

## INQUIRY INTO NEW SOUTH WALES PLANNING FRAMEWORK

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## **INQUIRY INTO NEW SOUTH WALES PLANNING FRAMEWORK**

### **1. Introduction to Submission**

Thank you for the opportunity to provide a submission to this important Inquiry.

State development requires a "whole of government" approach to ensure that a strategic view is taken to develop strategies and plans to facilitate community development that returns maximum benefits.

It requires the early engagement of all key stakeholders to ensure all relevant matters are identified and accounted for in the planning and undertaking of major developments across the state.

NamoiROC contends that Government, at all levels, has a responsibility to provide improved planning and guidance to proponents in order to properly inform the community of risks and to meet expectations.

It is also important that where multiple large impact developments such as mining occurs or is planned that government, through its regulatory agencies consider along with proponents and other knowledge holders, the cumulative impacts of the development.

To support the above positions, this submission focuses on the development of the coal resources and coal bed methane gas of the Gunnedah Basin to highlight the inadequacies of the present regulatory framework.

With 40% of NSW's coal reserves held in the Gunnedah Basin, it is imperative that planning is *early* occurs at a *regional* level; involves all levels of *government, industry and community*; addresses *all* of the interrelated *environmental, social and economic* issues and allows for assessment of *cumulative impacts* of *single* and *additional* proposed developments.

## 2. Background to NamoiROC

The members of Namoi Regional Organisation of Councils (NamoiROC) are:

- Walcha Council,
- Tamworth Regional Council
- Liverpool Plains Shire Council
- Gunnedah Shire Council
- Narrabri Shire Council
- Namoi Catchment Management Authority.

The member councils form some, but not all of the Namoi catchment, which is part of the Murray Darling Basin. The area is also part of the region described as North-West NSW or the Northern Slopes and Plains. Geologically, the region forms a major component of the Gunnedah Basin.

## 3. Agricultural production

The Centre for Agricultural and Regional Economics (CARE, 2006) identified that agriculture and its associated marketing and processing industries contributes over 40% to the Namoi regional economy. This contribution varies with the season and commodity price levels.

Agriculture enterprises include both dryland and irrigated cropping, including cotton; winter crops such as wheat, barley and canola; summer crops such as sorghum and sunflowers; and lucerne for hay production. Livestock production includes beef and sheep grazing, and a considerable number of intensive industries such as poultry, piggeries and feedlots.

There are significant areas of black cracking clays across the region. These soils are inherently fertile and occur on the alluvial floodplains which occur from the base of the Liverpool Range in the south and extend beyond the confluence of the Namoi and the Darling Rivers in the west.

The Liverpool Plains is one such region, and forms part of the Namoi catchment, and part of the Gunnedah Basin. This is a significant agricultural producing area consisting of highly fertile slopes and plains of black cracking clays. The area includes the localities of Quirindi, Gunnedah and Breeza.

The agricultural importance of the Liverpool Plains region is based on its inherent production capacity resulting from a number of factors including soil type, the relatively safe climate, reliable water resources and location.

Typically, the main features of the black soil plains are:

- Low surface gradients with slopes less than 2% being common
- Drainage flows are along depression lines rather than defined water courses
- Variation in the depth of alluvium is known to exceed 40 metres
- Significant underground aquifers existing under the alluvium. NSW Department of Natural Resources has deemed the Upper Namoi alluvium and miscellaneous tributaries of the Namoi (alluvium) to be actual and potential drinking water supplies and require protection of groundwater to this level

- Highly productive agricultural cropping lands, which achieve high yields per hectare. They are recognised internationally for their capacity for producing both winter and summer crops, often compared to the highly productive corn belt of the United States
- Among the highest yielding agricultural lands in Australia

#### **4. Importance of coal mining to the State's economy**

The Report "Impacts of Underground Coal Mining on Natural Features in the Southern Coalfield – Strategic Review – July 2008" detailed the importance of coal mining to the State's economy.

"New South Wales is Australia's second largest coal producing State. Total saleable coal production in 2006/07 was 131.3 million tonnes, valued at \$8.1 billion".

"In 2006/07, coal made up to 66% of the estimated total value of NSW Mineral Production of \$12.3 billion. Coal is the single largest export from NSW in value terms."

The Southern Coalfields Review comments on the socio-economic significance of coal mining to NSW and demonstrates this industry's economic importance to the NSW economy. In 2006/07 NSW coal royalties payable to the State Government total some \$412 million, in addition to an estimated \$100 million in other charges such as stamp duty and payroll tax.

