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Dear Coordinator-General,

The Australia Institute welcomes the opportunity make a submission on the Valeria Project draft terms of reference for an environmental impact statement. We have considerable experience in reviewing and conducting economic assessment of coal projects in the Queensland and New South Wales planning and legal systems. Most recently, I appeared as an expert witness in *Waratah Coal Pty Ltd v Youth Verdict Ltd* in the Queensland Land Court.

Based on this experience we make suggestions below for additions to the economic section of the terms of reference, on pages 48 and 49 of the draft ToR document. Our suggestions focus on two key points:

- Economic assessment of the project should include consideration of the huge uncertainty that global climate policy places on the coal market. The economic impact assessment should consider coal market scenarios that comply with the Paris Agreement and limiting global warming to 1.5C.
- Scope 1 and 2 greenhouse gas emissions and the damage they cause should be treated as a cost to the Queensland or Australian community. Some coal industry economists in NSW (eg Mount Pleasant project) and Queensland (eg Waratah Coal Pty Ltd v Youth Verdict) have recently attempted to downplay the cost of direct emissions by multiplying carbon cost estimates by the state's share of world population or world GDP. This approach should be explicitly ruled out. It ignores the fact that Queensland's net zero emissions policy and Australia's support for the Paris Agreement meant that any increase in emissions due to the project need to be accounted for within a Queensland emissions budget and will therefore impose an opportunity cost on other parts of the Queensland economy.

Our suggested additions to the terms of reference are highlighted in the text below. Non highlighted sections are cut and pasted verbatim from the draft terms of reference document:

15.195 ...The analysis is to describe the local and regional economies likely to be impacted by the project and identify the relevant stakeholders, and include:

...

(d) relevant economic indicators, including carbon prices and coal market forecasts under climate policy scenarios that meet the Paris Agreement, which is supported by the Queensland and Australian Governments.

(e) existing and proposed resource projects in the region, and how these projects might operate and interact under coal market conditions consistent with the Paris Agreement, Queensland and Australian Government climate policy.

15.197 The economic impact assessment is to address matters including, but not limited to:

...

(d) the anticipated value of offsets required for all components of the project, including scope 1 and 2 greenhouse gas emissions. Given integrity concerns around carbon and biodiversity offsets, consideration should also be given to the full social cost of impacts, ie consideration of greenhouse gas emissions at various estimates of the social cost of carbon.

15.199 Undertake a cost-benefit analysis (CBA) which identifies the structure of the project and the relevant direct costs and benefits from the project.

(a) The CBA is to consider:

...

(viii) The viability of the project in terms of producer surplus under coal market conditions expected under climate policies that meet the Paris Agreement.

(b) The CBA should also consider all direct private, indirect, and external social costs and benefits. These would include:

...

(ii) external net costs (to third parties, community, local and state government) as a direct result of the project. All scope 1 and 2 greenhouse gas emissions should be treated as a cost to the Queensland Community given the Queensland Government's net zero emissions climate policy and the carbon budget that implies see also 15.212.

I would be happy to discuss these suggestions in further detail.

Regards,



Rod Campbell
Research Director
The Australia Institute