HVO Extension proposal

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Approach to this session

CBA principals – Overarching considerations	1 minute
CBA elements – inclusion of worker benefits	2 minutes
CBA elements – inclusion of supplier benefits	2 minutes
CBA elements – treatment of Greenhouse Gases	5 minutes
CBA impacts and outcome	2 minutes
Other considerations	2 minutes

1. Overarching considerations

Adherence to NSW Treasury Guidelines

1. Discount rates, time periods etc.

2. Central case compared to sensitivity testing – what should we include?

3. Treatment of Greenhouse gases

2. CBA elements – inclusion of worker benefits

- Economic Impact Assessment acknowledges that “the inclusion of worker benefits is a key area of disagreement in the assessment process for many mine applications.
- NSW Guidelines are not prescriptive but state that “A **zero wage premium is a useful starting assumption**” but to be taken “on a case-by-case basis.”
- The key question is whether, in the absence of this Project, potential workers at the expansion could find **comparable alternative work** (engineer, truck driver, electrician, etc.) within sectors with similar pay structures such as other metals and minerals mining or commercial construction.
- The latest NSW intergenerational report expects **continued growth in mining employment** over the forecast period of 40 years from 2021/22, providing alternative employment pathways for mining workers to remain in the sector. Sectors such as construction, renewable energy and minerals processing provide other pathways.
- In general, worker benefits are more likely to exist if (1) workers will be drawn from a population with persistently high unemployment or social and economic disadvantage or if (2) workers develop new skills by working on a project. Neither of these conditions is satisfied in the case of HVO.

3. CBA elements – inclusion of supplier benefits

1. What is the net impact on regional suppliers if the Project does not proceed? We would need to know that turnover would be lower (i.e. no other demand), and the extent to which business margins would be lower on locally supplied goods and services.
2. The Independent Planning Commission (IPC) has previously concluded, in relation to the Mangoola Coal Continued Operations project, that it was "of the view that local suppliers will earn similar margins relative to what they receive under the base case, such that **there are no additional benefits** to suppliers in NSW."
3. Further, in response to a similar approach and assertion by EY's lead economist Steven Brown (then at Deloitte Access Economics) in relation to a proposed Rocky Hill coal mine expansion, the NSW Land and Environment court found "that **any worker benefits or supplier benefits will be small, perhaps even none, and nowhere near the inflated values assigned [in the EIA]**". The CIE has provided similar advice to NSW DPIE on the inappropriateness of this approach by EY in relation to the Glendell Continued Operations Project.
4. **EY's estimate of supplier benefits is inconsistent with the vast majority of mining CBA's conducted by other consultants that estimate supplier benefits of close to zero**

4. CBA elements – treatment of Greenhouse gases

1. In its most recent estimates, EY has used a Social Cost of Carbon, based on the US Environmental Protection Agency (EPA) estimates, and adjusted for NSW's share of the global population.
2. NSW Treasury Guidelines require use of published carbon prices using a Marginal Cost of Abatement (MCA) method: "**These values must be applied in CBAs submitted after January 2025** and replace those in Technical Note – Carbon Value in Cost-Benefit Analysis." EY admit ignoring this advice.
3. Unlike damage costs approach, MSC carbon price is not adjusted for population, as it reflects the cost to NSW of transition for each additional (marginal) tonne of carbon produced.
4. Incorrect usage of the carbon pricing approach has a vast impact on the value of greenhouse gas emission costs that significantly affects the project's net benefit.
5. Scope 3 emissions should be considered. Exclusion from an accounting perspective makes sense, but not from an impact perspective. The climate impacts associated with burning fossil fuels cannot be isolated across borders.
6. Reassessment of Scope 1 and 2 emissions and inclusion of Scope 3 emissions **deliver a net cost** to NSW.

5. Impact on CBA – a net benefit to NSW is highly uncertain

CBA element	Considerations	Impact on NPV
Worker benefit/Supplier benefit	Insufficient evidence that these benefits will occur. Should not be part of central case analysis	$2,751m ($5,692m)
GHG	Scope 1 and 2 – incorrect use of US EPA against NSW Treasury Advice. Change to MAC as per Guideline instructions to reflect NSW targets Scope 3 emissions – Treasury & NZC both suggest should be considered	$304m ($2,751m)
Revised central case net cost/benefit (previous)		**$304 million**
Lower coal price (25%)	IEA - current & stated global Net Zero targets imply declining global coal demand before 2030, the risk from a 25% lower coal price over the forecast period is meaningful and should be given due weight in the Cost Benefit Analysis IEA, 2025, World Energy Outlook, accessed on 24 March 2026 at https://www.iea.org/reports/world-energy-outlook-2023/executive-summary P.32	**-$603 million (-25%)** **-$59 million (-10%)*** **pro-rated from EY calcs.*
Tax	Yancoal, (51% of HVO) paid no tax from 2019 – 2021. Yancoal note that they were "in a tax payable position from 2022" following "some years of tax losses." Glencore (49%), reports large variations in tax paid/deferred each year, unclear tax paid in relation to HVO to date. ATO: 28% of corporate entities had no tax liability for 2023-24, almost half due to "incurring an accounting loss" as well as offsets (e.g. financing costs).	$33 million (15% effective tax rate) **-$184million (10% effective tax rate)**

6. Other considerations

- NSW Net Zero Commission:
  - **“Continued extensions or expansions to coal mining in NSW are not consistent with the emissions reduction targets in the Climate Change Act or the Paris Agreement temperature goals it gives effect to.”**
  - income per capita in NSW in 2024 was 18% lower than it would have been without human-induced climate change, equivalent to a loss of $20,000 per person per year or $180bn in total
  - Under the current warming pathway, the NSW economy would be $800bn worse off (in 2026 dollars) over the next 50 years.
  - Annual grocery bill of a 4-person household would be $3,000 higher by 2070; income for the average worker $3,500 lower *per year f*or each of the next fifty years.
- NSW Intergenerational report:
  - 700,000 to 2.7mn working days lost in agriculture, construction, manufacturing and mining alone due to more frequent and intense heatwaves – all critical Industries in the Hunter Region and “vital for NSW’s economy” according to NSW DCCEEW.
- NSW DCCEEW:

  A stable climate is critical to support a range of values in the Hunter, including… unique biodiversity, recreational activities and food systems.