



# AN ECONOMY IN TRANSITION CARING FOR COAL WORKERS

*The Greens' plan for guaranteeing a future for coal mine workers*

A significant structural shift is underway in our economy. Global demand for coal is in terminal decline and with it, thousands of jobs and a debilitating clean-up bill for cash-strapped State governments. We can't leave workers to this fate.

Only three things are now certain in life; death, taxes and coal mine closures. There is far more coal for sale than there are willing buyers at a time when Australia's major global customers are rolling out clean energy and using less energy to achieve more economic gains.

The world is moving away from coal. A report released today by the Institute for Energy Economics and Financial Analysis finds that the global market for Australian thermal coal has entered "structural decline", with prices falling 70% since 2009.<sup>i</sup>

Even BHP's head of coal recently acknowledged that 'there are no signs of things getting better in the immediate term'.<sup>ii</sup> Many mines are operating at a loss, mines are regularly shutting down and many more closures are inevitable.<sup>iii</sup>

The hardest hit from this global energy transition will be the coal workers as coal companies go bankrupt or leave Australia and return to their headquarters. The next hardest hit will be State governments who are financially exposed to sudden closures with only a fraction of mine rehabilitation costs secured.

## > SECURING JOBS

The last thing that Australians want is a repeat of the James Hardie era where companies flee - leave workers abandoned and the public purse picking up the tab.

The solution to these two risks are related; if we can secure the rehabilitation money from mining companies now, we can start the transition by providing employment in rehabilitating mines which is much more job-intensive than mining. We can also start retraining workers for the industries of the future.

**The Greens have a comprehensive plan to secure a bright new future for coal workers and provide a more secure bridge to retirement for older workers:**

- **The first step is to find out how exposed State governments are by establishing an independent auditing taskforce to determine the gap between secured rehabilitation bonds and the actual cost of rehabilitation.**
- **The audit will inform the development of tailored plans for each mining company who will be required to pay their liabilities into a Federal Trust Fund. The fund will be made available to the companies at the end of their operations to do rehabilitation works.**
- **The interest made on the Fund will be spent on the jobs transition by either attracting new, clean industries to those regions or retraining workers. The money can also be made available to those companies that bring their rehabilitation works forward to create local employment and secure a safe environment.**

## > COSTS OF ABANDONED MINES

The system of rehabilitation bonds administered by State governments is very secretive, so no one has a clear idea of how much it will really cost to clean up the mess of coal companies. However enough anecdotal information exists in our two major mining states - NSW and Queensland - to show a serious problem exists.

An April 2014 audit by the Queensland Audit Office (QAO) found that "...the financial assurance held is often insufficient to cover the estimated cost [of] rehabilitation and is rarely enforced. As a result, successful environmental rehabilitation is not occurring and the state remains exposed to unnecessary and unacceptable financial risks."



Case studies examined by the QAO showed a mine where the total cost of rehabilitation was \$10-\$12 million while the security was just \$150,000 or 1.3-1.5% of the true cost.<sup>iv</sup>

In NSW, the government holds just \$1.8 billion in security deposits, while the relevant Department estimated Rio Tinto's Mt Thorley-Warkworth mine clean up costs would be at least \$2 billion - for just that one mine.<sup>v</sup>

Meanwhile, coal miners Peabody Energy, who are at serious risk of bankruptcy, saddled with massive debts and a share price collapse of 96% in five years,<sup>vi</sup> have provided only \$158 million to cover the clean-up bill for their three massive NSW coal mines.<sup>vii</sup>

Queensland and New South Wales have so far done a dismal job of cleaning up the abandoned mine sites where companies have walked away.<sup>viii</sup> Around Australia there are 50,000 abandoned mines which are not being adequately rehabilitated.<sup>ix</sup> If we cannot even deal with the legacy of past coal mine closures, the new wave of abandoned mines heading towards us will be a national disaster.

While cleaning up Australia's coal mines will involve a huge investment of billions of dollars, it also creates thousands of jobs for coal workers in the very same communities where jobs are already being lost. As a community we cannot afford to leave the looming employment and environmental disaster to chance. We need a plan now.

