Submission No 12

INQUIRY INTO EMISSIONS FROM THE FOSSIL FUEL SECTOR

Organisation: Nature Conservation Council of NSW

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Submission to the Joint Standing Committee on Net Zero Future
Inquiry into Emissions from the Fossil Fuel Sector

The Nature Conservation Council of New South Wales (NCC) is the state's peak environment organisation. We represent over 200 environment groups across NSW. Together we are dedicated to protecting and conserving the wildlife, landscapes and natural resources of NSW.

NCC welcomes the opportunity to make a submission to this important inquiry. We build on recommendations previously made relating to the coal mine sector in our previous submission to the Net Zero Commission 2025 Consultation.

NSW's coal export industry is the state's biggest contributor to climate change.

Use of coal mined in NSW produced an estimated 425 million tonnes of greenhouse gas emissions in 2024, much of it from coal exported overseas.

NSW is currently not on track to meet the emissions reduction goals set under the Net Zero Future Act. By 2030, the state is projected to face an abatement gap of around 7 Mt CO_2e in reaching its legislated target and by 2035 this is set to grow to over 11 Mt CO_2e. At the same time, emissions from coal mining are forecast to rise to more than 15 million tonnes.

The Net Zero Commission and NSW Productivity and Equity Commission have acknowledged that coal mine expansions threaten the state's achievement of its emission reduction targets.

We must reduce fossil fuel emissions urgently for a liveable climate and to safeguard NSW from extreme climate risks to life, infrastructure, health and the economy.

Failure to meet legislated targets would expose the state to escalating climate disasters: more frequent and severe bushfires, prolonged droughts, dangerous heatwaves, coastal flooding from rising seas, and widespread threats to public health, agriculture, and biodiversity.

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The Intergovernmental Panel on Climate Change (IPCC)'s 7th Special Report warns that limiting warming to 1.5°C is only possible if emissions fall sharply within the next decade. The window available to avoid the most damaging and irreversible impacts is rapidly narrowing. For NSW, this means that decisions made in the immediate term, particularly in relation to coal and other high-emitting sectors, will determine whether the state contributes to a safe climate pathway or locks in greater costs and risks for communities and the economy.

Two major coal mining emissions issues require urgent attention from parliament:

a. **Proposals to expand coal mining across NSW stand in direct contradiction to the state's responsibility to curb climate change.** Several of these proposed projects would not even begin operating until the mid-2030s, locking in decades of additional pollution.
b. **Current policies show no significant cuts to coal mining emissions before 2034.** This delay means other sectors of the economy will be forced to take on a greater burden, facing higher costs, deeper reductions, and potential shutdowns, to compensate for the continued emissions from both new and existing mines.

We offer the following observations relating to the coal mine sector:

- **Methane emissions from coal mining are under-reported and pose a significant risk.**

Coal fugitive emissions are likely to be far larger than predicted and reported. Preliminary results from Open Methane, which analyses methane satellite data, has found that coal-mine methane emissions in Australia may be around double what has been reported.

Despite this, planning assessments continue to rely on the coal companies' own estimates without independent verification when approving coal expansions.

The much higher short-term climate impact of methane—estimated to be 84 to 87 times more powerful than carbon dioxide over a 20-year period—is currently being overlooked in planning assessments.

Methane is significantly more potent than carbon dioxide over a 20-year period, yet this is not reflected in NSW climate impact assessments.

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Current assessments use a 100-year global warming potential (GWP) to convert methane emissions, which downplays methane's short-term climate impact. This approach underestimates the urgency and severity of methane's contribution to global warming in the near term.

With warming already causing severe harm to NSW communities and nature, it is not appropriate to use the 100-year GWP. The 20-year GWP should be used instead to more accurately reflect the immediate climate risks and help prevent the crossing of critical tipping points.

The scale of the problem is growing with a recent report projecting that methane emissions from NSW coal mines could increase by 75% by 2035.

This trend would directly contradict guidance from the International Energy Agency, that says methane emissions need to fall by 75% by 2030 to avoid catastrophic climate impacts.

Further, only a small subset of coal expansions has been modelled in the Emissions Dashboard and there is no transparency about what has been modelled and at what level.

- **The existing regulatory framework is failing to effectively limit significant greenhouse gas emissions from coal mine expansion projects.**

The EPA's *Large Emitters Guide* has been developed, but it is not legally enforceable, and its key recommendations have not been applied in recent coal project approvals such as the Mt Arthur Mod 2 and HVO Mod 8.

Project developers are not being required to align their emissions reductions with NSW's net zero pathway or to set clear emissions reduction targets. If the EPA Large Emitters Guide was enforced, it would mean that, for projects emitting more than 25,000 tonnes of additional CO2 equivalent annually, coal mine companies would need to report on emissions and set emission reduction goals, and this would be considered during the planning and assessment process.

Coal companies are seeking approval for projects with start dates well after 2030, to stay ahead of the regulatory curve. For example, whilst the Maules Creek expansion is not scheduled to start until 2036, an environmental impact statement is being considered by the Department of Planning.

