

Committee Secretary

Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

By email: ec.sen@aph.gov.au

10 April 2017

Dear Sir / Madam,

Parliamentary Inquiry: Rehabilitation of mining and resources projects as it relates to Commonwealth responsibilities



AGL Energy (**AGL**) welcomes the opportunity to provide a submission to the *Parliamentary Inquiry: Rehabilitation of mining and resources projects as it relates to Commonwealth responsibilities* (the Inquiry).

As a leading integrated energy retailer AGL is well placed to provide comment on the issues presented. AGL operates across the supply chain and has investments in coal-fired, gas-fired, renewable and embedded electricity generation, upstream gas production and provides energy solutions to over 3 million customers.

AGL welcomes discussion on a critical element of the transition to a decarbonised energy sector. As the electricity generation sector transitions to an industry with far higher levels of renewable energy penetration and decreasing levels of thermal energy it is important that the sector understand the costs, benefits, challenges, risks and opportunities commensurate with their importance to the community over the long term. The rehabilitation of mines and associated activities is one such activity. The decarbonisation of the electricity sector will span several decades, and a long-term vision and trajectory are essential.

As a central component of decarbonisation, the retirement of existing aged emission intensive generation and associated mining activities must be addressed in a considered, pragmatic manner sensitive to the extensive impacts on communities. The following principles must underpin any consideration of retirement and closure policy:

- Communities deserve and require certainty to plan for a transition
- Irrespective of the mechanism used, a closure policy should result in an orderly and predictable closure/transition process
- Direct and complementary mechanisms intended to affect this transition must integrate the three key, but sometimes competing objectives of competitiveness, energy security and decarbonisation
- Political and policy cooperation must recognise the critical role of state governments in energy policy and as such Federal-State cooperation should be of primary concern in the development of approaches

To discuss any aspect of this submission, please contact Cameron Reid

Yours sincerely,

Dr Tim Nelson
Head of Policy & Sustainability, AGL Energy



Background & Context

Orderly transition

Eventually ageing emissions intensive power stations will close. AGL is working towards long term rehabilitation and closure planning, so that optimal transition planning can occur. AGL considers that certainty in broader energy policy will also assist in an orderly transition away from emissions intensive power stations.

Certainty in long-term government policy regarding emissions reductions has the potential to benefit a range of factors contributing to the efficient transition including new investments, management of existing capital stock, community transition and energy market development.

Investment

- Greater investment certainty for capital providers and proponents likely to result in lower cost of capital
- New investment can better coincide with decommissioning of existing activity to maximise efficiency
- Greater foresight on generation attributes required

Incumbent investment

- Greater efficiency of capital and operational expenditure
- Enhanced integration of rehabilitation expenditure into planning cycles and other activities

Market and policy development

- More granular and predictable foresight on industry environment
- Enhanced ability to assess policy impact and potential for complementary policy requirements (e.g. NEM or market reform / gas policy / vehicle standards)
- Enhanced foresight for community transition planning
- Smoothest possible trajectory for emissions and wholesale prices

Community

- Enhanced ability to plan for structural community adjustment
- Ability to integrate rehabilitation requirements into local training and education requirements
- Potential to facilitate industry level impacts and responses as opposed to company specific considerations (e.g. rehabilitation and decommissioning activities)
- Firm basis upon which to engage with community, industry and government stakeholders
- Enables impacted individuals to make longer term planning decisions

Community transition

In 2022 AGL's Liddell Power Station is due for closure, followed by Bayswater Power Station in 2035. Both stations are located in the Hunter Valley region (NSW). In the Latrobe Valley (VIC), AGL's Loy Yang A power station and mine site has a closure date of no later than 2048.

AGL recognises these assets are significant regional contributors to economic activity and employment. As these generation assets close, and in the lead up to these events AGL will strive to minimise negative impacts on regional communities and support the development of new opportunities for growth.



AGL's approach to rehabilitation of assets is guided by the following underlying principles:

Transparency – AGL will provide stakeholders with information to enable better understanding of the issues related to rehabilitation of AGL sites.

Engagement – AGL will undertake ongoing engagement with stakeholders to ensure a diverse range of views are considered in rehabilitation plants and processes.

Accountability – AGL will publish relevant information at least annually to enable external assessment of rehabilitation activities.

AGL is driving strategies and initiatives principal objective to develop industrial ecosystems with Government, education providers and industry.