## > A JAMES HARDIE REPEAT?

There is a real risk that companies will sell spent coal mines to anyone or transfer them to empty shell companies to avoid the significant liabilities that arise once a mine is officially closed.

The Isaac Plains mine in Queensland was bought for \$600 million three years ago by a Brazilian company Vale and Japanese company Sumitomo and sold last month for just \$1 after being placed in 'care and maintenance' (rather than closed) to avoid rehabilitation costs. Vale and Sumitomo wanted to dump the \$32 million cost of cleaning up the mine after it became unprofitable to operate.<sup>x</sup>

Similarly, the Blair Athol mine in Queensland was put into care and maintenance in 2012 and sold for nothing by Rio Tinto to Linc Energy in 2013. The rehabilitation security was \$84 million, but Dr Peter Erskine has suggested to ABC's Landline that the true cost is much higher.<sup>xi</sup> Linc Energy later sold the mine again to little-known company United Mining Group.<sup>xii</sup>

## > RESTORING OUR ENVIRONMENT

Cleaning up the toxic scars of mines on our landscape is good for workers, good for our environment, and good for local industries.

Unless rehabilitated properly, derelict coal mines can cause massive pollution, especially from Acid Mine Drainage during massive flooding events. This represents a threat to the future of regional jobs in agriculture, tourism and fisheries. It happened in the Fitzroy Basin during the 2012-13 wet season and the 2013 cyclone season which hit the abandoned Mt Morgan mine near Rockhampton. In both cases, these mines discharged toxic waste into the surrounding rivers.<sup>xiii</sup>

<sup>i</sup> Institute for Energy Economics and Financial Analysis *The Australian Thermal Coal Industry Facing Global Structural Decline Headwinds*. September 2015 page 2.

<sup>ii</sup> Dow Jones Newswires *BHP coal boss warns on outlook* 18 September 2015.

<http://www.businessspectator.com.au/news/2015/9/18/resources-and-energy/bhp-coal-boss-warns-outlook>

<sup>iii</sup> Peter Ker *SMH Business Day* "Another mine bites the dust in Australia's struggling coal sector" 1 September 2015.

<sup>iv</sup> Queensland Audit Office *Environmental Regulation of the resources and waste industries* April 2014 page 48.

<sup>v</sup> Phillip Geary, 23 March 2015 *Disused mines blight New South Wales, yet the approvals continue*, *The Conversation*

<https://theconversation.com/disused-mines-blight-new-south-wales-yet-the-approvals-continue-39059>

<sup>vi</sup> Institute for Energy Economics and Financial Analysis *The Australian Thermal Coal Industry Facing Global Structural Decline Headwinds*. September 2015 page 6.

<sup>vii</sup> Lisa Main and Dominique Schwartz *ABC Landline* "Industry insider warns taxpayers may foot bill for mine rehabilitation unless government, industry step up" 19 September 2015

<sup>viii</sup> For example Queensland's abandoned mines liability has been estimated at \$1 billion while funding for the abandoned Mine Lands Program is \$6.5m per annum.

<sup>ix</sup> Corrinne Unger et. al, 2014, *Life-of-Mine 2014 Conference Maturity of jurisdictional abandoned mine programs in Australia based on web-accessible information*.

<sup>x</sup> Corey Stern *Business Insider* "A \$600 million coal mine sold for just \$1" 1 August 2015.

<sup>xi</sup> Lisa Main and Dominique Schwartz *ABC Landline* "Industry insider warns taxpayers may foot bill for mine rehabilitation unless government, industry step up" 19 September 2015

<sup>xii</sup> Advice to the SGX from Linc Energy on 16 February 2015 stated that: "Importantly, as [United Mining Group] will be responsible for all future development costs and liabilities the transaction allows Linc Energy to avoid the need to direct a significant amount of future capital into it's (sic) coal business"

<sup>xiii</sup> Queensland Government 2011-12 *Flood Impacts and Ian Townsend ABC RN Background Briefing* "Mining's dirty secret" 14 February 2013.