Submission No 38

INQUIRY INTO 2024 ANNUAL REPORT OF THE NET ZERO COMMISSION

Organisation: NSW Minerals Council

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Inquiry into the Net Zero Commission’s 2024 Annual Report

Joint Standing Committee on Net Zero Future

NSW Minerals Council Submission – February 2025

The NSW Minerals Council (NSWMC) represents the NSW mining industry. NSWMC notes the release of the NSW Net Zero Commission’s (NZC) 2024 Annual Report and the inquiry into the report being undertaken by the Joint Standing Committee on Net Zero Future.

This submission focuses on the NZC’s analysis and commentary relating to the resources sector, including the reference to coal mining projects in the planning system and the statement that “*Any emissions increases associated with extended or expanded coal projects would require other sectors to make greater emissions reductions if the state is to meet its emissions reduction targets.”*

As discussed in this submission, the coal sector is one of the few sectors with transparent, regulated requirements to reach net zero emissions by 2050 under the Commonwealth’s Safeguard Mechanism, which is not adequately captured in the NSW Government’s emissions modelling. Furthermore, multiple potential coal project extensions have already been incorporated into the NSW Government’s emissions projections and if they have been modelled accurately they should not impact on the existing forecasts.

In contrast, several other sectors do not have regulated emissions reduction requirements and have shown a significant deterioration in their emissions projections in the latest updates, yet have not been highlighted as shifting the burden of emissions reduction to other sectors.

The NSW Government's Net Zero Model is based on a wide range of assumptions. While it is a useful and important source of information, its assumptions and limitations need to be understood.

Current and projected emissions from the mining sector

As noted in the NZC’s Annual Report, the NSW resource sector’s emissions have fallen by 34% since 2005. Scope 1 (direct) emissions from the resources sector accounted for around 11% of NSW’s total greenhouse gas emissions, or 13.8 million tonnes CO2-e, in 2022.

While acknowledging the significant decline in the mining industry’s emissions, the Annual Report notes *“a sizeable pipeline of coal mine extension and expansion projects that are currently awaiting determination through the planning process”* and that “*Any emissions increases associated with extended or expanded coal projects would require other sectors to make greater emissions reductions if the state is to meet its emissions reduction targets.”* The Commission states that it will *“place priority on a deep consideration of these issues in its assessment for 2024-25.”*

NSWMC believes that the singling out of coal extensions and expansions as jeopardising the state’s emission reduction targets and portraying the sector as shifting the burden of emissions reductions to other sectors is unjustified. NSWMC makes the following comments for the Committee to consider during its inquiry into the Annual Report:

- Facilities captured under the Safeguard Mechanism are subject to regulated requirements to reduce net emissions on a trajectory consistent with achieving a 43% reduction in net emissions by 2030 and net zero emissions by 2050. Data from the Clean Energy Regulator[1] indicates that around 95% of the NSW mining industry's Scope 1 emissions are covered by the Safeguard Mechanism, leaving only a very small proportion of the industry's emissions uncovered by the scheme.
- The mining industry is already abating millions of tonnes of greenhouse gas emissions each year[2] and the Safeguard Mechanism is driving the industry to research, develop and deploy additional emissions reduction measures. Where direct emissions reductions cannot be achieved, Australian Carbon Credit Units (ACCUs) or Safeguard Mechanism Credits must be retired to meet any residual emissions reduction obligations. The concept of 'net' emission reduction targets is intrinsically tied to the use of offsets given the recognition that most sectors will rely on offsets to some extent to achieve emission reduction goals.
- The current NSW Net Zero Model does not properly account for the net emissions reductions that NSW mining operations are required to achieve under the Safeguard Mechanism. The NSW Net Zero Model only reports and forecasts the industry's gross emissions and does not capture offsets or Safeguard Mechanism Credits that are, or are projected to be, retired by the industry to meet its Safeguard Mechanism obligations.
- This limitation in the Net Zero Model means the industry's contribution to the NSW Government's net emissions reduction targets is not adequately recognised. While there are a range of complexities in capturing and presenting this data[3], this issue needs to be rectified to ensure policy debates are properly informed.
- Without full recognition of the Safeguard Mechanism requirements in the NSW Net Zero Model and an accurate understanding of the industry's net emissions reduction projections, NSWMC questions the basis of the statement that: "*Any emissions increases associated with extended or expanded projects would require all other sectors to make greater reductions if the state is to meet its emissions reduction targets".* Further reasons to question the basis of this statement include:
    - A range of proposed coal project extensions are already accounted for in the Net Zero Model's projections[4]. If approved, these extensions/expansions should not change the mining industry's overall projections if they have been modelled accurately.
    - The NSW greenhouse gas emissions projections 2023 Methods paper shows that multiple sectors have had a deterioration in their projected emissions in 2035 compared to what was originally modelled (chart copied below). Applying the NZC's logic, the increased emissions from these sectors will require other sectors to make greater reductions if the state is to meet its emissions reduction targets. It is unclear why this has not been transparently highlighted in the NZC's Annual Report.

