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Rod Blay.

Attn: Professor Chris Fell AM
Independent Planning Commission NSW
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Sydney 2000

27/02/2019

Hume Coal Project SSD 7172

Although the proposed mine is by far the largest mine ever in the Southern Highlands; by modern Australian standards, Hume Coal's proposed greenfields mine is a relatively small mine.

The high establishment and operating costs are far higher than that of larger open cut mines or even long wall underground mines.

The yield of coking coal, which Posco claims, is its reason to pursue the mining of this lease is extremely low.

Using Hume Coal's own figures and very basic arithmetic, the folly of this project is revealed.

By only removing 35% of the coal from the proposed mine area and leaving 65% in the ground ¹³ in an attempt to prevent subsidence of the aquifer above.

Of the material brought to the surface, 20% is ash.

This means only 80% of the 35% of the coal is saleable.

Of this 80%, 55% is coking coal and 45% is thermal coal.

Running the numbers, 55% of 80% of 35% equals 15.4%.

Only 15.4% of the total mined area brought to the surface is coking coal

Hume Coal refuses to discuss its actual production costs and economic justification for proceeding with this project, preferring to hide the truth behind so called "commercial confidentiality".

Hume Coal boasts of providing jobs, paying royalties and taxes etc, ~~etc.~~ but it does not discuss how it proposes to make money.

These are the basic figures the government should be pursuing.

Because of this cloud of mystery, the government should demand to understand how Posco intends to make money. Because, if the government knew this, it could see the writing on the wall. What is Posco up to, why is it proceeding with a lame duck?

As I said in my opening sentence, this is a very small mine, 3.3Mt per annum from a very inefficient underground mine costing \$800M to establish.

The coal is to be shipped from Port Kembla, 1,500 sea miles further from its Korean destination than Gladstone, Queensland from where coking coal from the Curragh mine in the Bowen Basin is shipped.

The Curragh mine, an open cut mine and one of the world's largest metallurgical mines, produces 8.5Mt of Metallurgical and 3.5Mt of thermal coal per annum.

Westfarmers recently sold this mine for \$700M.

With establishment costs similar to the sale price of Curragh, how can Posco's very complex, untested, underground mine producing a total of 3.3Mt ever compete with even this open cut mine producing 12Mt per annum?

Why is Posco proceeding with this threat to the Southern Highlands community?

Is it ignoring that the four-year forecast for coking coal is falling, from USD180/t to USD150/t a fall 16% that will only speed up the inevitable?

Korea has already imposed a ban on thermal coal with higher than a 0.4 % sulphur content for power generation. Korea could expand this to all coal. Preliminary assessment show Hume's coal to be 0.6%. *SULPHUR*

Is it hoping to get approval with conditions and then move the goal posts, extend the mine, acquire adjacent leases, decrease the width of the pillars or change to long wall or open cut?

Only Posco knows.

Or perhaps they have it all wrong and after a few years, they will bite the bullet and start buying cheaper coal from others and close the mine, place it in care and maintenance to avoid the cost of rehabilitation, perhaps waiting for a return to the golden days of high prices.

What the government must avoid at all costs, is Posco having a stranded asset on its hands at the cost of one of its most valuable assets, the sustainable future of the Southern Highlands.

The community is angry now, but what if this mine were to become a complete white elephant?
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I strongly urge the IPC to reject this mine.

Rod Blay