New South Wales Government
Independent Planning Commission

TRANSCRIPT OF MEETING

RE: HVO NORTH AND SOUTH OPEN CUT COAL CONTINUATION PROJECTS (SSD-11826681 & SSD-11826621)

NET ZERO COMMISSION MEETING

PANEL:	SIMON SMITH (Chair) JANETT MILLIGAN MICHAEL CHILCOTT
OFFICE OF THE IPC:	STEVE BARRY BRAD JAMES CALLUM FIRTH TAHLIA HUTCHINSON
NET ZERO COMMISSION:	NICHOLAS ROWLEY (NZC Chair) WILL RAYWARD-SMITH PHOEBE COLMAN
OBSERVERS	
DEPARTMENT OF PLANNING, HOUSING & INFRASTRUCTURE	JACK TURNER
LOCATION:	IPC, SUITE 15.02, LEVEL 15, 135 KING STREET, SYDNEY NSW 2000 (AND ZOOM VIDEOCONFERENCE)
DATE & TIME:	1:00PM – 2:30PM FRIDAY, 24th JULY 2026

<THE MEETING COMMENCED

MR SIMON SMITH: Before I begin, I'd like to acknowledge the traditional owners of the land on which we meet, the Gadigal people of the Eora nation, and pay my respects to their Elders past and present. I'd also like to acknowledge the traditional owners of the lands of those joining us virtually.

Welcome to the meeting today to discuss the Hunter Valley Operations North and South Open Cut Coal Continuation Projects currently before the Commission for determination. The Applicant, HV Operations Pty Ltd, is seeking consent for the Hunter Valley Operations Continuation Project.

The project involves the continuation of mining at the Hunter Valley Operations Mining Complex until the end of 2045 for the HVO North and the end of 2042 for HVO South, including an extension of approved mining areas and deeper mining of coal seams. The Hunter Valley Operations Mining Complex is an established multi-pit open cut coal mining operation located approximately 24 kilometres northwest of Singleton in the Singleton and Muswellbrook shire local government areas.

My name is Simon Smith. I'm the Chair of this Panel, and I'm joined by my fellow commissioners, Janett Milligan and Michael Chilcott. We're also joined by Steve Barry, Brad James, Callum Firth and Tahlia Hutchinson from the office of the Independent Planning Commission; some of them are on screen.

In the interests of openness and transparency and to ensure the full capture of information, today's meeting is being recorded, and a complete transcript will be produced and made available on the Commission's website. This meeting is one part of the Commission's consideration of this matter and will form one of several sources of information upon which the Commission will base its determination.

It's important for the commissioners to ask questions of attendees and to clarify issues whenever it is considered appropriate. If you are asked a question and are not in a position to answer, you may take it on notice. Following the meeting, the Commission will advise you in writing of any questions taken on notice that the Panel considers requires a formal response to. Any subsequent response or information provided to the Commission will then be published on our website.

I request all participants here today introduce themselves before speaking for the first time when they do speak, and for all members to ensure that they do not speak over the top of each other, to ensure the accuracy of the transcript.

We'll now begin. And I understand, commissioner – are you commissioner?

MR NICHOLAS ROWLEY: I am Commissioner.

MR SMITH: Commissioner, would you – I understand you have an opening statement to make.

MR ROWLEY: Thank you very much, Simon. And my name is Nicholas Rowley, Chair of the Net Zero Commission. And thank you very much for the invitation to meet with you today. I acknowledge also that we are meeting on the land of the Gadigal people of the Eora nation and I too would like to pay respect to Elders past and present. I also pay respect to any Aboriginal and Torres Street Islander people where they're here today or online. And such acknowledgements are only every a starting point for recognising and addressing past injustice.

So, before moving to questions and discussion, I'll make a few opening remarks. The Net Zero Commission was established by the *Climate Change Net Zero Future Act 2023* – I'll refer to that as the 'Climate Change Act'. We provide independent expert advice and recommendations on NSW's approach to reducing climate risk, including progress towards meeting the state's legislated emissions reduction targets and the adaptation objective. And we're pleased to attend at your invitation.

I am joined by Will Rayward-Smith, our Executive Director to my right, and Phoebe Colman who leads our resources work, to my left. And today we aim to respond to your questions and provide evidence to inform your consideration of the HVO North and South Open Cut Coal Continuation Projects, or what I will refer to as 'HVO Continuation'.

The Climate Change Act requires NSW to reduce emissions by 50% below 2005 levels by 2030 and 70% by 2035 and to reach the longer-term goal of net zero emissions by 2050. Current NSW Government projections show that NSW has much to do to achieve these legislated targets. Those projects which include emissions from the amended HVO Continuation Project indicate exceedances of 10 to 20 million tonnes of carbon dioxide equivalent in 2030, and 21 to 24 million tonnes of carbon dioxide equivalent in 2035. I refer you to Figure 1 in the handout that is before you.

In December last year, the Net Zero Commission published our Coal Mining Emissions Spotlight Report. Relevant findings include finding 3 that consistent with the objectives of the Climate Change Act, NSW consent authorities need to meaningfully consider greenhouse gas emissions and their impacts in all planning decisions, including those for additional coal mining. And finding 4, that 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.

If approved, HVO Continuation would contribute more than 1 million tonnes of CO_2 equivalent to NSW emissions in the 2030 target year, and almost 0.9 million tonnes of CO_2 equivalent in the 2035 target yet. I refer you to Figure 2 in the handout. Over the 16 years up to financial year 2042, when HVO South is proposed to close, the average direct emissions would be around 0.9 million tonnes of CO_2 equivalent per year.