In Victoria, AGL provided support and analysis for the Committee for Gippsland's 2016 Report: Our Region Our Future: Securing an industry future for the Latrobe Valley. AGL was also an active participant in the Hazelwood Mine Fire Inquiry's examination of rehabilitation planning for the Latrobe Valley coal mines.

Rehabilitation of complex mine sites

AGL notes that rehabilitation of the AGL Loy Yang mine is a large and complex task, which is to be undertaken over a long time period. AGL considers that progressive rehabilitation during the operational life of a mine is very important, and should be carried out as and when final bit batters and floor areas become available. Progressive rehabilitation in the AGL Loy Yang mine is determined by the on-going access, infrastructure layout and geotechnical stability of the coal batters. Any financial assurance should consider progress made on rehabilitation.

AGL has undertaken and is continuing with its plans to progressively rehabilitate the AGL Loy Yang mine. Significantly, in March 2017, AGL Loy Yang moved its TS4 stacker from the overburden site to the base of the AGL Loy Yang Mine. This project involved moving a piece of machinery that is 21000 tonnes in weight and over 10 storeys high, 19 kilometres from its previous location at the AGL Loy Yang mine overburden dump into the base of the AGL Loy Yang mine. The TS4 stacker will move excess materials like clay and soil back into areas of the mine where coal is no longer extracted.

AGL also submits that rehabilitation planning for a geotechnical complex mine such as the AGL Loy Yang mine is necessarily iterative and responsive to site conditions and the trialling of rehabilitation techniques. AGL submits that it is important that rehabilitation planning retains sufficient flexibility over the life of a mine to allow for improvement and adjustment. The regulation of rehabilitation must also be sufficiently flexible to allow this to occur.

AGL Loy Yang is committed to the progressive and long term rehabilitation of the open cut mine and its key objectives for long term rehabilitation are to:

- > Eliminate long term exposed coal to reduce fire risk;
- > Create a geotechnical stable landform;
- > Complete most the rehabilitation works within 15 years of closure; with a subsequent period of monitoring and maintenance as required; and
- > Create a land form that provides access for maintenance and end use purposes.

AGL Loy Yang recognises that there are challenges in achieving the key objectives as outlined above. As a result, AGL Loy Yang has committed to work with government bodies, researchers and the operators of the Yallourn and Hazelwood mines to better understand the risks. AGL Loy Yang includes a comprehensive Rehabilitation Plan in the work plan required under its Mining Licence and has a substantial rehabilitation trial program planned that will assist in informing land form and use decisions.



Rehabilitation Financing

AGL acknowledges that it is good policy to require appropriate financial assurance to ensure that rehabilitation can be undertaken by the State should an operator be unable to meet its rehabilitation obligations. AGL also notes that State laws currently impose financial assurances under environmental and resource laws and that AGL has lodged bank undertakings with the Victorian Government as rehabilitation bonds for the AGL Loy Yang mine. AGL does not consider that it would be appropriate for the Commonwealth to duplicate these requirements and impose additional financial assurances under federal laws.

One of the key findings from the Hazelwood Mine Fire Inquiry was the need for co-ordination between a number of Victorian Government departments and public authorities to address rehabilitation planning. AGL considers that it is equally important that the Commonwealth co-ordinate with relevant State bodies regarding rehabilitation, rather than impose additional and separate requirements.

In principle AGL believes that financial assurance mechanisms should be developed on a risk management basis that provides all parties (operating entity, community and relevant Government) the appropriate incentives and information to make determinations that provide comfort that the activity will not be abandoned, nor the community left to "foot the bill".

AGL submits that a financial assurance policy in the resources sector should be calculated by reference to risk management principles and provide a range of options for providing assurance. Any calculation of the amount of the financial assurance should also reflect the risk of insolvency and non-compliance by the mine operator. Such an approach is more economically efficient than simplistic policies that levy one form of rehabilitation bond.

AGL would contend for the electricity generation sector, a clear plan for the phase out of existing aged emission intensive (coal) generation will aid in identifying the risk or confidence levels that can be associated with the closure of a given asset.

Conclusion

AGL is a committed and active participant in the local communities in which it operates mineral and petroleum resource assets. AGL's number one priority is the safety of its employees and those local communities.

AGL has comprehensive Health, Safety and Environmental policies and management systems, which guide its operations.

AGL's closure and rehabilitation planning process occurs in the context of the AGL values and its commitment to "Zero harm to people and the environment". AGL will continue to work with local, State and Commonwealth Governments to address the environmental, social and economic consequences of closure and rehabilitation of nationally significant thermal coal energy generation assets.