lithgow, the Hunter and the Illawarra.

NSW has around 18 billion tonnes of recoverable coal reserves. Most of this coal is found in the Sydney-Gunnedah Basin, which extends from south of Wollongong to north of Newcastle and north-westerly through to Narrabri. Coal production represents over 80% of the value of the State's mineral production and is the largest mining activity in NSW. The Hunter coalfield is the largest producing region at around 60% of NSW coal.

Development of our coal resources has the potential to deliver significant economic benefits to local communities and provides a low cost and reliable source of electricity.

A stronger mining industry will create new jobs in regional NSW, drive investment in regional communities and increase export growth. Today, the coal industry directly employs around 23,000 and supports around a further 90,000 in mine and non-mine related jobs.

In NSW, 80% of the electricity we use comes from coal. Coal helps to keep electricity prices down, reducing pressure on household budgets and supporting local manufacturers and industry. Even as we look to diversify our sources of electricity, coal continues to be a major contributor to energy security for NSW.

Coal's most significant contribution to the economy, however, comes from exports, valued at around \$15 billion in 2012-13. This was easily the State's biggest single export earner and makes NSW one of the world's major exporters of coal. The total value of NSW coal production in 2012-13 was around \$17 billion of which the value of coal exports contributes around 90% of this total with the remaining 10% of this value consumed domestically. All coal exports are shipped through either the Port of Newcastle or Port Kembla, with the Port of Newcastle being one of the world's largest coal export ports.

The resources sector is a key contributor to economic growth and in NSW 2021 we set a target to increase the value of mining production by 30%.

The NSW Government will work towards this goal while managing potential land use conflicts between coal mining and urban growth, agriculture and our environment. We will provide a clear and transparent planning and regulatory framework to ensure that decisions are based on merit and appropriately balance competing land uses for the benefit of the state and local communities.

Through upfront strategic planning, we will provide better guidance about where investment in coal mining is appropriate, ensuring that the benefits that flow to taxpayers through royalties are realised.

Royalties paid by coal miners provide a significant source of tax revenue to fund essential services like hospitals, schools and roads that are used by people across NSW. The coal industry pays to the State \$1.2 billion in royalties per annum. That's the equivalent of some 11 rural hospitals or over 10,000 nurses.

Objectives and outcomes

The growth and performance of the NSW coal sector will be guided by the following objectives:

- Co-existence – Land use decisions do not exclude other potential uses without considering the benefits and consequences for other land users and all residents of NSW
- Transparency – Coal release, exploration and production decisions are open, transparent and evidence-based to minimise corruption risks
- Sustainability – Coal release, exploration and production decisions are governed by triple bottom line considerations to promote comprehensive and balanced decision making
- Safety – Coal exploration and production risks are managed through consultation and safe systems to achieve zero fatalities in the mining industry
- Best practice and leading technologies – The regulation of the coal sector promotes the adoption of best practices and world leading technologies
- Achieving value for the economy and adequate returns for taxpayers – Coal development prioritises the highest value resources, and generates financial returns for the Government by capturing an appropriate share of that value. The provision of infrastructure will be integrated into the decisions to develop particular resources
- Regional economic development – Coal release should support opportunities and economic development in the region of a resource

These objectives will be achieved by:

1. A clear rationale for the release of coal areas and mixed land use. Decisions to release coal areas will be based on evidence, the above objectives and pre-determined factors and form part of a publicly released forward strategic plan. This evidence will include coal identification and environmental assessments. The forward program for new coal release areas will be integrated into strategic plans to strengthen access to land use information.
2. Promoting competition in the sector for access to and commercialisation of those coal assets. Fit for purpose competitive and transparent processes will be utilised to support the commercialisation of coal assets for market participants.
3. Removing the opportunity for corruption and conflicts-of-interest. Regulatory settings and allocation processes for coal release, exploration and production will be designed to eliminate prospective gains from corrupt practices and opportunities for corruption, by employing a transparent and consistent approvals framework.
4. A regulatory regime which is comprehensive and robust, yet streamlined. The latest available evidence will underpin all coal release, exploration and production decisions and be made publicly available to promote informed and balanced decision making. The decision making process and timeframes for decisions will be publicly available and decisions will be based solely on the merits of individual proposals from economic, environmental and social considerations. Effective compliance programs will ensure ongoing and improved industry performance, while avoiding excessive and unnecessary regulatory burden.
5. Decisions are transparent and consistent. There will be open access to the requirements and processes for making decisions. The reasons for all coal release, exploration and production decisions (and supporting assessments) will be publicly available.
6. Avoiding unnecessary barriers to investment, growth and innovation. Regulation will be subject to review processes intended to contain compliance costs and remove duplicative and other unnecessary regulation, to ensure that the NSW coal sector is the first choice for investment in Australia.