



**STRATEGIC  
STATEMENT  
ON COAL  
EXPLORATION  
AND MINING  
IN NSW**



# Minister's Foreword

Coal mining is an important industry for New South Wales (NSW), and will continue to be so for the next few decades. It is particularly important for our regional economies, who have recently suffered a series of blows from drought, bushfires and the COVID-19 pandemic.

Coal mining is a significant source of direct and indirect jobs in our regions and underpins prosperity in many local economies. It is the state's largest export commodity, and is a major source of revenue, which the NSW Government uses to help fund essential services and infrastructure such as schools, hospitals, roads and transport.

Over the coming decades, the coal mining industry will be directly affected by the global transition to different forms of energy generation. However, this transition will not happen overnight. During the transition, the NSW Government will continue to support the responsible development of our abundant, high quality coal resources for the benefit of the state.

This *Strategic Statement on Coal Exploration and Mining in NSW* aims to provide greater certainty to explorers, investors, industry stakeholders and communities about the future of coal mining in the state. It sets out how the NSW Government will take a balanced approach, allowing exports to continue while there is global demand, but significantly scaling back where mining can occur and working to reduce its impacts and address community concerns. Recognising that coal is likely to have a finite lifespan as an energy source, we will work to support coal-dependent communities to diversify for the future, ensuring they remain vibrant places to live with good employment opportunities.

I encourage you to read the Statement and support this government's efforts to keep NSW open for business for coal production, while we take a responsible and measured approach to the long-term transition to new energy sources.

**The Hon John Barilaro MP**

Deputy Premier,  
Minister for Regional New South Wales, Industry and Trade

# Introduction

Coal is a significant industry in NSW and globally. Coal mining generates jobs in the regions and provides royalties that help pay for important social infrastructure such as schools and hospitals.

In the short term, NSW is well placed to meet the demand for coal from countries at our doorstep. However, over the long term it is an industry that will be directly affected by the global transition to lower carbon sources of energy.

The NSW Government will be proactive in its preparation to adapt to the international trend of reducing carbon emissions by building resilient regional communities that can transition to new economic opportunities.

Building trust for coal mining in NSW through better regulation and working with communities on their long-term sustainability is a key focus for the NSW Government.

# Purpose

This statement sets out how the NSW Government is taking a responsible approach to the global transition to a low carbon future, consistent with Australia's ambition under the Paris Agreement, and is planning to manage the impact for coal-reliant communities.

## The NSW coal industry

The coal industry provides over 22,000 direct jobs and around 89,000 indirect jobs



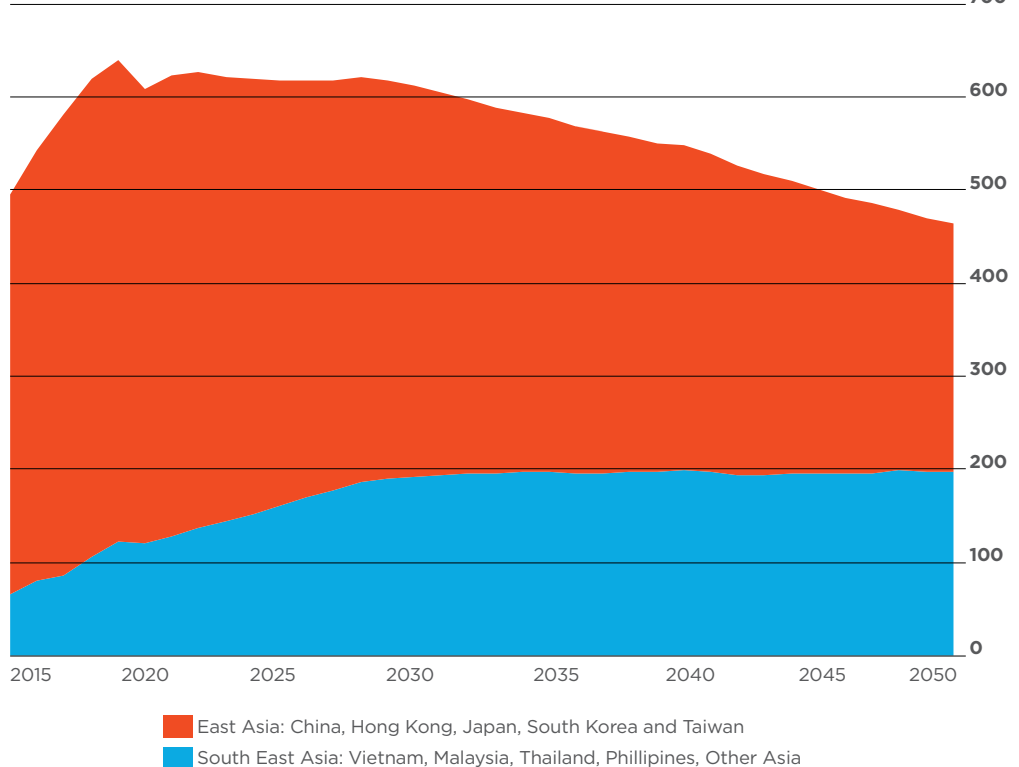
Many regional communities in NSW depend on the coal industry, which provides over 22,000 direct jobs and around 89,000 indirect jobs. Royalties from coal brought in around \$2 billion in 2018-19, used to fund public services and infrastructure. In NSW, around 80 per cent of our electricity currently comes from coal.