The commission understands that the project's net emissions after the use of carbon credits, are considered by the Environmental Protection Authority and the Department of Planning, Housing and Infrastructure to decline in line with NSW targets. A key question is whether reliance on carbon credits ensures that emissions are reduced in a way that contributes to NSW's targets. The answer is not necessarily because those carbon credits may represent emissions reductions outside NSW. Project documents indicate that the mine intends to rely primarily on carbon credits to both comply with the Safeguard Mechanism and to achieve additional reductions. We note that this commitment is not currently enforceable in the draft consent conditions.

The obligations under the Safeguard Mechanism alone would not result in all mine emissions being offset by carbon credits. This is because the mechanism provides for a baseline of emissions granted to each facility; only emissions above that baseline need to be covered by offset credits.

While the NSW Coal Industry 2026–50 policy states that the NSW Government expects that coal mining industry emissions will decline in line with NSW's targets, current projections show overall coal mining emissions increasing. The latest projections show NSW coal mining emissions peaking in 2028 and '29 and remaining 2.4 megatons of CO_2 equivalent higher than 2023–24 reported levels in the 2030 target year. I refer you to Figure 3 on the handout.

The project is proposed to operate until 2045. Beyond the 2030 and 2035 target years. Estimated Scope 1 emissions would be 0.7 million tonnes of CO_2 equivalent in 2040 and 0.2 million tonnes of CO_2 equivalent in 2045. Although NSW has not yet set targets for 2040 and 2045, section 9 subsection 3 of the Climate Change Act requires these interim targets to be set by regulation. Section 9 subsection 4 requires that each interim target must specify a reduction that is greater than the preceding target. Approval for this project would potentially lock in additional emissions until 2045 and may affect NSW's ability to meet those more ambitious targets.

Our 2026 Annual Report finds the pace of economy-wide decarbonisation must increase if NSW is to meet its statutory objectives. See Figure 4 in the handout. In that context, limiting and avoiding future emissions where possible is a relevant consideration.

Total lifecycle emissions from HVO Continuation are significantly greater than those accounted for within NSW. The Proponent estimates 809 million tonnes of CO_2 equivalent; that is equivalent to 7 years of NSW emissions. Approximately 98% of these would be Scope 3 emissions primarily from overseas coal combustion. Regardless of where it occurs, every tonne of greenhouse gas emitted increases the impacts of climate change. Those impacts are felt in NSW, including effects on infrastructure, agriculture, our economy, human health, and the environment.

Limiting atmospheric warming to within safe limits below 2 degrees centigrade in pursuit of 1.5 degrees requires deep, rapid and sustained emissions reduction. The Intergovernmental Panel on Climate Change's latest assessment finds that the effectiveness of many adaptation and mitigation measures decreases as climate change intensifies. This implies increasing risks to NSW's ability to meet its legislated adaptation objective.

Advances in the growing field of climate attribution science provide an indication of the real-world impacts of individual fossil fuel projects. The Abrams study cited, I believe, at last week's public hearing, is an example of this. In the commission's view, total lifecycle emissions, the local and global climate impacts of projects, and advances in climate attribution science are relevant to your considerations of the public interest and determining the likely impacts of this project.

Recent international decisions are clarifying governmental obligations on climate change. NSW policy setting should be informed by Australia's international obligations and their potential implications. In July 2025, the International Court of Justice (the ICJ) delivered its advisory opinion on states' obligations in respect of climate change. While not binding on specific countries, it is widely regarded as an authoritative statement of international law. The court found that states must act with due diligence to mitigate climate change, including in relation to fossil fuel production and consumption. It's stated that, "Failure of a state to take appropriate action to protect the climate system from greenhouse gas emissions, including through fossil fuel production, fossil fuel consumption, the granting of fossil fuel exploration licences, or the provision of fossil fuel subsidies, may constitute an internationally wrongful act which is attributable to that state."

The court also emphasised the need to rely on the best available science in environmental impact assessment processes and confirmed that failure to meet obligations may give rise to legal consequences, including cessation and reparations. Also worth noting is that the UN General Assembly has voted to affirm the ICJ's advisory opinion on states' duties under international law to protect a global climate system.

Legal commentary suggests that measures facilitating fossil fuel expansion may now face greater scrutiny, including at sub-national level. This is beginning to emerge in Australia. Just last month, a complaint was filed with the UN Human Rights Committee alleging Australia is in breach of its international human rights obligations through continued approval and support of fossil fuel exports.

NSW Government guidelines underpinning the development of cost-benefit analyses for mining projects were published in 2018. As a result, HVO Continuation assessment may underestimate the cost of the project's Scope 1 and 2 emissions.

Based on NSW's share of the global population, the project Proponent's cost-benefit analysis counts the cost of just 0.33% of those emissions. Current NSW Treasury guidelines released in December 2024 do not permit this approach. The impact of including 100% of the cost of emissions rather than only 0.33% would increase the cost by a factor of 300. This would materially reduce the project's estimated economic benefits.

The Department of Planning, Housing and Infrastructure's Assessment Report finds that the HVO Continuation would result in net positive benefits to regional communities in the vicinity of the mine and notes submissions supporting the project highlighted job security and economic and social benefits to local communities. However, the International Energy Agency's 2025 World Energy Outlook provides global coal demand to peak before 2030 and decline thereafter. This creates uncertainty about the long-term viability of individual mines, particularly for thermal coal.

