

Hunter Valley Community Consultation Deliberative Democracy

8.30am, June 18, 2010, Newcastle City Hall, Hunter Room

“How can we ensure a healthy economy, community and environment for the Hunter Valley into the future?”

Introduction

First I would like to thank the Nature Conservation Council for organising this event and Dr Kath Fisher for her expertise and guidance through the course of today.

The NSW Minerals Council is very pleased to be a part of this forum and to have the chance to have input into the debate about the future of a region which is central to the past, present and future of the minerals industry in NSW.

It is important that we are meeting to share ideas, views and aspirations for a healthy economy, community and environment in the Hunter into the future.

I think it's a very positive initiative which should be approached with a mindset above and beyond the short-term environment of electoral cycles, because we'll all be here either living or involved in the Hunter region long after State and Federal Government terms have come and gone.

From our point of view this is also a good opportunity to get into some detail around the impacts of mining in this region. We appreciate that this is an issue which is of concern to some in the community and certainly the subject of significant debate in the community. So as well as talking about the future, we recognise that it is important to discuss the here and now. What the industry is already doing to achieve better outcomes for in these policy areas? And to develop some practical ideas about what more can and should be done.

The NSW Minerals Council represents the State's minerals industry. We are a not-for-profit industry association whose members include producers, operators, explorers and associated service providers. Many of our members operate across multiple Australian jurisdictions, as well as internationally. We work closely with state and federal governments, industry groups, Unions and the community to foster a dynamic, efficient and sustainable mining industry in NSW.

Mining in NSW is a \$23 billion industry. In 2009-10 the industry's economic contribution included:

- A return to the people of NSW of an estimated \$953 million in royalties which will increase by 85% to \$1.8 billion this year
- 35,000 direct mining jobs, about 15,000 here in the Hunter
- 30,000 jobs in minerals processing
- Some 300,000 additional indirect jobs: mainly in regional and rural NSW
- Export revenues of \$20.5 billion.

This year's NSW Budget projects that the industry will pay \$6.8 billion in royalties to the people of NSW over the next four years. These royalties are free and clear of wages, infrastructure, community support programs and state and federal government taxation. These royalty revenues support the State's schools, hospitals and other vital infrastructure. As the Budget figures also demonstrate, these royalty revenues increase substantially, to the benefit of all NSW citizens, when the minerals market is robust.

Sometimes there is a temptation to write off organisations like mine as lobbyists peddling the lines of big business. While we certainly represent the mining industry and are proud to do so, we are like any other representative group, be it the environment lobby, the Union movement, Save Our Rail etc. Our credibility

is absolutely essential to maintaining our seat at the table for public policy debate. That includes sessions like today where there is an opportunity to listen as well as speak.

In response to the question posed to us today; "How can we ensure a healthy economy, community and environment for the Hunter Valley into the future?" I'd like to say two things.

- Firstly; ***we can achieve all three*** by working together – I believe that the balance will always be the topic of debate in a democracy like ours, because each of us places different emphasis on different priorities and different views. But as long as the debate is about balance and not about the complete lack or destruction of either the economy, community or the environment then we are broadly on the right track.
- Second, a healthy economy doesn't have to be achieved at the expense of community and environmental health, or vice versa.

Recommendations:

1. Increased investment by Government to provide for the hard and soft infrastructure requirements of the growing population of the Hunter Valley

Just to explain briefly what I mean by hard and soft infrastructure – hard infrastructure is the roads, railway networks, ports and the built environment that is needed to support a community. Soft infrastructure or social infrastructure refers to things like childcare facilities, schools, hospitals and medical centres.

NSWMC has for some time been supportive of the need for publicly funded infrastructure to keep pace with the needs of growing populations and the aspirations of regional communities in NSW.

The very large populations in metropolitan areas like Sydney mean that huge resources are needed to service these centres. Public services like transport, hospitals, schools, emergency services and so on.

The problem of course is that the regions always seem to come second. And in the face of significant population growth brought about by mining and other industries, the pressure on local hard and soft infrastructure grows as well.

In the absence of what people in regional areas regard as a fair share of public funds for these types of needs, mining communities in particular have mounted a strong case for a fairer share of mineral royalties to the regions that help to generate them.

