

26<sup>th</sup> August 2011

Ms Yuki Simmonds, Executive Officer  
Economic Development and Infrastructure Committee  
Parliament House, Spring Street  
EAST MELBOURNE VIC 3002



Dear Ms Simmonds,

**Re: Environment Victoria submission to the Economic Development and Infrastructure Committee Inquiry into Greenfields Mineral Exploration and Project Development in Victoria.**

We appreciate the opportunity to make a submission to the Economic Development and Infrastructure Committee's (EDIC's) Inquiry into Greenfields Mineral Exploration and Project Development in Victoria.

As Victoria's peak environment NGO with thousands of supporters, Environment Victoria has monitored and engaged with the development of Victoria's minerals industry since we were founded in 1969. In recent years however we have deepened our work and focussed upon the exploitation of Victoria's brown coal resources and associated industries.

We would appreciate the opportunity to present to the EDIC committee at future hearings as part of this inquiry.

Please feel free to contact me directly about any issues raised in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Wakeham".

Mark Wakeham  
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Environment Victoria

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In this submission we will address each element of the Committee's terms of reference. However we wish to begin by making some introductory comments about the terms of reference.

## **1. Introductory comments:**

Environment Victoria notes that the Committee's terms of reference include inquiring into and reporting on:

*“the benefits and drivers of Greenfields Mineral Exploration and Project Development in Victoria and the Committee is asked to consider possible barriers to Greenfields exploration and development, as well as project attraction in Victoria in the context of a globally competitive industry, and to identify appropriate responses that government and industry may take”<sup>1</sup>.*

Implicit in these terms of reference is the notion that minerals exploration and development is inherently desirable and to be encouraged. We believe this assumption has the potential to mask many of the undesirable environmental, social and economic impacts of minerals exploitation, or at least to relegate them to afterthought status. Given that much of Victoria's mineral endowment comprises low-grade brown coal reserves which would be highly polluting and further fuel climate change if developed, caution needs to be taken with assumptions that resource development represents 'progress'.

We note that the final point of examination of the Committee does provide for some assessment of the costs and impacts of minerals exploitation:

*“9. consideration of the costs and benefits of Greenfields minerals exploration (economic, social and environmental), and whether there are opportunities to improve the management of potential conflicts between exploration and other land uses.”<sup>2</sup>*

However this framing again reinforces the possibility of potential impacts of exploration and mining activity being relegated to afterthought status. The reason we make this point is that a culture that views any resource exploitation as desirable will likely make poor decisions about resource allocation and development as we have observed in Victoria in recent years. For example in 2002 the State Government allocated 15 billion tonnes of coal resources to three companies to develop so-called 'clean coal' projects. Nearly a decade later none of these projects has materialised, these companies received windfall gains, and Victorian citizens and taxpayers essentially 'gifted' these mineral deposits to private entities without any job creation or public benefit. We will write more about the 2002 coal allocation as an example of government agencies like the Department of Primary Industries having a 'develop at all costs' mentality which does little to safeguard the public interest in major decisions about resource allocation.

## **2. Responses to EDIC's specific terms of reference**

### **2.1 the regulatory environment;**

Environment Victoria's experience of the regulatory environment for minerals exploration and development in Victoria has been that it promotes development and fails to properly consider community views about exploration and mining activities as well as failing to consider potential environmental impacts with any level of thoroughness.

In brief here are some of the problems we have encountered with the *Mineral Resources (Sustainable Development) Act 1990* (Vic) (**MRSD Act**) and Victoria's Environment Effects Act 1978 (Vic):

- **Landholder's consent to and knowledge of exploration licence applications (ELA's):** Environment

1 EDIC Terms of Reference for Inquiry into Greenfields Mineral Exploration and Project Development in Victoria, 2011

2 EDIC, *ibid.*

Victoria is frequently contacted by landholders who were not aware of proposed exploration activity on their land. While the MRSD Act requires that an applicant for an exploration or mining licence must advertise the application in state-wide and local newspapers it is our experience that these advertisements are seldom seen by affected communities as they are miniscule and appear in publications that may not be read by landholders. Environment Victoria has heard of a number of examples of advertisements being run by applicants in 'local' newspapers that aren't delivered to homes in the license area, or don't receive any distribution across the affected areas at all. Examples of this have recently occurred at Bacchus Marsh and at Mirboo North.

