

GENERAL PURPOSE STANDING COMMITTEE NO. 5

Wednesday 2 September 2015

Examination of proposed expenditure for the portfolio areas

INDUSTRY, RESOURCES AND ENERGY

The Committee met at 2.00 p.m.

MEMBERS

The Hon. R. L. Brown (Chair)

Mr J. Buckingham
The Hon. R. H. Colless
The Hon. B. C. Franklin
Dr J. Kaye

Mr S. MacDonald
The Hon. A. Searle
The Hon. M. S. Veitch (Deputy Chair)

PRESENT

The Hon. Anthony Roberts, *Minister for Industry, Resources and Energy*

Mr JEREMY BUCKINGHAM: Minister, if coalminer Peabody Energy is bankrupted, is the New South Wales Government confident that it currently holds enough security deposits, bonds or bank guarantees to cover the rehabilitation cost estimates for all their existing coalmines in New South Wales? Also, are there any circumstances in which security deposits, bonds or bank guarantees held as security by the New South Wales Government would not be made available, upon request, to cover Peabody's outstanding rehabilitation liabilities?

Mr ANTHONY ROBERTS: Thank you, they are both very good questions. In answer to the first question, whilst Peabody Energy does not directly operate mines in New South Wales, it holds three mines operated by subsidiary Australian companies. These are Metropolitan Coal Pty Limited, Wambo Coal Pty Limited and Wilpinjong Coal Pty Limited. I can inform the Committee that the total rehabilitation security guarantee held by the Government for these mines is to the order of some \$158,675,800.

Mr JEREMY BUCKINGHAM: That is for the three mines?

Mr ANTHONY ROBERTS: That is for the three mines.

Mr JEREMY BUCKINGHAM: Do you think that is adequate?

Mr ANTHONY ROBERTS: The total amount of security held to cover the rehabilitation liability is estimated separately by each mine and the estimates are reviewed and checked by inspectors of my department. The security estimate tool uses a tool developed by the Division of Resources and Energy [DRE] and this often includes a site inspection. In answer to the second question, which was—

Mr JEREMY BUCKINGHAM: Are there any circumstances in which security deposit bonds or bank guarantees held as security by the New South Wales Government would not be made available? Are you concerned that there may be an instance where that could occur?

Mr ANTHONY ROBERTS: No, not at all. The retention of financial security by the New South Wales Government is irrevocable and is required to be established with an approved financial institution.

Mr JEREMY BUCKINGHAM: In terms of your previous answer, you said that the adequacy of that rehabilitation is reviewed by inspectors. How often is that reviewed?

Mr ANTHONY ROBERTS: I will ask the Deputy Secretary to answer that question.

Ms HARGREAVES: The effective rehabilitation is obviously a key objective for the department and to make sure that we can have a safe and sustainable mirror on petroleum resources development in New South Wales. Mining companies are obliged to rehabilitate land to a condition that is capable of sustaining the intended land use, as set out by the Department of Planning and Environment during the planning approval process. Where the primary regulator is tasked with ensuring that the mines are rehabilitated to an agreed and self-sustaining final land use, processes, standards and extensive controls are in place to ensure that companies will meet these obligations.

Companies, for example, must submit and comply with an approved Mining Operations Plan, which is, in fact, our primary document for recording the rehabilitation methodology and monitoring the progress of companies against the rehabilitation plans. They are also required to submit an annual Environmental Management Report. They must regularly report to us. They must also lodge a rehabilitation security bond with the division to cover rehabilitation liabilities incurred when undertaking exploration mining and the security bond is required to cover the full cost of rehabilitation.

Mr JEREMY BUCKINGHAM: Thank you, Ms Hargreaves, I appreciate that. In that regard, is it the department's and Government's position that the \$158 million held as security is enough to rehabilitate those three mines?

Ms HARGREAVES: Again, in terms of explaining the process, obviously we reconsider and revisit those bonds on a regular basis, based on the actual life cycle of the mine. Mines go from everything from exploration, production, closure and rehabilitation. As a result of those mining operation plans and the annual reports that they have to give back to us, as well as our compliance enforcement and monitoring processes, we

have to reassess those security bonds on a regular basis to make sure that, based on the work that has either been done or is planned, we believe that there is enough security to cover the surface disturbance—

Mr JEREMY BUCKINGHAM: And in terms of those three mines, you are satisfied that the \$158 million today is enough to rehabilitate those three mines?

The Hon. RICK COLLESS: She is trying to answer your question. Give her a chance.

Mr JEREMY BUCKINGHAM: I am asking a specific question about three specific mines, not a general overview.

Ms HARGREAVES: In answering the question, and again trying to be as helpful as I can in answering it, there is a methodology to calculate what the security bond should be based on the activities, the work plans and the work that is already completed. I have to have confidence in the methodology. I have to have confidence that we are looking at it closely, that we are monitoring it and that we are requiring companies to be transparent and accountable to us. At this stage we are advised that that is the security bond that is required to meet those rehabilitation obligations, as I have just described them, and therefore that amount should be sufficient.

Mr JEREMY BUCKINGHAM: For Peabody?

Ms HARGREAVES: For those three, yes.

CHAIR: As a point of clarification, through you Minister, is that amount fixed so that it does vary dependent upon your assessment?

Ms HARGREAVES: Yes.

Mr JEREMY BUCKINGHAM: Are final voids acceptable, in terms of rehabilitation? Minister, do you accept that a mine that comes to the end of its life can and/or should leave a final void as part of its remediation and rehabilitation program?

Mr ANTHONY ROBERTS: Mining companies are obliged to rehabilitate land to a condition that is capable of sustaining the intended land use that is set by the Department of Planning and Environment during the planning approval process.

Mr JEREMY BUCKINGHAM: What is the intended land use of a final void?

Mr ANTHONY ROBERTS: That would be a question, through you Mr Chair, best directed to that respective department.

Mr JEREMY BUCKINGHAM: You do not know what we will do, ultimately, with this big hole in the ground?

Mr ANTHONY ROBERTS: Again, that lies with the Department of Planning and Environment, but I am led to believe that there have been examples.

Mr JEREMY BUCKINGHAM: Can you give one?

Mr ANTHONY ROBERTS: I am happy to take those on notice, where those voids have been used for community purpose.

Mr JEREMY BUCKINGHAM: Can you give an example of one?

The Hon. BEN FRANKLIN: Point of order: The Minister has already indicated that he will take the specifics of that question on notice.

CHAIR: Order! I uphold the point of order.