The mining industry injects real wealth into the NSW economy and also provides significant returns to the people of NSW through mineral royalties. In 2008-09, the industry contributed almost 2.5% of the State's total revenues through royalty payments of \$1.28 billion. Royalties paid by the industry have almost tripled from \$489 million in 2006-07 and are expected to return more than \$1.75 billion annually by 2010-11.

Mining operations also make a direct contribution to the economies and social fabric of local communities. The NSW mining industry is a major, high value employer, particularly in regional areas. There are 65,000 direct jobs in mining and minerals-processing across the State supporting the employment of more than 290,000 additional jobs indirectly. The mining industry helps to create diverse, resilient regional economies and provides young people in regional NSW with a greater range of choices for a career close to home and family.

High wages paid to employees in the industry are spent on goods and services, much of it locally. Companies provide funding to a wide range of community groups, charities and sporting clubs. Many companies also actively encourage and support staff members as they play an active role in community life through volunteer work and other activities.

The growth of investment, employment and regional economies can also lead to challenges for the communities that host the NSW mining industry. Greater pressure on local infrastructure from expanding populations, changing social structures as communities grow and evolve and the availability of affordable housing and health services are some examples of how impacts may be felt.

The mining industry acknowledges that having a job is not the only thing important to people living in regional NSW. Communities deserve adequate social infrastructure to support the economic growth brought about by mining. However social infrastructure must be partnered with hard infrastructure to ensure these communities are adequately looked after. The industry also strongly believes that its future relies on resilient and effective partnerships with the communities that host its operations.

Effective partnerships are built on respect and mutual benefit, with each partner recognising and catering for the needs of the other. The NSW mining industry has heard and supports the message from its host communities that the Government needs to invest in regional areas to ensure social infrastructure keeps pace with the aspirations of these communities.

Our first recommendation to help ensure a healthy economy, community and environment for the Hunter Valley into the future is about recognising the needs of the region and allocating the public investment to provide for the needs of the growing community.

2. A dramatic increase in funding and prioritisation by Government to the demonstration and rapid commercialisation of viable low emissions energy technologies, including carbon capture and storage

The NSW mining industry accepts the science of climate change and recognises it as a challenge that must be addressed. We also accept that emissions from coal fired power generation across the globe are a significant contributor to greenhouse gas levels in the atmosphere.

But while the acceptance of the problem seems simple enough, the solutions are of course far more complex. Predicted growth in demand for energy globally is in direct conflict with the requirement to reduce emissions.

Most of this growth will come from developing economies, following the path and aspirations set for them by Western nations like Australia. Issues of basic human rights are happily rolled out by campaigners for action on climate change to highlight the impacts, but forgotten or ignored when the discussion turns to the hard task of balancing the environmental with the economic and social needs of people all over the world.

It is for these reasons that we believe that low emission technologies, including carbon capture and storage, must be part of a global solution to climate change. And it is in helping to develop these solutions that I believe a place like the Hunter Valley can have far greater impact on climate change than we can ever hope to by taking any sort of moral stand against coal.

The truth is that coal is the dominant source of electricity in the world. It holds that place for some very good reasons: the fact that it is available from over 100 countries globally means that it is not only highly price competitive, its diverse geography provides security of supply to consuming nations.

Access to electricity is closely linked to the alleviation of poverty. So, when you consider the increasing demand for power from developing nations, married with the desire of the 2 billion people on the planet that still don't have access to an electric light bulb, it's easy to see why the International Energy Agency predicts that global net electricity consumption will more than double between now and 2030 leading to a growth in CO2 emissions of 55% over the same period.

More than 70% of that growth will come from the emerging powerhouse economies of China and India. China is now the world's largest greenhouse gas emitter yet more than 800 million of its 1.3 billion people

are not connected to the electricity grid. 800 new coal fired power stations will be built around the world in the next 10 years: 500 of these in China alone. So if we don't have an answer to coal use in China, we definitely don't have a solution to climate change.

Australia's response to the challenge of climate change requires a suite of policy measures that balance the need to ensure energy security, ongoing economic growth, international competitiveness and actual reductions in global emissions.

Our second recommendation relates to the research and development of low emission technologies.

There needs to be strong investment in all low emission technologies, as these technologies will be critical to lowering the costs of reducing emissions. The investment is urgently needed given the significant lead time of wide scale commercial deployment of these technologies.