In addition to newspaper notices not being in the most relevant paper, it seems that notices are often 'hidden' in the papers, and buried among other information. For example, a farmer from Mirboo North presented to a public forum in Poowong a copy of the page from The Age newspaper that contained the public notification of the application for an exploration licence over his land. The full page was shown at full size on a large projector. The farmer then challenged the audience to find the notice on the page. The response was laughter. It was clear that someone would need to be combing through the pages to have found the notification.

There should be a clear requirement for all affected landholders to be notified of an exploration licence application as currently stands for mining licence applications. Further proponents or DPI should be required to advertised prominently in several editions of all relevant publications to ensure landholders have sufficient awareness of applications.

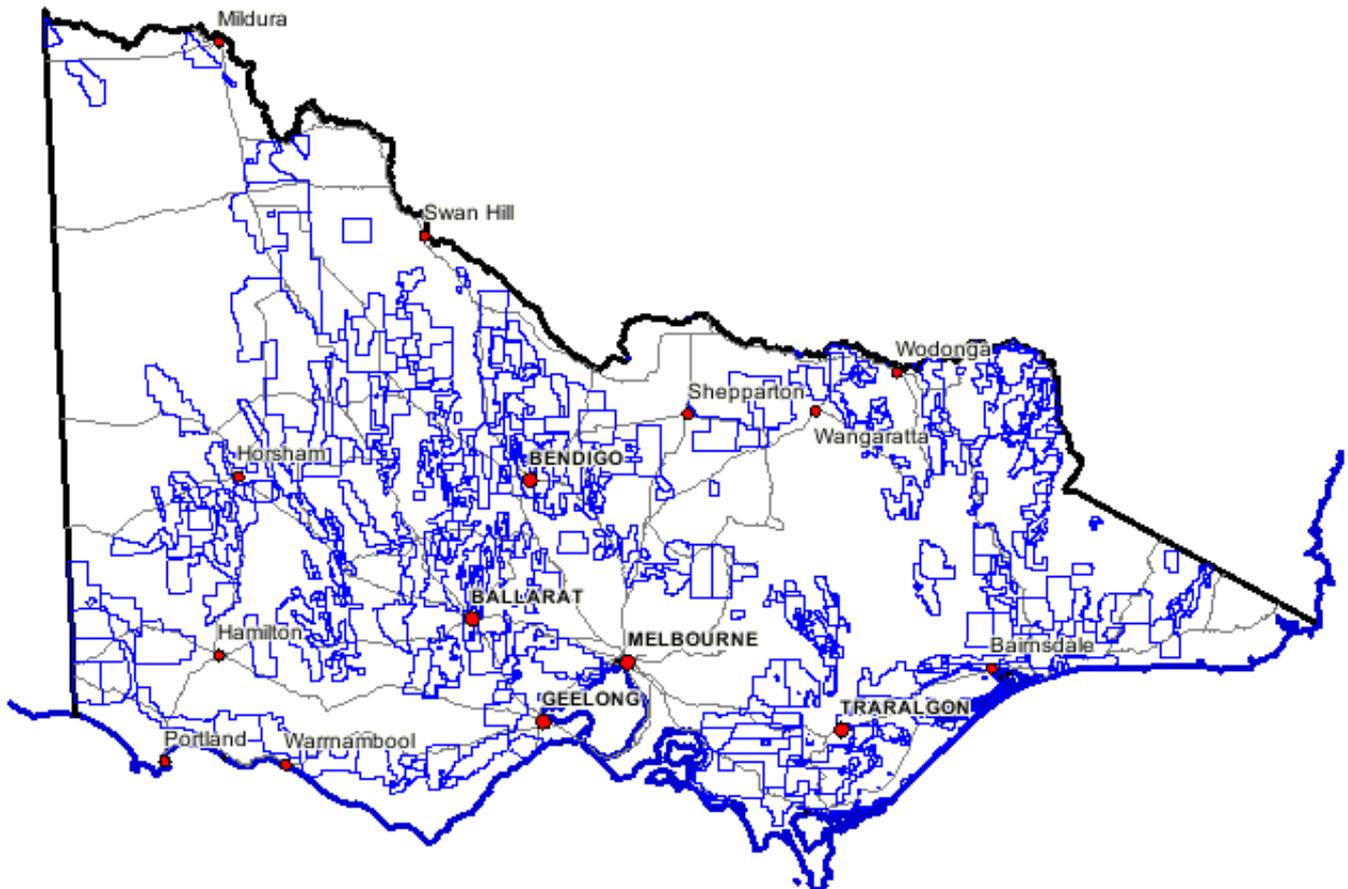
- **Difficulty of accessing information about proposed mining and exploration activities:** The DPI Earth Resources GIS and datasets are difficult to find and use, particularly for community members who are not familiar with GIS tools and who are trying to discover what mining and exploration interests are in their region. Most of the ELA's list a suite of minerals that are being explored for. This provides little information for landholders about the type of mining activity that may be carried out on their land or in their region.