Tracy Ong of The Financial Review, Friday 31<sup>st</sup> October 2008 writes "*The government is expected to earn \$840 million in coal royalties this year and it is expected to rise to \$1.4 billion in 2011-12*".

#### **5. Coal Mining in the Gunnedah Basin**

The Gunnedah Basin has a long history of coal mining, particularly in the Gunnedah, Narrabri and Werris Creek areas. These have typically been small scale operations. The Basin is currently undergoing exploration with the expectation that two world-class mines will be operational within the next 10 years.

In August 2006, the NSW Minister for Natural Resources granted an Exploration Licence EL 605 to Coal Mines of Australia (BHP Billiton) to explore a 350km<sup>2</sup> area known as the Caroon Coal area. The exploration area comprises sandstone ridges and the black alluvial soils of the Liverpool Plains. The company paid the NSW Government \$125 million for the right to explore. The Caroon deposit is estimated to contain more than 500 million tonnes of in-situ potentially mineable underground coal that may produce a high quality exportable thermal coal.

In October 2007, the NSW Government announced a competitive Expression of Interest (EOI) process for the Watermark Coal Exploration Area in the Gunnedah Basin.

The Watermark Exploration Area is located approximately 35km south-east of the town of Gunnedah. The area is expected to contain shallow resources of domestic and export thermal coal with in-situ coal resources expected to exceed 1 billion tonnes. A \$675 million exploration licence has been awarded to the Chinese Government owned company Shenhua in August 2008.

Other developments in the Basin include:-

- Idemitsu Boggabri Coal has commenced operations at the Boggabri Open Cut Mine. Initially, the mine is expected to produce up to 1.5 million tonnes of semi-soft coking and thermal coal with potential to rise to 5 million tonnes per annum

- Whitehaven Coal Ltd. Has commenced mining at Tarrawonga Open Cut Mine. Construction commenced in mid 2006 and the first coal produced that year. At full production, the mine is expected to produce up to 1.5 million tonnes per annum of exportable coal.
- Narrabri Coal is proposing a new underground mine approximately 20km south-east of Narrabri. Stage 1 of the Narrabri North proposal involves mining up to 2.5 million tonnes per annum, run of mine coal (coal taken directly from the mine and not involving washing prior to export) by continuous miners. Stage 1 was approved in November 2007 and a Mining Licence was granted in January 2008.

Construction commenced on the mine in early 2008 and the first production is anticipated during the March quarter of 2009.

- Whitehaven Coal Ltd. gained development approval from the Belmont (now Rocglen) Open Cut Coal Mine located 25km north of Gunnedah in April 2008. The mine, at full production may produce up to 1.5 million tonnes per annum of run of mine coal.
- Namoi Mining is proposing a new open cut mine located 15km west of Gunnedah, known as Sunnyside. Production is targeted at 1.5 million tonnes per annum of run-of mine coal using open cut and high mill auger mining techniques. A major project application has been lodged with the Department of Planning in 2006 and the Company is currently preparing an Environmental Assessment Report for the project.

Existing Operating Mines include:

- Werris Creek Coal
- Boggabri Coal
- Tarrawonga Coal

## 6. Coal Seam Gas in the Gunnedah Basin

The extraction of coal bed methane gas from the coal reserves is potentially a major new development for the basin.

Developments include:

- Queensland Hunter Gas Pipeline: This proposal for approval has been exhibited under NSW Planning Legislation and will link the Queensland gas fields to Newcastle. Construction of the pipeline will facilitate development of the NSW coal bed methane gas resources.
- Santos: is undertaking exploration over the basin to determine coal bed methane gas reserves.
- Eastern Star Gas: This company currently extracts coal bed methane gas in Narrabri Shire and is planning major expansion being:
  - Wilga Park Gas-Fired Power Station
  - Supply of gas to Macquarie Generation for Bayswater Power Station at Liddell in the Hunter Valley

## 7. Extractive Industries, Planning & Other Issues

On 8 October 2008, NamoiROC delegates attended the New England/North West NSW Regional Co-Ordination Management Group meeting to put Local Government's concerns regarding the co-ordination of natural resources development and its impacts across the Gunnedah Basin.

Council concerns relate to the current inadequacy of the planning system as administered under the Environmental Planning and Assessment Act 1979 and the impacts of the grant of Exploration Licences by the Department of Primary Industries (DPI) under the Mining Act 1992 and Petroleum (On-Shore) Act 1991.

### **7.1 Assessment of Impacts when granting an EL**

Clearly, there is a need for a Strategic Assessment of the impacts of the development of areas, at the granting of Exploration Licences by DPI.

