

Planning Assessment Commission
Level 3, 201 Elizabeth Street
Sydney NSW 2000

26/10/2016

Re: Airly Mine Extension - D433/16

Dear Commission,

The Australia Institute made a submission on the Airly Mine Extension proposal in October 2014, highlighting our concerns with the economic assessment of the project conducted by Aigis Group. Our key points were:

- The economic assessment does not comply with relevant guidelines.
- Inappropriate consideration of wages as an economic benefit, overstating the value of the project
- Lack of transparency – even basic assumptions around coal prices are not disclosed.
- Financial viability – the mine’s parent company states “Airly is a high cost operation”
- Assessment of environmental costs has not been conducted competently and uses inappropriate sources. I know the author of one source personally, Dr Ian Curtis, and he has confirmed that his study is of “no relevance at all” to the Airly mine context.

Aigis Group’s March 2015 revised Economic Impact Assessment does not address these criticisms. It still contains no information about assumed coal prices and major costs and benefits. It does not address the fact that it is a high cost mine. It continues to reference inappropriate environmental valuation studies, including that of Dr Curtis.

The Centre for International Economics (CIE) has conducted peer reviews of both studies, concluding that the first:

[Has] been undertaken in a manner that is inconsistent with well-established principles and the NSW Government’s November 2012 Guideline for the use of CBA in mining and coal seam gas proposals. The analysis presented also lacks transparency and it is, therefore, difficult to verify the calculations undertaken.

CIE’s review of the revised assessment was hardly more positive, noting “a number of aspects where adjustments are required to Aigis Group’s analysis or where values should be updated based on more recent information.” CIE attempted some of these calculations themselves and found others “not possible to verify”.

The Department of Planning and Environment's Final Assessment Report does not engage with any of these concerns. The Department's claim that the project would result in "significant social and economic benefits for the local area and the State of NSW" is not consistent with informed reading of the economic assessment or of CIE's reviews.

There is no escaping the facts that Airly is a high-cost project with considerable environmental impacts. The benefits of the project are uncertain and overstated in the assessment, while environmental impacts are highly likely and understated.

In a recent study by The Australia Institute and the Centre for Policy Studies, we found that NSW has approved hundreds of millions of tonnes of coal production into the 2040s.¹ In a world that is moving to consume less coal in order to reduce the risk of climate change, much of this coal must remain in the ground. The Airly project is already at risk of becoming a stranded asset and approving expansion of it will do little to reduce this risk.

This study shows that approving no new coal mines will allow assist with an orderly transition away from coal production and impose a minimal economic impact on the NSW economy. We estimate the difference in NSW GSP in 2040 to be just 1.3%. With or without new coal mines, NSW employment reaches 4.7 million in 2040, with a difference of around 30,000, or 0.7%, in the final years of the modelled estimates.

In summary, the Airly expansion should not be approved. The proponent's inability to provide an economic assessment that is transparent and meets with NSW economic assessment guidelines should be cause enough for the project's rejection. Approving new coal capacity in at a time where the world is moving away from coal is neither necessary nor desirable from environmental or economic perspectives.

Best regards,



Rod Campbell
Research Director
The Australia Institute

¹ Denniss et al (2016) Never gonna dig you up! Modelling the economic impacts of a moratorium on new coal mines
<http://www.tai.org.au/sites/default/files/P198%20Never%20gonna%20dig%20you%20up%20FINAL.1.pdf>