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This practice allows companies to secure approvals early—effectively "banking" them—which could result in significant compensation claims if these projects are later cancelled for climate reasons.

The Safeguard Mechanism has failed to deliver real emissions cuts for coal mining in NSW. According to a recent report, companies like BHP, Glencore, Stanmore Resources, and Whitehaven are expected to earn Safeguard Credits for every tonne of coal they produce until 2050.

This is possible because their emissions baselines (limits) are set well above their current emissions levels - meaning they are being rewarded with credits despite not taking any action to reduce emissions. The report projects that on current settings, the Safeguard Mechanism will not aid in NSW reaching its 2030 and 2035 legislated emission reduction targets.

To strengthen the Commonwealth government Safeguard Mechanism and ensure mines prioritise abatement over offsetting, baselines must be reset. This would disrupt the current financial incentives for coal mines to invest available capital in coal production and reduce additional emissions by purchasing ACCUs and SMCs, rather than utilising the available capital for on-site abatement projects.

- **Full lifecycle emissions—particularly downstream emissions from burning exported coal—are not being adequately considered in coal project approvals**

We encourage the Joint Standing Committee to request the Net Zero Commission to review the way emissions, including downstream emissions, are considered in project assessments including project cost-benefit analyses in the wake of the NSW Court of Appeal ruling in DAMSHEG v MACH Energy regarding the proposed expansion of the Mount Pleasant coal mine.

This ruling found that the planning decision-maker, in this case the Independent Planning Commission, failed to consider mandatory considerations under the Environmental Planning and Assessment Act with respect to the impacts of climate change on the locality of the mine, and community views on the same.

Whether extracted coal is combusted in NSW or overseas, climate change impacts are felt in NSW and globally. Cost-benefit assessments currently considered as part of the

planning process fail to adequately account for impacts of emissions, including downstream emissions.

- **Improved whole-of-Government cooperation and supporting regulations are needed under the Net Zero Future Act**

The current Strategic Statement on Coal, under the Natural Resources portfolio, is out of step with the goals and principles of the Net Zero Future Act. It is bullish on future export demand.

This outlook is outdated as the International Energy Agency's World Energy Outlook 2024 indicates that global demand for coal is expected to peak by 2030.

As achievement of the legislated emission targets requires a whole of government approach, revision of the Strategic Statement is long overdue. It should be revised to come in line with the climate legislation and regulations should be developed to give effect to the Act's objects and principles across portfolios.

- **Fossil fuel emissions are already creating significant economic costs for NSW, which will increase exponentially if emissions are not reined in.**

Climate change is leaving no sector of the NSW economy unaffected, through direct and indirect costs. The NSW government is developing a climate adaptation policy in recognition of these very significant economic and social costs. This suggests that:

- **Agriculture and Food Production will decline significantly,** with the agricultural output of irrigated areas in the Murray Darling expected to halve by 2050. Increased pest and disease will further challenge agricultural productivity.
- **Infrastructure and Built Environment, including essential services like water electricity and health will be impacted,** as demand increases, risk of failure increases, water supply is reduced and health services are forced to adapt to rapidly escalating health risks like heatwaves.
- **Properties will suffer coastal erosion, sea level rise, flooding and bushfire,** destroying homes and devaluing property markets. For example, the 2019-2020 bushfires cost $100 billion in direct

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loss, damage, and indirect cost through relief, recovery and social damage.

- **Labor productivity will see losses of 700,000 to 2.7 million workdays annually by 2061 due to heatwaves.**
- **Natural disasters** continue to increase in frequency and severity, requiring more relief, reconstruction, clean-up costs, and losses in production and infrastructure. The latest report from the Climate Change Authority examines how back-to-back disasters have cost the Australia economy $2.2 billion in the first half of 2025 alone. They predict that further extreme weather disasters fuelled by fossil fuel emissions, will cost Australians $8.7 billion a year by 2050.
- **Insurance premiums are already on the rise,** 1 in 20 homes are uninsurable or too unaffordable to insure, and this number will only increase, with 1 in 10 homes in Australia predicted to be uninsurable by 2035, according to the latest Climate Valuation Report.

Given the threat that fossil fuel emissions pose to our climate, safety and economy in NSW, we provide the following recommendations.

The Net Zero Commision should be asked to:

- Develop a clear and rapid phase-down and phase-out plan as proposed by the NSW Productivity and Equality Commission to prevent any further coal mine expansions .
- Make submissions at key points of the assessment process for coal mine expansions including Maules Creek, HVO Mod 8, and Moolarben OC3.
- Investigate the extent to which overreliance on modified consent proposals rather than state significant development proposals within the Planning system

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underplay cumulative environmental and emissions impacts of mines and make recommendations to reform the planning system.

- Recommend the Resources Regulator undertake and publish a coal supply analysis for each proposal to justify the need for the project from an energy security perspective where coal is intended for domestic consumption.