Due to the inadequacy of the DPI information resources Environment Victoria recently launched a project called CoalWatch which maps all proposed coal mining and exploration projects across Victoria using GoogleEarth. A major driver for this project was the opaque nature of DPI's information resources, and the clear need to develop and promote accessible information on minerals projects for Victorians. Since launching CoalWatch we have heard from many farmers who only discovered that exploration licences or applications had been issued or submitted for their land via the CoalWatch website, suggesting that DPI and proponents are failing in their duty to ensure informed consent is given to mining and exploration activities.

- **Environmental impact assessment for exploration and mining activities is inadequate:** There is no requirement that exploration activities are preceded by a thorough environmental impact assessment carried out by environmental experts. Similarly there is no requirement that mining projects be subject to a rigorous Environmental Effects Statement (EES). Given that mining activities generally have irreversible environmental impacts there should be a requirement that all proposed mines are subject to a full EES.
- **The current regulatory regime is a green light for exploration and mining projects regardless of the area's environmental values:** No doubt some mining and exploration companies and their advocates will argue that Victoria's regulatory regime for minerals development is overly bureaucratic and presents a barrier to further development. However maps and data on the DPI Earth Resources website shows that hundreds of exploration and mining licences have been issued covering tens of thousands of square kilometres across the state. Image 1 below is a map built using

the DPI GeoVic GIS with the blue polygons showing issued exploration licences across the state. Clearly the current regulatory regime has not presented a barrier to the issuing of hundreds of exploration licences. On the contrary Environment Victoria is unaware of any exploration licence application being rejected on environmental grounds in Victoria. The map in Appendix One shows that exploration licences have been granted over some of Victoria's most sensitive environments including the Gippland Lakes, Ninety Mile Beach, the Strzelecki Ranges and the Surf Coast hinterland.

**Map 1: Issued exploration licences in Victoria.<sup>3</sup>**



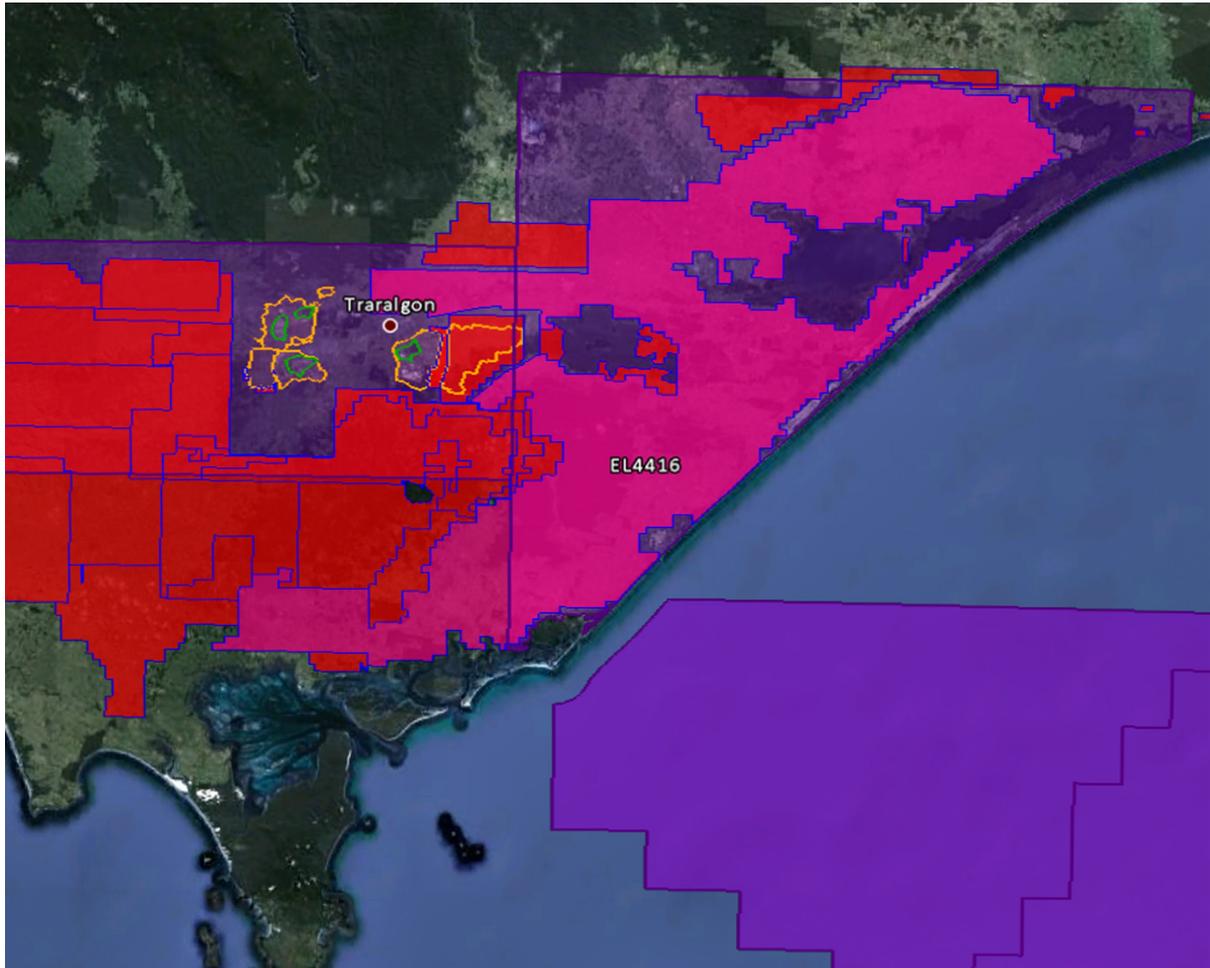
## 2.2 Fees, charges and royalties;