While governments cannot control global demand, they can influence how the transition is managed. Planning for economic diversification and community transition is therefore important. In that context, the social and economic risks associated with long term coal extension projects may also be relevant to the Independent Planning Commission's consideration.

We bring these matters to your attention to assist your deliberations on the HVO Continuation Project and its implications for NSW emissions and the statutory targets in the Climate Change Act. We look forward to responding to any questions today and should it be warranted, providing any further detail should that be required. Thank you.

MR MICHAEL CHILCOTT: Thank you.

MR SMITH: Thanks very much. So, we do have some questions which we'd like to start with, but we're happy to make it a conversation rather than an interrogation. So, feel free to add additional relevant information as it comes up, and I'll just, for the purpose of keeping us moving, ask the questions but my colleagues will dive in on aspects that seem important to them. Then it's of course up to you as to who in your team addresses each question.

MR ROWLEY: Yes.

MR SMITH: So, it would really help us if you could, in your 2024 Annual Report you say that NSW is not on track to meet its greenhouse gas emission targets and in fact you've given us more information about that in your handout. So, just to clarify, so that conclusion is drawn on the projections that you've got for all sectors added up together compared to the target. Is that correct?

MR ROWLEY: Yes.

MR SMITH: Right. Okay.

MR ROWLEY: And there's more detail that we just shared, you've just mentioned our 2024 Annual Report we've just recently published another report.

MR SMITH: So, in simple language that …

MR SMITH: So, you've done a sort of bottom-up estimate of trajectory for each of the sectors and then summed them, looked at what the resulting emissions would be, and then compared that against a pathway to the various targets. And some of the figures – so, for example, the figures that you've got in a number of these figures, how do you integrate offsets or emission reductions in those numbers when you draw that conclusion?

MR WILL RAYWARD-SMITH: In terms of the detail that you see before you, so that was based on NSW Government 2025 projections, which were reduced earlier this week, and that aggregates the projected emissions for all sectors. I suppose, in terms of offsets, so we've based our assessment on the 2025 NSW Government projections which show a significant abatement gap to 2030 and 2035 targets. But as such, the question regarding offsets is best directed to the Net Zero Emissions Modelling Team in the NSW DCCEEW who's responsible for the projections.

MR SMITH: Right. So, when your commission says we're not on target, that's based on direct emissions from activities in NSW, not adjusted for any emission reduction – or, sorry, any absorption of carbon efforts that might be made in NSW.

MS PHOEBE COLMAN: Do you mean, offsets?

MR SMITH: Well, I mean, I understand that, so for example, in the land sector, there is an estimate of emission reduction through sequestration, planting of vegetation and so forth. I mean, how does that factor into … I'm just trying to get, like, for example, what got me thinking about this was, in your report that came out yesterday it cites Hunter Valley Operations as, I think, next year, about 1.1 million tonnes, whereas the information presented in to us in the Amendment Report for the company says 600,000, and it appears that the difference there is probably the extent to which they're buying offsets.

MR ROWLEY: Yes.

MR SMITH: So, that's how you can – if you're saying, we're looking at the 1.1 million, and when we add all that sort of numbers up, we've got a big number and it's not on target, whereas the Applicant is telling us, no, but that's not really what we're doing, what we're – we're offsetting, we're buying more offset units and so our actual emission is a lot lower. Am I understanding correctly the situation?

MR RAYWARD-SMITH: Relying on carbon credits doesn't ensure that NSW coal mines reduce emissions in a way that sufficiently contributes to NSW emissions targets.

MR SMITH: Yes.

MR RAYWARD-SMITH: That's just because those carbon credits may represent emissions reductions achieved outside NSW.

MR SMITH: Yes.

MR RAYWARD-SMITH: So, for offsets to be counted against the state's net zero targets, emissions reduction targets, the underlying abatement activity represented by the credit needs to have occurred within NSW.

MR SMITH: Right. And is that – we asked the same question of the Applicant last Wednesday. We asked, would you commit to only investing in offset measures that take place within NSW, because these are to be captured. Their view was more that, well, they would not commit to that, they said that they might, but it might be too expensive or difficult to obtain them within NSW.

MR RAYWARD-SMITH: Mm-hm.

MR SMITH: And they suggested to us, well, this was really just an accounting issue, not a substantive issue. So, when you say that, like we also talked to DCCEEW and they said the methodology they use for, and on which you rely, is very much based on carbon emitted in NSW, carbon absorbed in NSW. And so, there seems to be a difference.

My conclusion is that, should the company procure offset actions that are outside NSW, they wouldn't be counted under the current arrangements in terms of performance of NSW. Now, is that a statutory feature or is that a policy – like a way we've approached developing our methodologies? Because when we talked to DCCEEW, they were saying, well, they're aware that this is a problem and they're in discussion with other jurisdictions within NSW as to how accounting could be done that would avoid double counting but still allow attribution of effort that's paid for by an activity in NSW to be counted against its performance.

So, I'm just trying to drill right in so that we can understand if the company is saying, it's alright, we'll offset our emissions. But if there's an immoveable barrier that says if they're outside of NSW, they don't count, then we couldn't say that this mine is on track to do its part as part of the coal sector to achieve the NSW targets. Is that clear, what the problem is?

MS COLMAN: Yes.