Some 85 per cent of the coal mined in the state is exported, mainly to Japan, China, South Korea and Taiwan, where it is mostly used to generate electricity. Although NSW is an important coal producer, our exports of coal represent only around three per cent of total global coal consumption.

### Long term thermal coal demand\* outlook for NSW's major export partners

Source: IHS Markit © 2020 IHS Markit  
\*Seaborne thermal coal only

Million metric tonnes  
700



# The global future for coal

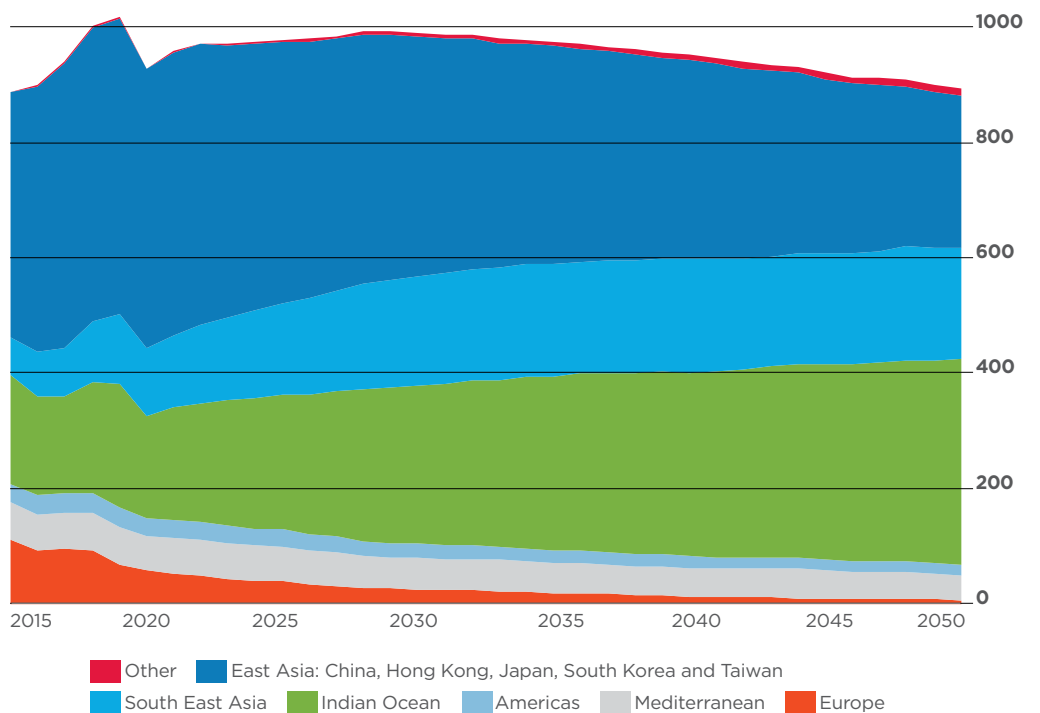


Many countries around the world have begun a transition away from fossil fuels to low carbon sources of energy to meet commitments under the Paris Agreement. This will ultimately lead to the global phasing out of coal in electricity generation (thermal coal), but will take some decades to complete. Coal currently remains a critical energy source globally, supplying over a third of all electricity.

