

Inquiry into the EPBC Amendment (independent expert scientific committee on CSG and large coal mining development) Bill 2012

Submitted by Ian Whan on behalf of Friends of Felton

Background

Australians from all walks of life no longer trust government to properly moderate the behaviour of large scale mining. Of greatest concern is encroachment by mining into quality farmland and closely settled rural communities. To fill the void, grass-roots community groups have mobilised for the purpose of protecting the nation's best long term interests against the voracious appetite of overseas-owned mining companies and inept politicians and government agencies that haven't the courage, foresight or knowledge to understand what's happening. Despite the protest groups having a better understanding of the problems and solutions surround encroachment by mining, we ultimately depend on black-letter law to effectively control mining. Even though poor governance is letting the nation down, we actually need more intervention to bring about a tolerable balance between mining, agriculture and rural communities. Without knowing exactly how and to what effect the EPBC Act will be amended, Friends of Felton is making an appeal to the Commonwealth to get directly involved in the licensing of mining activity.

The Commonwealth should get more involved in the licensing of mining operations for the following reasons:

1. The states can't do the job: The states' constitutional right to mining royalties has put them in league with the miners. State governments say they are 'obliged' to develop the mineral resources falling within their jurisdiction. This anachronism is used as an excuse to dispossess farmers of their land and in the process wreak havoc on household wellbeing, community stability and the landscape. On the other hand, the states don't feel obliged to pursue national or global objectives regarding curtailment of GHGs¹ or striving for renewable energy targets. The EIS system used by the states to assess the appropriateness of particular mining proposals is biased and manifestly flawed in terms of objectivity and scientific method. If the EIS system was overlaid by a suitably amended EPBC Act, there would be a better chance of the assessment process recognising and rejecting those proposals that are socially unacceptable.
2. Externalities: Unless society clamps down on consumption of fossil fuel, future generations will pay a heavy price due to the impact of hidden costs (or externalities) stemming from the mining, processing, transport and combustion of coal. A recent US study found that the externalities associated with using coal for power generation doubles to triples the average cost per unit². Among the externalities identified and quantified were subsidies, climate change, loss of food and water security and health impacts. There are at least two reasons for thinking that the differential is even higher in Australia. First, where mining is allowed to encroach on quality farmland – such as that found on the Darling Downs or the Liverpool

¹ We accept that this is due in part to the accounting practices surrounding GHG. Thus Queensland coal exports only included emissions due to on-shore activities such as actual mining and transport. Most emissions occur when the coal is combusted; in the case of exports this occurs overseas – making the associated GHGs part of that country's emissions account.

² See Epstein et al (2011) Full cost accounting for the life cycle of coal in *Annals of the New York Academy of Science* 1219:73-98

Plains – huge opportunity losses result when short term coal or CSG replaces on-going agriculture and associated rural communities. Secondly, when mining is allowed to dominate Australia's macro economy – as it is currently – we end up with a bloated dollar that results in a 2-speed economy and an uncompetitive manufacturing sector. There is no prospect that mine-related externalities will ever be absorbed into market prices³ for energy so the only way of addressing the implied market failure is through regulation that effectively reduces the supply of fossil fuels. To the extent an amended EPBC Act is able to be implemented, it should curb access to new land and eventually reduce the accumulative externalities of CSG and coal on a national scale.

3. How to restrict access to the resource: We should start by reducing the effective supply of coal and CSG by fencing miners out of areas already devoted to sustainable productive agriculture, high settlement density and declared nature refuges. The notion that miners should have statutory rights to access resources wherever they are located is out-dated and undemocratic. These days, coal and CSG mining is conducted on a massive scale. It is the scale-effect that gives rise to the externalities we know about and worry about. Since the externalities stemming from mining are directly proportional to the people and production displaced, there should be formula-based restrictions on where mining can enter and establish. We hope the amended EPBC Act will be applied so as to limit the expected externalities that any given proposal can inflict on a) the immediate area affected; b) neighbours and their health; c) the natural environment; and d) global viability. The limit should be quantified and adhered to by law.
4. Mining industry has no social conscience: Mining companies are in the business of making money for their shareholders and care about little else. In addition, state governments find it all too easy to confuse mining activity with public policy⁴. The job of government is to control mining (because of the sheer size of the externalities) not to encourage it for the sake of achieving short-term job targets and royalties. Unless the commonwealth gets involved in slowing access to the resources, there is little chance Australia's rate of coal and CSG extraction will be moderated by anything but free-market forces.

Difference between coal and coal seam gas

CSG is often touted as cleaner than coal and an ideal pathway for transitioning from coal to renewable; this is accepted as a 'given' by virtually everyone. In truth we don't yet know enough about the life cycle of CSG to say anything definitive about its relative cleanliness. In fact, the main difference between coal and CSG is knowledge thereof. Enough is now known about the mining, processing, transport and combustion of coal to quantify (in dollar terms) its externalities. The US work referred to above is very recent; it is possibly the first work to give us a precise figure of the hidden costs inflicted on society by using coal to generate electricity.