MR SMITH: And do you know what the answer is?

MS COLMAN: I suppose we can speak to the – sorry, my name is Phoebe Colman, I'm the Principal Advisor for Emissions Reduction at the commission. Certainly, currently under the legislation, so under the Climate Change Act currently, it is the case that only emissions reductions within the boundaries of NSW are counted towards our target.

MR SMITH: That's very important.

MS COLMAN: So, I don't think we can speak to what might change in the future and discussions that the Department might be having elsewhere, but that is the current situation.

MR SMITH: Okay. So, if the conditions of consent should the mine be approved required net emissions from the mine to match the NSW emission reduction trajectory, any emission offsets procured that result in actions outside NSW would have to be disregarded in terms of measuring that mine's performance and when you come to assess the overall statement of performance, those emission reductions wouldn't count, under the statute as it's currently formulated.

MR COLMAN: That's correct, yes.

MR ROWLEY: I believe that's right, yes.

MR SMITH: Okay. That's very helpful, you've clarified that for us.

MR CHILCOTT: Can I ask a supplementary question?

MR SMITH: Of course.

MR CHILCOTT: You did observe, I think, on the way through, commissioner, that the current conditions of consent that come before us, should we be minded to grant consent, the Department has proffered some conditions and you observe that they did not achieve the outcome we've just been discussing. Would you have a view on how conditions should be configured in order to enable the consent, should it be granted, to fit within the parameters of the targets that your commission has laid out and that the NSW Government through the Act and through the commission's work has set.

MR ROWLEY: I might just run back again to your question, and that's almost like a supplementary question which is a therefore was …

MR CHILCOTT: Yes, exactly. It's sort of the obverse of what was being discussed.

MR ROWLEY: And I know, Simon, on a personal level, I'm unsurprised by you putting forward a super good question. It's a boundary question. Boundary questions are everywhere in the climate policy space. As I understand it, when it comes to the relationship between emissions placed into the atmosphere and essentially offsetting and drawing that down, the boundary question as it relates – and my colleagues will correct me if I'm wrong – the boundary question as it relates to what we are committed to in NSW through the legislation, should apply. It should apply.

And in terms of the position with regard to those processes and rules, that's really a matter for the government, yes, that's a matter for the government. And I'm not sure if you've posed those questions to DCCEEW when they appeared before you, but it may be a question for those people working within DCCEEW in relation to those offsets.

To help your deliberations though, I'm very happy to work with colleagues and to go away and to attempt, given our role under the legislation, to synthesise a response as we understand it, so that you have a really clear piece of useful advice to help your deliberations, coming from us and given our legislated role.

MR SMITH: Yes, that would be very helpful.

MR CHILCOTT: That would be very helpful.

MR ROWLEY: Yes.

MR SMITH: Because it does, to me, seem to turn on if it's sort of immoveable within the current statute that the offsets have to be for works conducted in NSW. That's a very important thing for us to take into account.

MR ROWLEY: Yes.

MR SMITH: However, if it's a matter of administrative approach or even departmental methodology or policy or whatever and they believe it's an issue and that might change, then that would be an important thing to understand as well.

MR ROWLEY: Completely. The other thing, I think, and this is not formally what we've just stated, but it is something that occurred to me, and I'm very happy just to share it, is that the Safeguard Mechanism is currently under review by the Federal Government. Quite what the implications of the Safeguard Mechanism review are for the manner in which offsets will operate underneath a policy which is under review, is also quite uncertain.

So, relying on a policy which is currently under active review by the Federal Government that has implications in relation to the whole manner in which we engage in the process of offsetting potentially is something you would consider.

MS JANETT MILLIGAN: Because there is the potential complexity from your answer, as I understand it, that we have two tracks where offsets out of our jurisdiction do count, but the safeguarding and the NSW targets they don't.

MR ROWLEY: Yes.

MS MILLIGAN: And the company has provided us with figures that assume it's one calculation, and you're saying to us that there is the strong potential that needs to be pulled apart. So, that's an added complexity in the analysis.

MR ROWLEY: Yes. A complexity but maybe I'd say more, I'd say it's also an added uncertainty – and welcome to the future, it's an uncertain place. But I think it's both highly complex but it's also potentially quite uncertain.

MS MILLIGAN: Say more about why it's so uncertain.

MR ROWLEY: Because currently in Australia, the Safeguard Mechanism is a real, it's a primary driver of responding to climate risk in the country, and it's currently … I think the review is kicking off federally in a couple of months' time. And how that plays out, who knows, I don't know.

MR SMITH: So, is the relevance for us that we've got to make decisions based on the policies and laws as they are.

MR ROWLEY: Yes.

MR SMITH: But what you are saying is that, when you made the comments about the draft conditions we've been asked to address, and the uncertainty as to what the Safeguard Mechanism might deliver, that there's not really a clear control placed on the number of tonnes per annum net emissions that could come from this mine, because those mechanisms on which the Applicant has referenced may well not be effective.

MR ROWLEY: Yes.

MR SMITH: So, one option could be if the mine was approved, that the limits might just be expressed in tonnes.

MR ROWLEY: Yes.

MR SMITH: Yes. And then they could go ahead and comply with the Safeguard Mechanism as they're required to do so by law, either in its current or a future form.

MR ROWLEY: Yes.

MR SMITH: But we could still have the compliance people assessing the total level of emissions.

MR ROWLEY: Yes.

MR SMITH: Yes. Okay.