## Long term global thermal coal\* demand outlook

Source: IHS Markit © 2020 IHS Markit  
\*Seaborne thermal coal only

Million metric tonnes  
1200



# The future of thermal coal in NSW

In NSW, we are doing our part to mitigate climate change by implementing emissions reduction measures over the next decade. The NSW and Australian governments recently committed to jointly fund over \$2 billion in energy and emissions reduction initiatives under a Memorandum of Understanding. We are putting in place a range of initiatives to reduce greenhouse gas emissions in the mining and electricity sectors, as well as other sectors. Use of thermal coal will decline in NSW over the coming decades as our aging coal-fired electricity plants reach the end of their technical lives and are replaced with cleaner forms of energy generation.

In the short to medium term, coal mining for export will continue to have an important role to play in NSW. In our immediate region of the world, as elsewhere, there has been a reduction in demand caused by the economic impacts of COVID-19. However, in the medium term, demand is likely to remain relatively stable. Some developing countries in South East Asia and elsewhere are likely to increase their demand for thermal coal as they seek to provide access to electricity for their citizens. Under some scenarios, this could see the global demand for thermal coal sustained for the next two decades or more. The use of coal in the manufacture of steel (coking coal) is likely to be sustained longer as there are currently limited practical substitutes available.

Ending or reducing NSW thermal coal exports while there is still strong long-term global demand would likely have little or no impact on global carbon emissions. Most coal consumers would be likely to source their coal from elsewhere, and much of this coal would be lower quality compared to NSW coal. Reducing demand for thermal coal in line with the Paris Agreement by progressively replacing coal-fired electricity with cleaner energy sources, as has been seen in Europe, will be more effective in reducing global emissions than reducing NSW coal supplies.

The transition to new energy sources is a long-term economic change that will continue to reshape our regional communities that currently rely on the export coal industry. These communities are resilient and can adapt, but need time and support to diversify their economies and develop new sources of employment. It is critical that we continue to responsibly manage the transition away from coal to enable these regional communities to continue to thrive. Part of this will involve supporting the growth of mining for metals that are in increasing demand in the longer run, such as copper, cobalt and rare earths, driven by high technology industries such as the information, energy and transport sectors. NSW has significant untapped potential in these metals, and the NSW Minerals Strategy sets out our plan to grow investment and jobs in the minerals sector. Given our non-fossil fuel minerals are principally in the Central and Far West, there will still be significant disruption for coal-reliant communities. Another part will be the opportunity for the integrated development of Renewable Energy Zones, as recently announced by the NSW Government in the Electricity Strategy.

The NSW Government is taking a responsible approach to the global transition to a low carbon future, consistent with Australia's ambition under the Paris Agreement. Our goal is to set a clear and consistent policy framework that supports investment certainty in NSW as the coal sector responds to global demand, while assisting communities to manage a decline in thermal coal mining in the state over the longer term. This approach strikes a balance that will support the global transition to low carbon energy sources while giving our coal-reliant communities time to adapt.

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# Our plan of action

## The NSW Government will act in four areas:

1. Improving certainty about where coal mining should not occur.
2. Supporting responsible coal production in areas deemed suitable for mining.
3. Addressing community concerns about the impacts of coal mining.
4. Supporting diversification of coal-reliant regional economies to assist with the phase-out of thermal coal mining.



### 1. Improving certainty about where coal mining should not occur

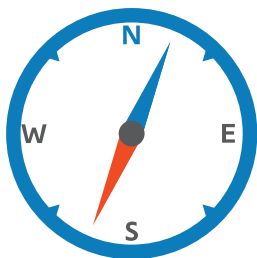
The potential for coal mining to occur in an area can create uncertainty for the local community. To address this, the NSW Government will clearly identify areas where higher priority land uses mean that coal exploration and mining cannot occur. Accompanying this strategic statement is a map that shows a number of areas that will be ruled out for further coal exploration or coal mining.

### 2. Supporting responsible coal production

The NSW Government is already undertaking reforms to the planning system, some of which will provide greater certainty for coal mining proponents and the broader community. This includes amending the *Environmental Planning and Assessment Act 1979* to prohibit approval conditions relating to exports. Implementation of the findings of the recent review of the Independent Planning Commission will also improve certainty for proponents of major projects.