Australia and specifically regions like the Hunter Valley have an opportunity to be a leader in the development, and export, of low emission technologies. This is critically important given that developing countries, in particular China and India, will continue to be reliant on fossil fuels for their economic development.

NSWMC has long advocated the need for a suite of technology solutions, including advanced renewable. One such technology closely linked to coal-fired power generation deserves specific attention.

Carbon capture and storage technology (CCS) is the only technology that can significantly reduce greenhouse gas emissions from fossil fuel generation. CCS technologies could contribute up to 55% of global cumulative mitigation. Experts such as the International Energy Agency, the UN's Intergovernmental Panel on Climate Change, Al Gore, Sir Nicholas Stern and Professor Ross Garnaut all agree that the response to climate change must include the deployment of carbon capture and storage.

The Australian coal industry is committing real money to CCS through the Coal21 Fund – a world first voluntary industry levy and partnership between coal producers, State and Federal Governments, the research community and electricity generators. The \$1 billion fund is being spent on fast-tracking development of low emission technologies for coal fired power generation. The Coal21 Fund also leverages several billion dollars more in funding already committed by governments and individual companies for such projects.

But the commercialisation of CCS will of course need more money than that, lots more. As Anthony White from Climate Change Capital – an investment bank focussed on low carbon emissions has said: "The renewable industry has had billions spent on it and technologies like wind power are now becoming mature. CCS hasn't had its billions yet".

It is in this context that I believe we need political leadership to commit public monies on a scale that signifies a genuine effort to achieve technological breakthroughs. A region like the Hunter could be a centre for this type of research and development, building on the strong reputation in the region with the work of organisations like the CSIRO Energy Centre here in Newcastle.

3. A commitment to strategic land use planning to provide the population with input to a long term vision for the development of the region, certainty for landholders and clear direction for future investment

In NSW, mining often occurs in close proximity to other land uses including agriculture, viticulture, industry, thoroughbred breeding and residential communities. There is a need to plan where these different land uses are located within a region so that the positive interactions can be enhanced and negative interactions can be managed. NSWMC believes there is a need for a greater focus on strategic land use planning in the mining regions of NSW. This approach would allow the benefits and costs of

different land use patterns to be assessed up front, helping shape future development in the region and creating a vision of which all stakeholders can be a part.

The Government must educate the community on its role in major project assessments. Major projects such as mines have state-wide benefits and require a state-wide perspective. As a result, decisions regarding major projects will not always fully align with the strategies of individual local communities.

There needs to be a focus on education and communication about mining, including: the mining process, the differences between exploration and mining; the integrity of the assessment process and its ability to identify key risks and appropriate management measures; and the community's opportunity to have their say, and how their views are considered and balanced by decision makers.

4. Planning for a post-mining economy which includes education and training investment, identification and development of new industries.

Mining is a temporary use of land. Like planning for mine closure, including effective rehabilitation and preparing mining land for alternate uses, we must likewise plan for a post-mining economy for the Hunter Valley.

Newcastle has recent experience and can be proud of the way it handled the closure of the Steelworks. Part of that success was that plans had been put into place and the region had identified a new direction and focussed on the human element, the community impact of the end of such a major part of the region.

Mining will continue for a long time yet, and the inevitable end to mining in the Hunter will be much more gradual, but long term planning is essential to ensure a healthy economy, community and environment in the Hunter into the future.

I've already spoken about one major opportunity that we believe the Hunter is well positioned to be a leader in – the research and development of low emission technologies.

What other industries do we want here in the Hunter Valley? What are the natural advantages of the region? What are the skills of the workforce and what kind of reputation do we want to shape for the future of the region?

These are all important questions which are worthy of public debate.

The answers will help identify a number of requirements. For example, investment in education and training, seed-funding for new industries to base themselves here in the Hunter, appropriate facilities for exporters to market their products to the world and the technology to remove the perceived disadvantages of being a regional centre rather than a major city.

We have seen the beginnings of these sorts of discussions. I would give credit to the green movement for identifying these challenges, as well as regional leaders including some of our elected representatives. It is always hard to focus on things that seem so remote when there seems so much to do to improve our community life in the here and now, but it is important and will play a role in determining the future for this great region.

I will end on that very big picture idea. Thanks again for the opportunity to spend time with you today and I wish you the best for your deliberations this afternoon.