- Provide advice to the planning minister for consent authorities on how they should evaluate requests for further information from mining proponents as to how their operations are consistent with the guiding principles of the Net Zero Act and with the Paris Climate Targets, particularly in respect of downstream emissions. This should include guidance to reject mining proposals that involve emissions more than an amount allowable under a scientifically robust sectoral carbon budget as part of a whole of economy carbon budget that aligns with the Paris climate target.

- Explore mechanisms that consent authorities can take to ensure that exported coal prioritises the lowest possible Scope 3 emission pathways to reduce NSW's contribution to global climate change and to alleviate climate change impacts felt within NSW.

- Advocate for the Commonwealth government to review Safeguard Mechanism baselines as they are currently set at higher than current emissions intensity for many open cut mines. This will disrupt the current financial incentives for coal mines to invest available capital in coal production and reduce additional emissions by purchasing ACCUs and SMCs, rather than utilising the available capital for on-site abatement projects.

- Urge early deployment from the Royalties for Rejuvenation Fund (before 2028) to commence work in coal exposed communities on the energy transition.

- Make recommendations to inform the structure and work plan of the proposed Future Jobs and Investment Authority.

- Deliver a skills audit of the mining workforce, per the recommendation from the Beneficial and Productive Post-mining Land Use Inquiry Report that the Net Zero Commission does so.

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- Advocate for the EPA to apply methane mitigation requirements within coal mine environmental protection licences using its existing broad powers conferred by legislation.

The Joint Standing Commitee on Net Zero Future should recommend that the NSW government:

- Pass a regulation under the Climate Change (Net Zero Future) Act that places a duty on key planning decision-makers to meet the legislated 2030 and 2035 targets and to consider downstream emissions in the context of the Paris Climate Agreement 1.5 degree-aligned target.

- Set coal sectoral emissions caps and targets for 2030 and 2035 based on whole of economy and resources sector science-based carbon budgets aligned to the Paris Climate Targets. This should include a specific energy methane target for 2030 and 2035 in line with science. Targets should guide the assessment process.

- Require all current and new mine expansion or extension proposals in the planning pipeline to submit updated environmental assessments – to be subjected to public consultation - accounting for localised climate change impacts and community views of the same, consistent with the NSW Court of Appeal DAMSHEC v MACH Energy ruling.

- Mandate immediately the use of already available, methane abatement technology for underground coal mines in NSW. 9 of NSW's gassiest coal mines produce 65% of coal mining methane. Regenerative Thermal Oxidiser technology has been found to be technically and commercially viable for mines with a ventilation air methane (VAM) concentration between 0.4% and 1.2%.

- Introduce further policy supports for abatement at open cut coal mines. Options include:

-A methane abatement fund: A government run fund to share 50% of the cost of first of a kind (FOAK) on-site abatement projects, generated from a levy across coal mines with funds distributed across the sector to cover 40% of capital expenditure.

-Regulated emissions intensity thresholds for coal mines:, There are different options based on current or historic emissions intensity – one option is for mines with

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emissions intensity over a given threshold to be required to reduce emissions below the threshold by a specific year, or requiring all mines historically above a threshold to undergo maximum cost-effective abatement.

-A methane monitoring network: Ensure that data on emissions is independently verified and publicly available by introducing a government-led network of direct methane monitors and measurement systems to quantify fugitive methane emissions from all coal mines. This would ensure that data on emissions, especially methane, and abatement is independently verified and publicly available. It would be funded by an industry cost recovery mechanism.

- Review the strategic statement on coal to recognise the imminent decline in international demand for seaborne thermal coal exports.
- For coal mining projects in the planning process, require full lifecycle emissions accounting as part of the assessment process—including downstream emissions from exported coal. The NSW government should track the cumulative emissions impact of proposals and ensure they do not breach the sector cap as part of the methane budget (see earlier recommendation). There is also an option for projects over a given emission intensity threshold not to be approved.
- Apply the short-term (20-year) global warming potential for methane in assessments, to reflect its real climate impact.
- Put a moratorium on new coal approvals and expansions until critical recommendations outlined above are enacted.
- The planning department should apply the EPA Large Emitters Guideline to all coal mine project proposals.
- Evaluate the adequacy of current security deposits to allow for mine rehabilitation at end of life – per recommendation of the Beneficial and Productive Post-mining Land Use Inquiry Report.

Carbon budgets in the context of the NSW government Net Zero plan rewrite

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Given the Net Zero Commission's stated concern with progress towards the 2030, 2035 and 2050 targets under the Act, we recommend the Joint Standing Commitee ask the Commission to advise the state government on carbon budgets across all sectors that set out the allowable emissions for each sector to 2030, 2035 and 2050 in line with 1.5-degree scenario.

This could be done under the auspices of the Net Zero Plan update flagged by the NSW government.

The carbon budget should be under secondary legislation under the Climate Change Act and outline the path to net zero similar to UK, with sectoral budgets sitting underneath.

Thank you for the opportunity to make a submission. Your contact person at Nature Conservation Council of NSW is Senior Climate and Energy Campaigner, Jacqui Mills.

Yours sincerely,

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