MS COLMAN: We've probably just got a couple of other quick comments on conditions. Noting that the Net Zero Commission hasn't reviewed the proposed conditions and consent in great detail. But we note that the Proponent proposes to do a prefeasibility study for pre-drainage of gas within Domain 3. But I suppose what we would note is that committing to that doesn't guarantee an on-site mitigation outcome.

And if feasibility trial evaluations determined that pre-drainage was not an option in Domain 3, for example, avoiding emissions by not mining that area would be a more effective mitigation measure than the use of carbon credits. Noting what we've said before about carbon credits and whether or not they're for activities that have actually taken place within NSW and therefore contributing to the NSW inventory and targets.

Also noting the EPA NSW's Guide for Large Emitters expects proponents to apply the mitigation hierarchy and prioritise emissions avoidance, then production ahead of offsetting.

And then the other thing we'd note is that the draft conditions also include a requirement for the Applicant to develop a Greenhouse Gas Mitigation Plan in accordance with EPA guidance and include emissions reduction goals consistent with the targets. And the conditions would be strengthened by including a requirement for the Applicant to implement such a plan.

MR SMITH: Okay. Thank you.

MR CHILCOTT: Thank you.

MR SMITH: So, I'd like to move to the second question, if that's okay with colleagues. So, we've read the statement, the policy from the government that it expects overall emissions from the coal mining sector will decline consistent with NSW targets. So, the baseline against this – I mean, based on the chart that you've given us, it appears that the starting point for the measurement of that trajectory is when the targets – the year the targets were set, when the Act, that brought you into existence is the case. Even though the numbers go back to 2005.

MR RAYWARD-SMITH: I suppose the base here for the legislated whole-of-economy targets is 2005.

MR SMITH: Yes.

MR RAYWARD-SMITH: But I suppose in terms of the statement by NSW Government, that is the statement from the NSW Government and really it would be the NSW Government to establish such a baseline. Any question on that we believe would be best directed towards NSW Government. But if it assists, the NSW Government's response to the Net Zero Commission's 2024 Annual Report states, (quote) "The government's policy is that all sectors need to ratchet down their emissions to meet the state's legislated targets and the targets that will be established for 2040 and 2045," (end quote).

And as noted in our Chair's opening statement and Figure 3 of the handout, "Coal mining sector emissions are projected to increase to financial year 2029, and then in financial year 2030 emissions are expected to be 2.4 million tonnes higher than they were in the most recent year for which reported emissions are available, and that's financial year 2024."

MR SMITH: Thank you for that. But looking at the chart that you provided us with, you've got a vertical line over it looks like about 2023, and we're looking at, I mean, the past emissions are what they are, and the future appears to suggest, okay, well, starting from that year, and looking at the targets the government has set, the pathway from there is a downhill slope to get to that.

So, I think we're probably working on the assumption that the sort of baseline, just for the purpose of evaluating the proposal from the Applicant, that they would mirror the trajectories that the government is seeking for the state as a whole, that we're looking at a chart very much like the one that you provided, I'm thinking, not one that goes back to 2005, in terms of life. But if you say we must achieve these targets, there must be a pathway from where we are to where we're going to go.

MR RAYWARD-SMITH: Mm-hm.

MR SMITH: The baseline is when you make that comment. And so, you quite reasonably, I think, have said, well, let's start from the date when the target was set, that represents where the state is, and from that point a pathway has to be found to get to where the targets have set for the state.

MS COLMAN: The point of the line, sorry, to clarify, on the chart is just to demarcate between the historical reported emissions and projection figures on here.

MR SMITH: Right.

MS COLMAN: So, yes, I guess our view is that as the emissions are actually projected to increase, it's not really consistent with a decline consistent with the target.

MR SMITH: Oh, I understand, yes. But I guess what the Applicant is offering, or they're saying that they're offering, is – well actually, that's not true – they've said that they would also increase emissions but they're going to be buying offsets to try to improve their position, essentially. Yes, okay.

MR CHILCOTT: And just to be clear, the dotted line, that includes a projection that would assume HVO was approved. Is that correct?

MS COLMAN: Yes, that is correct.

MR CHILCOTT: Thank you.

MS COLMAN: Yes.

MR SMITH: So, in those projections, we asked this question to DCCEEW, what we were interested in is the assumptions in the out years about mines that have not yet signalled an interest in seeking an extension but may do so. That could be because their current approvals run for a decade or more, they haven't turned their mind to whether they might need to seek or want to seek an extension. So, it's our understanding that no provision has been made in these trajectories for the potential impact of extensions that are known – sorry, that are not known, but easily foreseeable, I guess. Is that your understanding as well?

MS COLMAN: Again, we'd say best to clarify beyond shadow of doubt with the projections team, the Net Zero Economy – Emissions, sorry – Modelling Team to clarify what their assumptions are. But we note there's some extra information available in the 2025 methods paper that they publish on their greenhouse gas projections.

MR SMITH: Yes.

MS COLMAN: But, you know, if the application is not in the planning system yet, it's possible that – it's likely – I shouldn't say likely – best to check with them.

MR SMITH: All right. We will. So, just I think the sum of what you've told is saying there are targets for the out years that have not yet been set, but which must be set, as we get closer to the time, and there could be extension applications in towards the out years which have not yet come onto the radar of the trajectories. So, there is quite a high degree of uncertainty as to what that trajectory path might need to be and what it might look like when we get closer to the time.

