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Abbot Point Growth Gateway Project

Submission on environmental impact statement

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Introduction

The draft Environmental Impact Statement (EIS) for the proposed Abbot Point Growth Gateway Project is based on flawed economic analysis and ignores the most important economic questions around the project – is it likely to proceed and if so, is it in the best interests of Queensland?

There is no analysis in the EIS as to the financial or economic viability of the Abbot Point Growth Gateway Project, or related projects such as the Terminal Zero (T0) project and the various Galilee Basin coal and rail projects. There is no consideration as to whether these projects will actually proceed under current and forecast coal prices. This is a serious omission as many financial analysts think the projects are unlikely to proceed, no banks have committed to fund the projects and many have expressly ruled out financial support.

By proceeding with the Abbot Point expansion without proper financial and economic assessment, Queensland risks certain environmental impact and financial cost for dubious and uncertain economic return. It seems highly likely that the project represents a net loss of economic welfare for Queensland and should be rejected.

Economic claims in the EIS

The EIS executive summary refers to the “anticipated economic benefits from the Adani T0 project”, claiming “an estimated workforce requirement of 500 workers during construction and a peak operational workforce in the order of 200-250 full time” positions (EIS executive summary, p9).[1] The main report of the EIS also highlights the economic output estimates made in the T0 EIS:

> *The economic impact assessment anticipates that total output (or consumption) effects will peak during construction at AU$197.0 million per annum in the Mackay, Isaac and Whitsunday (MIW) region, AU$134.9 million per annum in the rest of Queensland and AU$34.0 million per annum in the rest of Australia.*[2]

There are several points to note about these claims. Firstly, they relate not to the project being assessed in the EIS, but to a related project. The economic assessment of this project states that it would have construction impacts:

> *Comprising 39 to 78 direct FTEs [Full Time Equivalent jobs]*.[3]

This is how many people would actually work on this project. Other employment figures quoted in the EIS include “indirect jobs” estimated through the proponent’s consultant’s economic model.

This is the second point to note about all economic claims in the EIS for both the current project, the Abbot Point Growth Gateway Project and the T0 project. Aside from where direct employment is specifically stated, the numbers do not refer to jobs on the project, but rather much larger numbers including estimates of jobs ‘created’ in other industries by the projects.

The model used to make all of these estimates is known as an ‘input-output’ model. A major shortcoming of these models is that they assume an infinite supply of skilled labour, land, water and all other inputs. They assume a project can proceed without taking resources away from any other project or industry. This means that any jobs ‘created’ by the project are counted, but jobs ‘destroyed’ as people and resources

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[1] http://www.statedevelopment.qld.gov.au/resources/project/abbot-point-apx/abbot-pt-eis-vol-01-exec-summary.pdf

[2] http://www.statedevelopment.qld.gov.au/resources/project/abbot-point-apx/abbot-pt-eis-vol-02-main-report.pdf page 61

[3] http://www.statedevelopment.qld.gov.au/resources/project/abbot-point-apx/abbot-pt-eis-appendix-s-economic-impact-assessment.pdf page 68

leave other parts of the economy are not counted. This method of modelling is mathematically certain to overstate positive impacts and cannot show a negative impact on any other industry.

For example, the EIS economic assessment estimates that the Abbot Point Growth Gateway Project will result in a new job being created in agriculture, forestry and fishing. In fact what is likely to occur is that resources such as skilled labour and engineering services are taken away from agriculture leading to a net loss of workers in that industry. More sophisticated economic models include this impact and show a net decrease of employment in agriculture and manufacturing industries. See for example economic assessment submitted to the Queensland Land Court commissioned by Adani.[4]

For this reason, input-output models have been called “biased” by the ABS, “abused” by the Productivity Commission and “deficient” by both Adani’s consultants and the NSW Land and Environment Court.[5] These models were never intended to be decision making tools and project approval should not be based on their estimates.

A third point to note about all economic claims in the EIS for the Abbot Point Growth Gateway Project and the T0 project is that they assume that these projects and the mining projects they support are financially and economically viable. If mines such as Adani’s Carmichael mine and GVK’s Alpha and Kevin’s Corner mines are not financially viable, they will not proceed and none of these benefits will be realised. Most analysts question the financial viability of these projects.[6] Major Australian and international banks have been distancing themselves from these controversial mining projects.[7]

The economic impact statement for the Abbot Point Growth Gateway Project EIS includes assessment of the “Value of exports facilitated” (Section 4.3). This section references a medium term coal price forecast for Newcastle benchmark thermal coal of between AUD$88 and $100 per tonne. Based on this price it claims:

> *The Project could facilitate additional throughput of 70Mtpa of largely thermal coal which would have a value in the order of $6.1 billion to $7.0 billion.*

This claim ignores the problem that most of the mining proposals in the Galilee Basin are unlikely to be viable at these prices, as well as more pessimistic coal price forecasts

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[4] (Fahrer 2015)

[5] (ABS 2011; Gretton 2013; Fahrer 2015; Preston 2013)

[6] See for example (Buckley & Sanzillo 2013)

[7] http://www.smh.com.au/business/mining-and-resources/national-australia-bank-rules-out-funding-adanis-carmichael-coal-mine-20150902-gjdsfl.html

such as the Federal Treasury, which forecasts long term prices of around AUD$80 per tonne.[8]

While the economic assessment in the Abbot Point Growth Gateway Project EIS includes a lengthy section on “Existing economic environment” (pages 22 to 54), including a subsection on “Regional Competitive Advantage” (page 35) that emphasises the coal industry, there is no discussion of the state of coal markets currently, the impact on the viability of the coal industry locally, or of the wider context of coal in an era of climate change policy and emerging competition from other energy sources. This omission is surprising given the extent to which these issues are discussed by economists, policy makers and the media.

[8] (Bullen et al. 2014)

Conclusion

The Abbot Point Growth Gateway Project would impose significant costs on Queensland's environment and taxpayers. These costs will only be offset if sufficient benefit is derived from coal projects in the Galilee Basin. These projects are unlikely to be financially viable without further taxpayer cost and also impose environmental costs.

These facts are not explored in the full EIS or the economic assessment and no credible claims of economic benefit are presented. The project should be rejected and the resources that are earmarked for it should be diverted to projects and policies that actually provide demonstrable benefit to Queensland.

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