



Dendrobium Extension Project

Submission from the Illawarra Business Chamber to the
Independent Planning Commission

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24 November 2020

Position statement

The Illawarra Business Chamber (IBC) supports Illawarra Metallurgical Coal (South32), the proponent of the Dendrobium Extension Project (SSD 8194), as it follows due process to seek approval for the continuation of mining activities at Dendrobium Mine, Areas 5 and 6, within its existing mining lease.¹

It is appropriate that the NSW Independent Planning Commission (IPC) will make an assessment regarding South32's application, as the consent authority for State Significant Development in NSW. The IBC understands that an assessment of the South32 proposal will be made on an impartial basis and within the bounds of an accepted and rigorous planning controls framework.

As before the IBC notes that the length and complexity of the mining approvals process in NSW causes significant uncertainty within both the community and industry. The IBC considers that this process is unacceptably long, ultimately deterring investment and contributing to uncertainty across the steelmaking and manufacturing sectors.

The IPC's 'triple bottom line' approach to the assessment of State Significant Development's must equally consider the social, economic and environmental aspects of the project. If South32 is able to satisfy the IPC in this regard, then it will have a legitimate licence to operate.

The IBC notes that South32 has responded positively to a request for a revised application that addresses concerns raised throughout the planning and approvals process and that the NSW Department of Industry and Environment (DPIE) now:

"...considers that the major economic and social benefits for the region and to NSW outweigh the potential impacts, and that the project is approvable subject to the recommended conditions."²

Comments

Economic contribution

Mining is a critical contributor to the NSW economy. The ancillary benefits for other industries from mining are also significant. In light of this contribution, the IBC takes the strong view that the economic benefit of mining, to not only a project's immediate location but to the wider NSW economy, should be an active consideration in the assessment of proposed mining projects. The IBC therefore considers it critical that the economic impact of the South32 proposal be considered by the IPC.

State economic contribution of the mining sector

The NSW Minerals Council (NSWMC) analysed the expenditure patterns of 28 exploration and mining companies to determine the economic contribution of the industry throughout NSW in 2017/18.³ NSWMC quantified the annual economic and employment benefits of mining in the state as:

¹ Independent Planning Commission, *Dendrobium Extension Project (SSD 8194)*, <<https://www.ipcn.nsw.gov.au/projects/2020/10/dendrobium-extension-project-ssd-8194>> accessed 10 November 2020.

² NSW Department of Industry and Environment, *Correspondence: Mr Marcus Ray to Professor Mary O'Kane AC – Dendrobium Extension Project (SSD 8194)*, <<https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2020/10/dendrobium-extension-project-ssd-8194/referral-from-the-department-of-planning-industry-and-environment/dpie-letter-of-referral.pdf>>, accessed 10 November 2020.

³ NSW Minerals Council, *NSW Mining Industry Expenditure Impact Survey 2017/18*, February 2019.

- \$23.4 billion in value added (contribution to Gross State Product [GSP]), amounting to 3.9 percent of GSP, through \$10.7 billion in direct effects and \$12.7 billion in supply chain and consumption induced effects.
- \$9.9 billion in income (wages and salaries) paid to direct and indirect workers.
- \$1.8 billion in royalties to government to the state government contributing to public services including hospitals, roads, rail, schools and emergency services.
- 132,192 full time equivalent jobs supported, or 3.4 percent of total employment across the state.

Local impact

The IBC notes the proponent's projected contributions to the state and local economies, as well as the potential additional economic opportunities into the future:

- Support the continuation of 500 direct jobs at the mine.
- Create 200 direct jobs during construction.
- Contribute \$714 million in royalties, taxes and rates.
- Deliver a net economic benefit of \$2.8 billion to NSW.
- Support ongoing opportunities for Illawarra businesses.
- Sustain an essential supply of metallurgical coal to BlueScope Port Kembla Steelworks.
- South32 employs more than 2,000 people, more than 90 percent of whom live in the local community.
- In FY19, around \$300 million was spent with over 200 local businesses.⁴

The IBC notes that public exhibition of the Project's Environmental Impact Statement concluded on the 18 September 2019. Most public submissions were positive, with 81 percent made in support of the Project. The IBC does not consider there to be evidence of anything but widespread public support for this Project, despite more recent efforts to reignite concerns about environmental matters, which have been addressed to the Department's satisfaction.