MR RAYWARD-SMITH: So, I think our understanding is the current projections have assumed that there will be no more approvals of brownfields expansion or extension projects apart from those already factored into the projections.

MR SMITH: Yes.

MR RAYWARD-SMITH: And there were 20, but I … So, there's no guarantee that further projects will not be added in the future, in that space. To illustrate that, since the development of those latest projections, four new projects have been lodged in the planning system. So, the emissions from those projects are not accounted for in the current projections.

MR SMITH: Yes, okay, that's …

MS MILLIGAN: So, if we … That's our understanding too. So, if we assume that is the situation, that there are current applications assumed in that projection, even though we don't know the outcome of their applications, and there are potential applications that are not included in the projections. Can I ask you sort of just to reflect on that uncertainty and how you incorporate that into your thinking, or does that lead you to give any advice to us or any opinion on the projections and the targets?

MS COLMAN: Perhaps what we could say is just to call back to the – we don't have a 2040 and a 2045 target yet and I think our point there is that approving projects that have a long-time horizon, like HVO Continuation is proposing at this stage, makes the task of meeting future targets harder. But I think what – it would be useful to sort of draw you back to is that the projections for 2030 and 2035 show very large abatement gaps currently. So, approving a project such as HVO Continuation just makes it harder, even just to meet these immediate targets that we do have.

MR SMITH: So, are you aware of any work that's being done to, say, because, I mean, we talked about this, the universe of NSW emissions, within that there's the coal industry sector, but are you aware of any work that's being done that might help us think about an individual mine, about how that wedge of the pie is to be apportioned? Because clearly, abatement opportunities have been identified at the underground mines as being readily achievable and relatively low cost compared to others, and the extent to which they're implemented then that means that there are other opportunities available in the pie, or the potential to shrink that to meet target if needed. Are you aware of any work that's being done about how the sector as a whole could resolve that issue?

MR ROWLEY: I'm not.

MS COLMAN: I think that – there is a piece of work that the Net Zero Commission is undertaking that, I suppose, might start to shed a little bit of light on the different … the opportunities and pace of decarbonisation for different sectors in the economy, and that's our Decarbonisation Pathways Project.

So, we currently have a call for evidence out at the moment, we're asking the public to submit datasets or information about technological availability or cost across the entire economy. And we've partnered with CSIRO and Climateworks to undertake modelling various scenarios, and we'll be providing that as advice to the NSW Government once the project is finished in about a year. And through that project, obviously we'll be looking at all sectors of the economy but including coal mining.

MS MILLIGAN: So, I think our question was we've seen your very useful sort of segmentation across the economy. I think we're asking have you done any segmentation of the coal sector, so if you're going down to that next level, yes, and looked at different types of mining, underground versus open cut etc.

MS COLMAN: Oh, we did have a bit of analysis on that, although you would have seen it in our 2026 Annual Progress Report where we talk about the different emissions profile of coal mining, and underground mines have a different emissions profile from open cut mines, like open cut mines have a lot of diesel combustion emissions, for example.

There are some charts in the report you'll perhaps recall that showed diesel combustion emissions are increasing predominantly from trucks at the coal mines. But yes, I think the current analysis that we've done is sort of mostly, it's all in the resources sector chapter of the 2026 Annual Progress Report.

MS MILLIGAN: So, given that you do have different profiles for different segments of the coal sector, do you have different expectations about their actions?

MS COLMAN: I suppose it's – I think what we would note is that there are different abatement opportunities available, and this was also an issue we explored in our Coal Mining Emissions Spotlight Report last year, which you're probably also familiar with. And that because of the different emissions profile, there are different abatement opportunities and I suppose that's a consideration for the making of government policy as well, feeds into the EPA Greenhouse Gas Mitigation Guide, perhaps decisions that government obviously have made, but the Net Zero Commission has provided advice in the past on that particular guide.

Anyway, so I suppose what we would say is, yes, there's differences between the emissions profile, there's different abatement opportunities and those sorts of things, you know, are of relevance, but at this stage all we can probably say is that that's something we might look at further through our Pathways Project.

MR ROWLEY: Thank you, Phoebe. I might just return to the question, because I think what you're pointing is really important, is ultimately is there a more finer-grained analysis in relation to the manner in which approvals for new facilities or extensions relate to those macro targets. Now, our Pathways work may get down to that level of detail or it may not, because it's only just commenced.

But to help you in your deliberations, perhaps we could be tasked with or go away and have a – we're not the only jurisdiction in the world that's dealing with these questions, of course we're not. So, we might want to just take that a little bit on notice and see if there's some material, be that academic or be that in the world of public policy, where that question could – that some greater light can be shed on that question for you.

MR SMITH: Yes, that'll be good.

MR ROWLEY: Yes.

MR SMITH: So, I mean, I'm reminded of another, a different challenge that the coal industry has dealt with very successfully, where their collective impact on a different attribute of the environment was causing problems that played out at the point when an individual mine approval was being considered, and when it was considered that a particular mine could not be approved because it sat on top of all the other impacts from the rest of the sector.

MR ROWLEY: Yes.

MR SMITH: And the government's made its policy clear that it expects the coal mining sector to play its part in reducing the emissions.

MR ROWLEY: Yes.

MR SMITH: But I suspect the difficulty of trying to do that when looking at only one, at individual projects is very great. So, I mean, I'm referring to the example of saline discharges in the Hunter River, where the industry worked with the regulators at the time to manage the total amount of its emissions so that it kept the river fresh.