Environment Victoria wishes to make 2 brief comments in relation to fees, charges and royalties:

**2.2.1** Rehabilitation bonds for exploration licences seem to be extremely low and inadequate to carry out any remediation works. For example in April 2011 Ignite Energy was issued EL4416. EL4416 covers 3700 km<sup>2</sup> of Gippsland including environmentally sensitive areas like the Gippsland Lakes and Ninety Mile Beach. Map 2 below shows EL4416 which is the part of the map coloured pink. EL 4416 also covers the townships of Bairnsdale, Rosedale and Yarram. Ignite Energy was required to pay a rehabilitation bond of \$75,000<sup>4</sup> upon the issue of the exploration licence. In the event of environmental damage ensuing from exploration activities this is a wholly inadequate amount of money for remediation works. It would not even be adequate to employ one land manager for 12 months let alone allow for an operating budget. Environment Victoria is of the strong belief that rehabilitation bonds for mining and exploration projects should be

<sup>3</sup> DPI GeoVic data set. Available at: <http://mapshare2.dse.vic.gov.au/MapShare2EXT/imf.jsp?site=geovic>

<sup>4</sup> DPI GeoVic data set, *ibid.*



reviewed to ensure that they accurately represent rehabilitation costs.

**Map 2: EL 4416**

**2.2.2** Victoria's royalties for coal mining are much smaller than other Australian states. According to a report entitled *Near Zero Emissions from Latrobe Valley Brown Coal*, completed by consultants Firecone and commissioned by DPI Victoria's coal royalty rate in 2006 was 5.88 cents/GJ compared with 11 cents/GJ for black coal in Queensland and NSW<sup>5</sup>. In 2006/07 Victoria was projected to receive just \$24 million in coal royalties<sup>6</sup> from around 60 million tonnes of coal mined in Victoria. Victorians are being short-changed by mining companies who are making large profits while paying low royalties for the state's minerals.

### **2.3 National and international perceptions of Victoria's prospectivity and regulatory environment;**

Environment Victoria has nothing to say on this matter.

### **2.4 The success and failure of projects in Victoria's mining development pipeline;**

Environment Victoria will confine its comments on this matter to recent coal allocations in Victoria which comprehensively failed to deliver new jobs and investment and protect the public interest.

<sup>5</sup> Firecone Ventures Pty Ltd, *Near Zero Emissions from Latrobe Valley Brown Coal*, Final Report, November 2007, p.22. This report was obtained by Environment Victoria via a freedom of information request.

<sup>6</sup> Firecone Ventures, *ibid*.