There are significant potential beneficial economic and social impacts for the region and state if large scale development of the Gunnedah Basin's coal resources were to occur. However, at the time of granting an EL to permit companies to explore, the state government needs to give guidance to companies and communities on the limits of potential development.

It is the view of NamoiROC delegates that at the granting of an EL, particularly over a resource province such as the Gunnedah Basin, the Government through the Department of Planning should undertake a strategic assessment of coal mining potential and constraints on the region to provide guidance to the exploring company, government and the community.

Such an assessment would address:

- Coal resources and mine development potential
- Economic and social benefits & costs
- Major issues for new coal mines
- Water management
- Alluvial aquifers, alluvium and agriculture
- Other potential issues

Work of this nature has been undertaken before and the Committee's attention is drawn to the Report prepared by the Department of Planning – *Coal Mining Potential in the Upper Hunter Valley – Strategic Assessment – December 2005*.

This is the style of report that should have been undertaken by the State Government prior to the granting of extensive ELs over the Gunnedah Basin.

In the Gunnedah Basin it has been left to local government initiatives to commence components of such a study, namely *Namoi 2030 – Resource Strategy*. Whilst it is acknowledged that the Department of Planning has contributed to the Study through funding, the final report will not be enforceable by government.

Local Government contends that the importance of the development of the basin demands a whole of government approach, demanding a strategic assessment to enable long-term planning to be undertaken to include:

- Resource development
- Impact identification

- Social effects
- Infrastructure requirements - rail including level crossing upgrades, freight capacity &
  - port capacity
  - power
  - water
  - community
- Protection of agricultural lands
- Environmental considerations

This work must be done upfront, and required at the granting of an EL and the announcement of a 3A Project. Such studies would publically set in place the standards to be achieved by a subsequent mining proposed under Part 3A of the Environmental Planning and Assessment Act.

## 7.2 Effects on Local Government – Planning and Costs

For local government bodies such as Liverpool Plains and Gunnedah Shires, the rapid expansion in exploration and mining has created the need to plan for potential impacts given the long lead time for infrastructure planning, with the inevitable speculative investment an additional issue.

The above comes at a cost to the local ratepayer who must fund this work from local rates. For each of the Councils of Gunnedah, Narrabri and Liverpool Plains, this has been estimated at a minimum of \$200,000 per annum.

No money for this upfront planning is provided by the State. The response from DPI is that exploration does not necessarily lead to a mine. Due to the high likelihood of mines going ahead, and the long lead times required for planning, Local Government must reject this approach. *Council seeks, as part of an EL grant, money to be paid into a Trust Fund administered by the Department of Planning to enable the local authorities to undertake this lead planning.*

### Access arrangements

Upon the grant of an EL by DPI, the access arrangement to explore publicly and ministered land, including community land should rest with the relevant Minister, not the Local Councils. For example, Council as a Roads Authority under the Roads Act must grant access for exploration on public lands. Not everyone in the community wants a mine and local Councils are placed in a situation where they must adjudicate between the explorer and the community. Council, as the administrator, should be consulted by the Minister.

### Other issues

In the Carroona area, the grant of an EL over such a large area of extremely productive alluvium agricultural land underlain with extensive aquifers has caused considerable *landholder and community concern* with regard to impacts.

The grant of an EL over land also creates *uncertainty on its tenure* and can *limit potential realisation of the asset value by landowners*. There is *no compensation* payable to landholders in this situation.

## 8. Recommendations

**NamoiROC seeks your Committee to recommend:**

- (i) **Changes to the Mining Act 1992 and Petroleum (Onshore) Act 1991 to require “at the time of the granting of extensive ELs over new mine and development areas, that a Strategic Assessment be required to be undertaken to determine principles to guide such development;**
- (ii) **Strategic Assessment be undertaken by the Department of Planning, as the State’s Principal Planning Authority, not the DPI to ensure transparency of the process;**
- (iii) **That the State recognises the importance of agricultural lands such as the cracking clays of the Liverpool Plains and require the highest level of environmental assessment to ensure their continued inherent agricultural and sustainable production;**
- (iv) **That the State Government either return to the relevant local authorities upfront funds or ensure that these funds are provided directly by the mining companies, at the grant of the EL to enable planning for natural resource development to ensure that state development potential is maximised;**
- (v) **That the Mining Act be amended so that upon the granting of an EL, access is granted to public lands subject to the approval of the Minister for Mineral Resources and in consultation with the relevant managing authority.**

Katrina McDonald  
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6 February 2009