MR ROWLEY: Yes.

MR SMITH: And that enabled individual firms to exchange obligations and opportunities to discharge excess saline water, but all controlled within a bubble, essentially, so that the river already stayed fresher than drinking water. And it just seems that this, you know, that might be something that when you're developing the trajectories, you might consider or that might be something that the Minerals Council might consider as a way to reduce the total cost of abatement to help achieve for the sector its share of the state target.

MR ROWLEY: Yes.

MR SMITH: So, some follow-up work from you might be very helpful in that.

MR ROWLEY: Yes.

MR SMITH: Because we've got to focus our attention on this particular application.

MR ROWLEY: We will take that away and see if there's something we can provide to you.

MR SMITH: Yes. Thank you. I have a question about the government's response to your recommendation about coal mining extensions being incompatible with achieving – was it 'incompatible' is the word or in …

MR ROWLEY: Inconsistent.

MR SMITH: Inconsistent with the expectation of the attainment of the state targets. How did you interpret the response noted?

MR ROWLEY: Will, would you like to respond to, you know, elaborate on one's sense of –

MR SMITH: Only from the perspective about how we might think about that response.

MR RAYWARD-SMITH: I suppose with our Coal Mining Emissions Spotlight Reports, our intent there was to shine a light on a specific challenge and within NSW is emissions reduction. With the five findings that were presented, four were accepted, one noted. And subsequent to that, the Coal Industry 2026–2050 policy document was released by NSW Government as the position from NSW Government in relation to that.

And within that, there's the clarity that no further brownfield, clearly, but that there would be consideration of extensions and expansions, and then that would be done in a manner aligned with the emissions reduction targets.

MR SMITH: Right. Because I did have a question about your advice that it was inconsistent. Because you must be making certain assumptions about the rate at which, for example, mitigation might be applied at underground mines, because they're a very large percentage of the total emissions from the sector, and there does seem to be abatement options available in that sector at reasonable cost. And presumably if they were brought forward and implemented vigorously, that would change the trajectory for the whole sector, would it not? Maybe – I guess you can't count on how many because you don't have control of that.

MR ROWLEY: Yes.

MS COLMAN: I guess that's just one part of it and also they will take time to implement. So, and we do have point-in-time targets but obviously every tonne of greenhouse gas emitted counts towards worsening the impacts of climate change. So, although we have point-in-time targets in NSW, cumulative emissions do matter as well and are reflected in the objectives of the Climate Change Act.

MR SMITH: Sure. Yes, I guess I'm just thinking about those numerical targets that we've been asked to consider, the attainment thereof, so they essentially represent gates that have to be got through.,

MS COLMAN: Yes, yes.

MR SMITH: And so, it's about what shape are you in when you get to each gate. And so, there's still quite a few years until the first gate, and so there is a window to do significant mitigation at other sites that might mean that we would be … You know, like, we've got to make a judgement about whether or not any of that is happening in times when we're considering the impacts of this project.

MS COLMAN: And I think the other point that we would see is that because we have that significant abatement gap in 2030, 10 to 20 megatons, adding any … So, I guess our point was drawn on the fact that additional coal mining expansions and extensions are increasing emissions that can be avoided by not approving those projects. And so, we're already on a trajectory which shows the targets, you know, we have a gap to meet the targets off the current projections, so increasing, approving projects, an increase emissions, makes that task more challenging.

MR SMITH: Hmm. So was that –

MR CHILCOTT: No, that was fine, it was very helpful, thank you.

MS MILLIGAN: There's that one.

MR SMITH: Yes, yes, okay. So, we did plan to ask you a question about offsets, and whether they'd be conducted within NSW. I think we've already traversed that. Thank you. So, our final question is …

MS MILLIGAN: CBA?

MR SMITH: Oh yes, okay, why don't you ask that now.

MS MILLIGAN: I wanted to talk about the CBA, you made some comments, commissioner, in your opening remarks about the cost-benefit analysis.

MR ROWLEY: Yes.

MS MILLIGAN: I just wanted to clarify that. So, you referred to the NSW guidelines, Treasury guidelines.

MR ROWLEY: Yes.

MS MILLIGAN: We talked to the Applicant about this issue, and they of course told us that they're not bound by those guidelines, as those guidelines relate to sort of government investment. And so, they have used a different methodology. We had a number of people present to us on the topic, the cost-benefit analysis. So, I'm just wondering if you had any other comments or advice for us, given that they have used a methodology that they believe they're allowed to use/permitted to use, and people have said to us, as you have, that it's inconsistent with the methodology and the guidelines that NSW uses. Anything you can say that would help us think about that issue?

MR ROWLEY: Anything I might say almost appears obvious.

MS MILLIGAN: Happy to hear it.

MR ROWLEY: But one of the categories that you, you don't really need me as Chair of the Net Zero Commission to tell you this, but 2024 is rather more up to date than 2018, and 2018 is absolutely what it is that the Proponent's relying on. They may feel absolutely justified in using them, but they're certainly within NSW Government there are ways at looking at cost-benefit analysis which one could say are highly sophisticated and used by a central agency of government like Treasury, what standing that has is really a matter for you. But we did want to draw your attention to it, because the cost-benefit analysis in terms of the assumptions that lay behind it do make a really significant difference in terms of how you might view the proposal.

MS MILLIGAN: Our understanding is that probably one of the main points of difference is using the social cost of carbon that the Applicant has done.