³ The Mineral Resources Rent Tax will not go anywhere near compensating society for the all the hidden costs inflicted on it by coal mining, processing, transporting and combustion. In opposing the MRRT, luminaries such as Andrew Forrest have argued that it 'will reduce investment in Australia'. Let's hope he is right. If so, this will curb expansion and reduce mining externalities. Note that we are not arguing for any artificial tampering with the AU dollar.

⁴ Queensland's Bligh government applauded the mining industry for the jobs it created while forgetting about the obligations of government to the natural environment, farmers, rural communities and a balanced economy.

The same can't be said for CSG. Despite the manic expansion of the CSG industry over the past decade, not enough is known about the externalities it is generating to make even a rough estimate of the hidden costs it will inflict on society over the next hundred years⁵. If the CSG industry in southern Queensland and northern NSW ultimately damages the GAB, pollutes the Murray Darling and renders useless 50,000 hectares of arable soils for (say) fifty years, the associated externalities might be ten or twenty fold the revenue stream from actual sale of CSG products.

The Queensland Government has shelled out subsidies to the coal and CSG industries of at least \$6.9 billion over the past five years⁶. Most of this has gone on infrastructure to expedite the movement of product from source to port. Removal of such subsidies would presumably help to slow growth and thereby reduce the externalities proportionately – or more than proportionately given that the subsidies themselves count as an externality.

Worse still, the infrastructure subsidies effectively make the Queensland Government a co-investor in the resources industry and consequently reluctant to do anything to diminish utilisation of the infrastructure. Governments see generation of secondary benefits associated with infrastructure utilisation as the only way they can extract a satisfactory return from infrastructure investment. There is a critical need to weaken the nexus between state governments and the mining industry. If the Commonwealth was to become an independent regulator of the coal and CSG industries, the returns from state investment in mining infrastructure would presumably become less certain and reduce correspondingly.

Concluding comments

Riding the riches from mining is part of the Australian myth. So 'breaking away' will require great fortitude and perseverance. But sooner or later Australia will have to transition to various sources of renewable energy – to replace our reliance on fossil fuels. Current attempts at this transition are being thwarted by the high hidden cost of using coal compared to using renewable sources (or more accurately, the low apparent cost of using coal). The fact that the renewable sources have virtually no hidden costs is of little assistance (to the transition) when ordinary people can't imagine the magnitude of the unseen cost difference.

If the commonwealth was to amend its EPBC act for the purpose of direct involvement in licensing of all new mining operations, there would be a slowing in the rate at which coal and CSG mines are developed. This slowing would result in multiple benefits:

1. Lower coal exports would result in a more balanced Australian economy. A stronger manufacturing sector would assist the transition to renewable capacity. Once

⁵ Important work on this subject is being done by Alan Randall from the University of Sydney. See if possible: 'Coal seam gas – Towards a risk management framework for a novel intervention' unpublished 2012 Thomson Reuters (Professional) Australia.

⁶ Reported in a study by Trevor Berrill (2012) Clean Energy Pathways: a review of energy policy in Queensland

renewable energy claims a critical share of the retail market (encouraged by mandating hurdle rates) it should become entrenched.

2. Implicit in restricting access to 'new land' would be greater separation of agriculture and (coal / CSG) mining. Agriculture and mining are grossly incompatible and should be kept well apart⁷. Making the miners establish in areas with low social and environmental values would increase their costs and reduce output at the margin (but also the level of externalities). Reducing the MRRT and even retaining some subsidises might be justified if the mining industry generated large secondary benefits in remote areas.
3. State governments and miners are always drawing attention to how heavily the mining industry is regulated. This is done to convince the public that all mining is 'low-risk' or 'under-control', courtesy of heavy regulation. But regulating mining activity without actually stopping any mines from starting up is a sub-optimal approach. If socially unacceptable mines are not allowed to start, there would be less need for regulation in the first place. Only allowing mines that have been granted a social license to operate would result in far less green tape and subsequently lower costs of production.
4. Slowing the CSG industry in particular will help with management of the numerous risks surrounding its extraction. If this industry is to be truly beneficial to Australia, the nature of its cost benefit relationship has to be better defined before the industry is allowed to expand further.

Given the enormity of the stakes, it is irresponsible of the commonwealth to leave the burden of curbing the venal instincts of the mining industry to community groups that have to rely on voluntary labour and donations to do their work. Over the past four years, Friends of Felton members have devoted thousands of voluntary hours to fighting a mining proposal that would never have come-up for consideration if the nation had in place responsible and balanced land-use regulations. It is abundantly clear that most Australians want mining kept away from quality farmland and closely settled communities. It is time for all levels of government to act on the wishes of the majority.

⁷ The miners are always claiming that they coexist with agriculture. But they have never enunciated what coexistence means in practice. It is far easier for people to understand that mining and agriculture cannot exist in the same place at the same time and that open cut coal mining results in permanent alienation of the impacted area. CSG evaporative ponds are also resulting in permanent loss of land and if aquifers are damaged the alienation footprint will be massive.