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[1] 2022-23 NGERS data
[2] For example, Appin Mine abated 3.3 million tonnes CO2-e in FY24
[3] For example, national carbon accounting rules
[4] Response to Question on Notice NSW Parliament Legislative Council

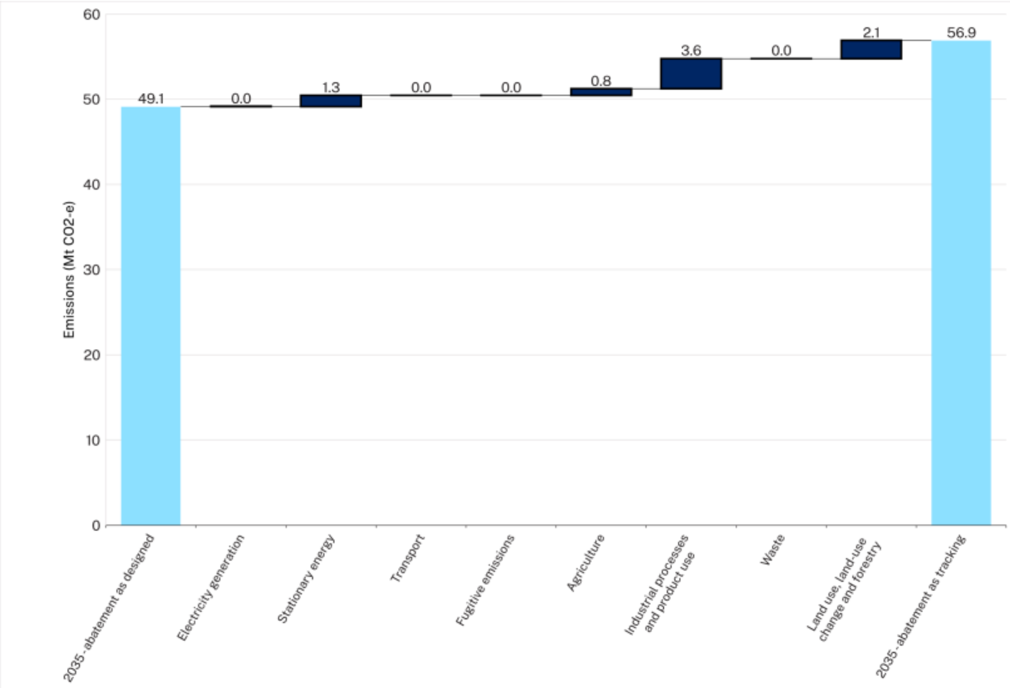

Figure 3 **Difference in emissions by sector in 2035 between the abatement as originally designed and abatement as currently tracking scenarios**

- More generally, the Net Zero Model is based upon a wide range of assumptions and there is inherent uncertainty in the model's projections. This is highlighted by the fact that only four months after the state's targets were legislated, updated projections indicated that the state is not on track to meet them. As seen in the chart above, multiple sectors have contributed to the deteriorating outlook.
- Government policy supports the extension of existing coal operations and there continues to be strong demand for NSW's high quality coal. In this context, new coal project extensions are likely to come forward for assessment that are not currently included the government's forecasts. However, some, if not all, of these projects will be captured by the Safeguard Mechanism and will be required to continue reducing their emissions towards net zero by 2050, whether they were included in the NSW Net Zero Model or not. Proposals to extend coal projects should not be favoured or unfavoured based on whether they were included in the emissions projections on which the legislated targets were based.

Other comments

National carbon accounting framework

There are limitations in national carbon accounting rules that are driving state governments to impose unnecessary requirements that carbon offsets need to be sourced from within their own state boundaries. This is because, according to the NSW EPA, *"under current frameworks, offsets generated outside of NSW cannot be counted in the NSW emissions inventory."*[5]

[5] EPA submission on Hunter Valley Operations Continuation Project

This creates an unnecessary constraint on the sourcing of carbon offsets that provides no climate benefits and interferes in the existing national carbon market. It is one of the factors that complicates the proper recognition of carbon offsets retired by the mining sector in the NSW Net Zero Model.

An accounting mechanism is needed so that offsets can be credited to the state where they are retired, rather than where they are generated. NSWMC recommends that these issues are addressed in the Commission's Forward Work Program and Issues Paper that it plans to release by March 2025.

We note that in the recently released Guide for Large Emitters, the NSW EPA acknowledges the issue and states that it *"will continue to work with other NSW agencies and other jurisdictions (including the Australian Government) to seek to address this carbon accounting issue."*[6]

Nationally Coordinated Climate Policy

The Commission's first Annual Report acknowledges that the majority of the NSW coal industry is covered by the Commonwealth's Safeguard Mechanism. It is therefore one of the few sectors where the majority of emissions are subject to transparent, regulated requirements to reach net zero by 2050. This will occur without any additional intervention by the NSW Government.

Despite this existing regulatory framework, a large proportion of the NSW Government's time is spent attempting to develop new ways to regulate coal mines under the EPA Climate Change Policy and Action Plan, increasing regulatory complexity and costs with questionable benefits. This contrasts with the approach recently adopted in Western Australia, where a review *"highlighted the duplicative nature of state and commonwealth conditions for greenhouse gas emissions, applying an unnecessary administrative burden on regulators and proponents without delivering any additional environmental benefit."* As a result, the Western Australia Government *"has determined that where proposals with significant greenhouse gas emissions are adequately dealt with by other regulatory measures such as the strengthened Safeguard Mechanism, those emissions should not be regulated by the State."*[7]

The approach in Western Australia is a sensible approach that recognises that the Safeguard Mechanism will deliver what is needed for covered facilities to work towards net zero by 2050 and that further interference at the state level is unnecessary.

While NSW is in a different position with legislated interim targets, NSWMC encourages NSW policy makers to be pragmatic about the value of additional regulation at the state level for Safeguard facilities.

NSW Minerals Council

February 2025

[6] EPA Guide for Large Emitters, p36
[7] WA Greenhouse Gas Policy for Major Projects