Steel making and power generation

In the Illawarra, the economic and employment benefits of mining are already significant. Alongside the four currently operating mines in the Southern Coalfields, BlueScope Port Kembla Steelworks, exports from Port Kembla and the businesses that support them are integral to the Illawarra's economy and the state. BlueScope's Port Kembla Steelworks and Springhill Works are reliant on ongoing and competitive supplies of coal for its continued viability. These operations alone support:

- 3,500 employees directly, supporting 5,400 indirect jobs.
- \$6.5 billion in regional economic output (24 percent of the Illawarra's total).
- \$1.6 billion of Gross Regional Product (11 percent of the Illawarra's total).
- \$800 million of household income (13 percent of total household income in the region).⁵

BlueScope's long-term operations rely on a reliable 'just-in-time' supply of coal from local sources. The existing uncertainty over local coal supplies, due to approval conditions or restrictions on future extraction plans, has the potential to disrupt supply and the viability of the steelworks. Any sustained disruption to local sources of coal would have significant implications for BlueScope's operations locally in the Illawarra.

⁴ South32, *Dendrobium Mine Extension Project*, 2020.

⁵ Australian Steel Products (BlueScope), *Submission to Independent Expert Panel for Mining in the Catchment*, 20 February 2019.

Consequences of closure

As articulated in BAEconomics advice to the Department, the continued operation of the Dendrobium Mine is critical to the assured supply of 68 percent of BlueScope's hard coking coal requirements and, by extension, the future of steelmaking in the Illawarra. If the Dendrobium Extension Project is not approved, the Port Kembla Coal Terminal becomes unviable and BlueScope's capacity to produce steel at a competitive cost is impacted, as well its investment decision to reline its blast furnace and continue operations at Port Kembla from 2025 onwards. The economic impact of the IPC's decision will therefore have significant ramifications:

*"Conservatively, the closure of these coal mining and steelmaking operations could cost the local Wollongong region around \$6.4b per year in lost regional product. The estimated loss to the Australian economy as a whole could be as high as \$10.7b per year ... with a large share of this loss falling directly on the Wollongong regional economy."*⁶

Using multiplier-based estimates of economic loss, an adverse decision could see 5,500 job losses in the iron and steel and coal sectors across the state, predominantly in the Wollongong region.⁷

Environmental considerations

The IBC trusts that the IPC is the appropriate body through which to reconcile contrasting views on the environmental impact of mine design and operations, and water management and impacts. As a business chamber, the IBC is not expert in environmental management issues, but relies instead on the expertise within the various government agencies charged with this responsibility. Inasmuch, the IBC notes that:

"Based on this assessment, the Department considers that South32 has designed the project in a manner that achieves an appropriate balance between maximising the recovery of a coal resource of State significance and minimising and offsetting the potential impacts on the water resource, biodiversity values and other environmental values of the Metropolitan Special Area.

*The Department has recommended conditions to ensure that the project complies with contemporary criteria and standards, that the impacts are consistent with those predicted by South32, and that residual impacts are effectively minimised, managed and compensated for."*⁸

The IBC agrees that environmental concerns must be appropriately reconciled, consistent with the precedent of mines in other parts of the state, if mining is to proceed. Again, South32 have provided a comprehensive response to DPIE's assessment and subsequent recommendations in this regard.

Conclusion

There is a long history of coal mining across the Illawarra. The proximate availability of metallurgical coal is integral to the Illawarra economy, as the operations of mining companies and steelmakers have significant downstream benefits in terms of jobs and investment.

The South32 proposal presents as a significant economic benefit for the region and the state, and while the local economy continues to diversify, the IBC wishes to highlight the ongoing value and

⁶ BAEconomics, *Review of the Key Economic Interactions between the Dendrobium Mine and Related Entities in the Wollongong Region*, July 2020.

⁷ Ibid.

⁸ NSW Department of Industry and Environment, *Correspondence: Mr Marcus Ray to Professor Mary O'Kane AC – Dendrobium Extension Project (SSD 8194)*.

importance of jobs in the mining sector. While the mining industry does not represent a large portion of the Illawarra's workforce, its value creation through high wages and significant operational expenditure positions it as a cornerstone industry in the Illawarra and a key driver of the region's economic prosperity.

The rigor of this process cannot be understated, and the IBC is of the view that if South32 is able to satisfy the IPC then it will have a legitimate licence to operate. The IBC thanks the IPC for its consideration.

About the Illawarra Business Chamber and Illawarra First

The IBC is the peak business organisation and the regional chamber that supports businesses and local chambers across the Illawarra-Shoalhaven, primarily, as well the South Coast and Capital regions, and is a division of Business NSW (formerly known as the NSW Business Chamber) – a founding member of the Australian Chamber of Commerce and Industry.

We develop policy, advocate to all levels of government on issues affecting businesses, undertake research to guide greater public and private sector investment in economic infrastructure, and support the development of workforce capacity and skills in our region.

Illawarra First is the top tier of IBC membership, harnessing best practice and thought leadership to progress key priorities including improving connectivity with Sydney, realising greater value from existing strategic infrastructure and leveraging competitive advantages to bolster economic growth. Its membership comprises a select group of leading businesses in the Illawarra, sharing a commitment to driving the development and prosperity of the Illawarra.