In October 2001 the Victorian Government held a "brown coal tender" to allocate 15 billion tonnes of coal from four sites in the Latrobe Valley for so-called "clean coal" projects. These projects were supposed to demonstrate more sustainable ways to utilise brown coal in exchange for receiving billions of tonnes of coal. Three companies received coal allocations. Three companies received coal allocations from the Victorian government in 2002 -- Australian Power and Energy Limited (APEL) and its later incarnation Monash Energy, HRL Developments Pty Ltd and Loy Yang Power.<sup>7</sup>

APEL, the Minister stated, "proposes to use a number of known technologies to produce low sulphur liquid fuels and to generate 500 MW of electricity. Undergrounding (Geosequestration) of carbon dioxide produced in the process is proposed. In stage one, 52,000 barrels per day of high quality low sulphur fuels, mainly diesel, as well as the electricity will be produced." The announcement stated that HRL "proposes to use integrated drying gasification combined cycle technology in the construction of a commercial power station. Its proposal also includes the construction of a demonstration scale plant as an intermediate step to the construction of a commercial power station" and that Loy Yang Power had been "provided with additional brown coal reserves for a proposed new 1000 MW power station using less greenhouse intensive technology and to re-power its existing plant to reduce greenhouse intensity."<sup>8</sup>

The government media release quoted Minister Broad stating that "if all the proposals are successful it is estimated they could generate \$7 billion in new investment and create 4000 direct jobs in the construction phase."

However, none of the projects have since materialised. In some cases the developers have sold their projects to others, making million of dollars out of coal allocations granted by the state government. For example in 2004 APEL, with its value now greatly increased due to the coal licence it received from the government, sold the company to Anglo American for over \$100 million. Founder and majority shareholder, Allan Blood, reportedly profited significantly out of the sale.<sup>9</sup> The project has since been shelved.

This history is relevant because it demonstrates the over-confidence in resources projects as a source of prosperity of successive Victorian governments. Billions of tonnes worth of coal have been gifted to companies that have failed to add any value, or create any of the promised jobs or clean energy. It seems that these companies sought coal as a speculative venture and had little intention of developing their projects. Handing over resource rights is a poor outcome from a public interest perspective, and highlights that government needs to be more circumspect about industry claims and promises in relation to new projects, and much more cautious in allocating resources.

## **2.5 Different approaches and programs applied in other Australian and international jurisdictions to foster increased investment in Greenfields exploration for, and development of, minerals and energy earth resources;**

Environment Victoria has little to say on this matter, but notes again the assumption being made that more development of minerals and energy earth resources is a desirable policy objective regardless of the social, environmental, economic or opportunity costs.

## **2.6 The different roles of government (this may include, but is not limited to, targeted industry engagement, facilitation and generation of geological survey information);**

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7 Candy Broad, Minister for Energy and Resources, "[Green Technologies flow from brown coal tenders](#)", Media Release, July 17, 2002.

8 Candy Broad, *ibid*.

9 Royce Millar, "[The high price for coal's Holy Grail](#)", *The Age*, November 4, 2009.

Government, in particular DPI, appears to view its primary role as developing Victoria's mineral resources. To that end the Department is structured to provide assistance and support to potential investors, but fails to assist communities (eg affected landholders) who have an active interest in resources projects.

For instance on its website DPI offers:

*"DPI provides the following services to potential investors in coal:*

- *Free access to DPI's knowledge, advice and expertise in relation to approvals processes and the business environment*
- *A comprehensive inventory of Victorian coal resources, including quantity and quality data, and a three dimensional-model of the Latrobe Valley's coalfields. Mapped Victorian coal data is accessible through GeoVic's Explore Victoria Online tool: [www.dpi.vic.gov.au](http://www.dpi.vic.gov.au)*
- *Coal inventory reports outlining all available coal data [www.dpi.vic.gov.au](http://www.dpi.vic.gov.au)<sup>10</sup>*

Elsewhere on the DPI website there is a page entitled "How to access brown coal". While there is a "Community Engagement" section on the DPI Earth Resources website it is essentially a guide for companies about why community engagement is important. Nowhere on the DPI website is there a portal for communities to easily find information about project proposals or applications. The advertisements that companies are required to run when applying for an exploration licence do not appear anywhere on the DPI website. This highlights that DPI is completely geared towards promoting investment and developing resources projects, and does not consider informing or engaging communities to be a significant part of its job. Note that no other government department has a role in engaging communities on new resources projects, so it is effectively not happening in Victoria.