#### In addition, the NSW Government will:

- recognise existing industry investment by continuing to consider responsible applications to extend the life of current coal mines, and by streamlining the process for exploring new areas and areas adjacent to current mining operations to deliver a better economic return to NSW
- consider releasing a limited number of new areas for coal exploration. These will be areas where there are minimal conflicting land uses, where social and environmental impacts can be managed, and where there is significant coal production potential. New areas identified for coal exploration will be released through a transparent, competitive tender process whenever there are multiple operators who could develop the resource. Release of an area for exploration is not a guarantee of mining: proponents who may subsequently seek approval to mine will still have to obtain planning approval for mine proposals, which includes consideration of the environmental, economic and social impacts.





### 3. Reducing the impact of coal mining

The operating and regulatory standards for NSW's coal mines have been significantly improved over the past decades. This has delivered better environmental, social and economic outcomes. However, there remain areas where it might be possible to further reduce or mitigate impacts.



#### The NSW Government will work to:

- strengthen regulatory requirements for mine rehabilitation and closure planning
- support the improved management of air and water impacts from coal mining
- facilitate beneficial uses of coal mining land once mining has ended
- continue to ensure mining-affected communities receive an appropriate share of the benefits of mining
- address the impacts of mining in the Greater Sydney Water Catchment, responding to the Independent Expert Panel report
- reduce the greenhouse gas emissions directly associated with coal mining in NSW (fugitive emissions)
- monitor security of supply for domestic coal users during the transition to low carbon energy sources, including domestic users of coking coal.



### 4. Supporting diversification of coal-reliant regional economies to assist with the phase-out of thermal coal mining

The NSW Government will continue to work to strengthen regional economies, including the development and implementation of location-specific plans to diversify those heavily dependent on coal mining. There will be regional variations in the profile of coal production. Some areas will see gradual decline over the next few years, while others could see increased coal production in the short to medium term. We will adopt a systematic, place-based approach to transition planning, starting with the regions that are expected to experience the earliest coal production declines and the Upper Hunter region given the importance of its coal industry.

# A robust, transparent process

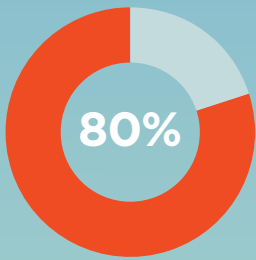
Over the past decade, the NSW Government has made significant reforms to the processes for managing coal exploration licences and mining proposals to ensure they are rigorous and transparent. The NSW Government will continue to apply transparent, evidence-based approaches to decisions about coal land release, exploration and production. This includes rigorous assessment of potential new coal mines and community consultation under the planning framework. Coal exploration and mining activities will continue to be subject to robust regulatory controls to protect human health, the safety of workers, and the environment.

## Managing future uncertainty

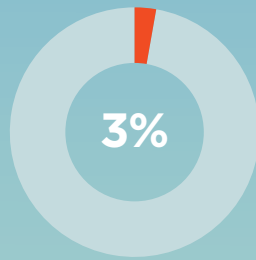
In the long term, there is uncertainty about global demand for thermal coal. Ongoing demand for coal will depend on how rapidly other countries transition to low carbon energy sources and mass electrification. There are likely to be short term drops and spikes in demand, as we have seen recently with COVID-19. The NSW Government will monitor global coal demand and domestic production and emissions. We will take a flexible, adaptive approach to respond to global economic change, should there be a significant shift in trajectory.



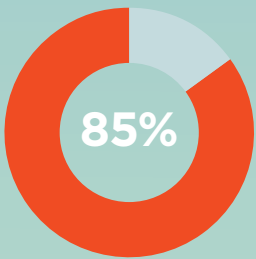
# Fast facts



OF NSW  
ELECTRICITY  
CURRENTLY  
COMES  
FROM COAL



OF TOTAL  
GLOBAL COAL  
CONSUMPTION  
IS FROM NSW  
COAL EXPORTS



OF NSW COAL IS  
EXPORTED MAINLY  
TO JAPAN, CHINA,  
SOUTH KOREA  
AND TAIWAN

COAL INDUSTRY  
PROVIDES

**22,000**

DIRECT JOBS

**89,000**

INDIRECT JOBS

**\$2 Billion**

GOVERNMENT  
COMMITMENT  
FOR ENERGY  
AND EMISSIONS  
REDUCTION  
INITIATIVES

**\$2 Billion**

IN ROYALTIES FROM  
COAL WAS USED  
TO FUND PUBLIC  
SERVICES AND  
INFRASTRUCTURE  
IN 2018-2019



# resourcesandgeoscience.nsw.gov.au/future-of-coal

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