

9 August 2019

Introduction

The Australia Institute welcomes the opportunity to comment on proposed conditions of the United Wambo coal mine project relating to climate change. The Independent Planning Commission is to be commended for raising the elephant in the room of Australia's climate policy – our coal exports and the scope three emissions that they create.

In the absence of any other approach to addressing scope three emissions from this coal mine, we support the implementation of an *Export Management Plan*. However, the condition as proposed will have minimal impact on scope three emissions from the mine. Below we suggest how the proposed condition can be strengthened and outline an alternative approach involving regular review of approved production levels.

Strengthening Export Management Plan

The proposed condition is reproduced below:

1. The Applicant must prepare an Export Management Plan for the development to the satisfaction of the Planning Secretary. This plan must set out protocols that require the Applicant to use its best endeavours to ensure that any coal extracted from the Site that is to be exported from Australia is only exported to countries that are:

(a) signatories to the Paris Agreement within the United Nations Framework Convention on Climate Change; or

(b) countries that the Planning Secretary considers have policies for reducing greenhouse gas emissions that would otherwise be similar to policies that would be required of that country if it were a signatory to the Agreement at (a) above;

as at the date of export. The purpose of the Export Management Plan is to ensure that all practicable measures are adopted by the Applicant to minimise greenhouse gas emissions identified as Scope 3 emissions in the EIS.

2. The Applicant must not commence Phase 1B until the Export Management Plan is approved by the Planning Secretary.

3. The Applicant must implement the Export Management Plan as approved by the Planning Secretary for the life of the development.

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As written, the condition is ineffective as virtually all countries are signatories to the Paris Agreement, and certainly all countries likely to import coal from the United Wambo project.

The Paris Agreement involves countries committing to emission reduction targets and policies through Nationally Determined Contributions (NDC) and pledging to review and increase them in future years, in order to meet a global goal of keeping global warming well below 2 degrees. Parties must also submit a long-term emissions target for 2050. Parties also agreed to review and update NDCs when the Agreement first comes into legal force in 2020.

The management of scope three emissions from the mine depends on whether customer countries have policies in place that are consistent or aligned with the global goals of the Paris Agreement. This should be the condition on which coal may be exported to a country.

We suggest an alternative to 1.(a) and (b):

1. The Applicant must prepare an Export Management Plan for the development to the satisfaction of the Planning Secretary. This plan must set out protocols that require the Applicant to use its best endeavours to ensure that any coal extracted from the Site that is to be exported from Australia is only exported to countries that are:

- (a) Signatories to the Paris Agreement with an existing Nationally Determined Contributions (NDC) consistent with the goal of the Paris Agreement, of keeping global warming well below 2 degrees; or*
- (b) has policies in place to phase out use of thermal coal and/or achieve net zero carbon emissions by 2050.*

Appraisal of NDCs and their consistency with the Paris Agreement should consider the remaining global carbon budget as estimated by the Intergovernmental Panel on Climate Change (IPCC),¹ and the importing country's NDC based on one of several accepted approaches to carbon budgeting – population-based approaches, cost-sharing approaches, historic responsibility, or hybrid measures.²

¹ For example, the IPCC estimated the global carbon budget post 2011 for keeping warming below 2 degrees at between 1,000 and 1,500 gigatonnes. See IPCC (2014) *Climate change 2014: Synthesis report*, https://www.ipcc.ch/site/assets/uploads/2018/05/SYR_AR5_FINAL_full_wcover.pdf, Table 2.2, page 64.

² For discussion of different approaches to carbon budgeting, see Merzian and Campbell (2018) *Advance Australia's fair share: Assessing the fairness of emissions targets*, https://www.tai.org.au/sites/default/files/P507%20Advance%20Australias%20Fair%20Share%20FINAL_1.PDF



Condition of regular review of approved production levels

The Australia Institute has long advocated for supply of fossil fuel to be considered in climate policy, including in our several submissions on the United Wambo project. In particular our research has laid out the economic, social and environmental arguments for a moratorium on new coal mines. However short of such a moratorium alternative approaches are an improvement on the current situation where there is in effect no state policy to manage levels of coal production and allow a managed transition.

Approved production of existing thermal coal projects already exceeds global carbon budgets. Moreover, new coal projects are not required to meet global energy needs. Demand for exports through Newcastle having already plateaued. The abandonment of the Port Waratah Coal Services Terminal 4 project demonstrates that even the coal industry does not expect coal demand to grow significantly.

New coal projects put downward pressure on coal prices, increasing demand and related scope three emissions. NSW exports almost 200 million tonnes of thermal coal each year. All of this is sold to Asia as thermal coal is rarely traded further afield due to its bulk. NSW exports represents more than a quarter of Asia's 740 million tonnes of annual coal imports.³

Further coal project approvals and the lower prices they generate work against the interests of the owners, workers and communities related to existing coal mines. With every new project approved, it is less likely that existing projects will operate for their expected lifespans and more likely that they will close early causing social and economic disruptions for workers and communities.

NSW should develop a policy to guide the transition for coal producing regions to a low-carbon future. This should include greater assessment and guidance of production levels. Production should be prioritised from projects with less impact on sensitive ecological communities and with greater socio-economic benefit.

This policy development process can begin with the United Wambo project. We recommend a condition that approved production levels are regularly reviewed and adjusted. For example, a condition could be imposed that production levels be reviewed every year, with the potential to reduce production by as much as 1 million tonnes per year. Giving regular timing and bounds within which production can be constrained provides certainty to project operators and would allow the NSW government to plan for the future of the coal industry and relevant communities.

³ Commodity Insights (2018) Market Demand Study: Australian Export Thermal Coal, <https://minerals.org.au/sites/default/files/180615%20MCA%20Thermal%20Coal%20Outlook%20Study.pdf>, see Table 3:13