MR ROWLEY: Yes.

MS MILLIGAN: There are Treasury guidelines that suggest a marginal cost to the abatement used.

MR ROWLEY: Yes.

MS MILLIGAN: And that does give a very different …

MR ROWLEY: It does.

MS COLMAN: I think actually the largest contributor – no, sorry, Nick …

MR ROWLEY: No, I was just going to say we've very fortunate on the commission to have Frank Jotzo from ANU.

MR ROWLEY: So, Frank, who I've worked over many years and know very well, has … If you want us to look at the relationship between the social cost of carbon and the assumptions behind the cost of carbon in relation to those two methodologies, I don't think that will be difficult for us to provide you with some advice on that, if you wanted to draw on the commission's expertise, with a view to assist in your deliberations. We'd be happy to do that.

MR SMITH: Okay. Well, we'll discuss that after the meeting and let you know.

MR ROWLEY: Yes.

MS MILLIGAN: And Phoebe, you were about to say that the biggest variable is the … What were you about to say?

MS COLMAN: Thank you. The current economic assessment only factors in 0.33% of the value, so I feel like that's probably more significant than the social cost of carbon marginal labour cost. Also, they have valued any emissions for which they intend to surrender carbon credits, including some of their proposing to surrender voluntarily, they have not valued that at the social cost of carbon, they've valued that at the ACCU cap cost containment cap, which is $81 per tonne, so the lower value.

So, I guess, looking at the latest NSW Treasury guidelines to CBA, that approach would not be sort of – that is not the current approach. You would have to value for the externality for the full amount of in-state NSW direct emissions and not have this sort of half-half approach where the, yes, half of it's sort of being valued at a lower sort of like ACCU value.

MR ROWLEY: Yes. I mean, the assumptions and the methodologies aren't a little bit different. They're very different.

MR SMITH: Yes.

MR ROWLEY: They're very different. And I think that makes it very difficult.

MR SMITH: Yes, well, I mean, the benefit-cost assessment is just one lens that we have to use.

MR ROWLEY: Yes.

MR SMITH: We've seen these strong different views about how that ought to be done and we'll take that into account, but we'll let you know if that further work you've suggested, you might –

MR ROWLEY: I'm not talking about, I mean, give us a week and give us a targeted question, give us a week and we'll try and turn it around to assist you in your deliberations if you … Yes.

MR SMITH: Yes, yes.

MR CHILCOTT: Thank you.

MR SMITH: So, I just have a final question to ask you. We have traversed some of its dimensions, but just a consolidated answer would be helpful. So, the question is: to what extent, if any, would approval of the HVO application in the form that it now comes before the IPC, impact on the state's commitment to achieving the NSW Government's policy goal of net zero carbon emissions in NSW by 2050?

MR ROWLEY: Will?

MR RAYWARD-SMITH: Will Rayward-Smith. So, net zero emissions is very much a legislated goal which the NSW Premier and the Minister for Climate Change have statutory duty to achieve. So, as said earlier in the Chair's opening statement, if approved, the HVO Continuation would contribute more than 1 million tonnes of CO_2 equivalent to NSW emissions in the 2030 target year and almost 0.9 million tonnes of CO_2 equivalent in the 2035 target year. So, I suppose today has been about bringing these matters to your attention to assist your deliberations on the HVO Continuation Project and its implications for NSW emissions and the statutory targets in the Climate Change Act.

MR SMITH: And those figures you mentioned are the gross emissions from the activity, not allowing for offsets?

MS COLMAN: That's correct, yes.

MR CHILCOTT: So, it's net of the offsets inside the state, you have taken those into account?

MS COLMAN: No, we haven't, because we don't know how much they are.

MR CHILCOTT: Okay.

MS COLMAN: We don't have any … yes, yes.

MR CHILCOTT: No, that's fine. So, it's net of all offsets?

MS COLMAN: Yes.

MR CHILCOTT: Great. Thank you.

MR SMITH: Colleagues, do you have any other questions?

MR CHILCOTT: No.

MR SMITH: Anything from you, Janett?

MS MILLIGAN: A very small one, and that is, your comment about decreasing demand for coal, and yet the Applicant has talked to us about the price projections of coal, which are rising. I just wonder if any comment about that.

MR ROWLEY: I think my only comment would be that the World Energy Outlook is a pretty reputable source. There's, of course, in policy a real difference between commitment and delivery. If we look at commitment in some of our major trading partners in terms of transitioning out of coal, the words are actually really quite clear. But how that then translates in terms of actual reductions in relation to the use of fossil fuels is something that one needs to observe.

Of course, the Proponent will have a perspective on that, and others will have a perspective on that. And from our perspective, we're not getting into the office every day and looking at the coal price and what that means for our work, of course we're not. But if you look at the World Energy Outlook and indeed there'd be other sources, we could provide other sources if you felt that would be helpful, really just looking at what the future demand for coal is likely to be for NSW and for Australia, we'd be happy to do that.

MR SMITH: Okay. Thank you. Good. That's all our questions.

MR ROWLEY: Okay.

MR SMITH: We really appreciate you coming in and taking the time to give us this information.

MR ROWLEY: Yes.

MR SMITH: And the offer to further assistance, which we will let you know about in writing.

MR ROWLEY: And thank you for the invitation.

MS COLMAN: Thank you.

MR SMITH: All right. Thank you very much.

>THE MEETING CONCLUDED