Environment Victoria urges the EDIC Inquiry to recommend a greater role for DPI (or a better equipped department) in:

- engaging communities
- ensuring community benefit
- ensuring companies meet regulated standards etc.
- monitoring and enforcing compliance.

## **2.7 Opportunities to increase the net benefits from Victoria's minerals and energy earth resources, and to potentially provide for self sufficiency in low cost energy and extractive materials, consistent with the principle of economic efficiency;**

This is obviously a very broad topic. Environment Victoria would like to make the following points in relation to this topic:

- Any assessment of the net benefits of exploiting Victoria's minerals requires a detailed understanding of the costs of exploiting the resources. To date there has been no significant analysis of the costs of minerals development in Victoria.
- Self-sufficiency in low cost energy is a worthy objective, however this inquiry is the first time we have come across it as a Victorian Government objective. If indeed this is an across-Government objective it deserves its own strategy and process for development to ensure it is not only being looked at through a lens of developing Victoria's mineral resources. Renewable energy technologies like solar thermal, geothermal, wind energy and biomass all deserve to be considered as part of a long term strategy to provide indigenous, low cost, and non-polluting energy. We note that the State Government does not have an energy strategy, and since the election of the Baillieu Government and its shelving of the Victorian Climate Change White Paper, does not have a strategy for reducing greenhouse pollution.

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10 DPI, [http://new.dpi.vic.gov.au/\\_data/assets/pdf\\_file/0006/37518/Brown-Coal-050710.pdf](http://new.dpi.vic.gov.au/_data/assets/pdf_file/0006/37518/Brown-Coal-050710.pdf)

## **2.8 Consideration of the costs and benefits of Greenfields minerals exploration (economic, social and environmental), and whether there are opportunities to improve the management of potential conflicts between exploration and other land uses.**

Many of the above comments refer to ways that the costs of minerals exploration could be better accounted for, and conflict reduced. For instance if communities are better informed about mining or exploration proposals, there will be less conflict over proposed projects at the time of their development.

The current process whereby communities are poorly engaged in mining and exploration licences damages to develop minerals projects in the longer term. For instance communities who do not feel that they have been heard at the time that exploration licences are issued are much more likely to strongly oppose mining projects at a future date.

While the implicit intention in this area of EDIC's inquiry is to reduce resource conflict we believe that a broader perspective is required. This would begin by developing high level targets and strategies for government, and then assessing competing land uses through a process of strategic planning, and then looking at ways for different industries to co-exist. This is the opposite of the current process whereby the minerals industry is able to apply for exploration rights over most of the state, and all other stakeholders must respond to their claim.

A strategic framework for decision-making about land use and development could look something like the following:

- 1. State-wide policy objectives** eg. Greenhouse emissions reduction strategy, Employment strategy etc.
- 2. Industry sector strategies** to assist in delivering above objectives eg. Energy strategy, Agriculture strategy etc.
- 3. Regional strategic land-use planning** which identifies suitable industries for particular zones. This process would map land for key activities (food production, aquifer protection, habitat conservation), and then look at the role of other industries like mining.

Such an approach would elevate planning and reduce site-specific conflicts over land use.

## **3. Other Issues**

In recent months the issue of coal-seam methane gas (CSG) projects have been the subject of considerable debate and concern nationally. Many farming communities in Queensland and New South Wales are worried that CSG production will damage valuable agricultural land, water resources and biodiversity. Currently there are only a handful of CSG exploration projects in Victoria but given the rapid growth of the industry nationally and internationally there is likely to be an increase in activity in coming months and years.

Environment Victoria is calling for a moratorium on all CSG exploration and mining projects in Victoria until such time as the following have been explored and resolved by processes of Parliamentary Inquiry and further research where necessary:

- Analysis of the life cycle greenhouse gas emissions of CSG projects- unlike conventional gas projects

the lifecycle emissions of CSG and other unconventional gas technologies are poorly understood. Industry is operating under the assumption that CSG has lower emissions than coal-fired generation though this has not been proven.

- Analysis of the environmental impacts of fracking in the Australian context.
- Analysis of the impact of CSG projects and fracking on the ability of other industries (eg farming) to co-exist.
- Analysis of CSG and fracking on potable and unpotable water resources.

We urge the committee to recommend a moratorium on CSG for Victoria until the above have been properly examined and resolved.