

BACKGROUND BRIEFING ON SPOIL DISPOSAL IN KOSCIUSZKO NP

The NSW Government will receive \$1.65 million compensation for the dumping of spoil from Snowy 2.0 in Kosciuszko National Park - that's about 1/1000th the commercial value.

Not only is dumping in a National Park reprehensible, but this trifling amount effectively gifts a \$1.5 billion subsidy from the people of New South Wales to Snowy Hydro Ltd.

1 Compensation of \$1.65 million

The National Parks and Wildlife Service (NPWS) acclaimed its 'successful negotiation' of \$1.65 million in compensation for the 'placement' (i.e. dumping) of tunnelling spoil in the Park. This hailed coup was revealed in a confidential briefing paper¹ to the Minister for Energy and Environment, recently released to the NSW Legislative Council as the result of a Standing Order:

"Compensation for the placement of excavated material (spoil) in KNP

As the placement of residual tunnelling spoil within KNP from [the] Main Works is a commercial matter between NPWS and SHL [Snowy Hydro Ltd], it was not addressed as part of the planning approval. However, NPWS successfully negotiated \$1.65 million in compensation for the placement of approximately 7 million cubic metres of residual spoil in KNP covering a total area of 55 hectares across four sites."

NPWS refers to 7 million cubic metres (m3), but we will use Snowy Hydro's estimate² of 14 million m3 of spoil after excavation.

This is a mammoth quantity. It far exceeds other tunnelling projects e.g. Sydney Metro Chatswood to Sydenham, 2.4 Mm3; WestConnex M5, 3.6 Mm3; West Gate Tunnel, 1.5 Mm3. To illustrate its immensity, the spoil would cover a football field to a height of three kilometres. Fifty-five hectares of Kosciuszko National Park will be buried under 25 metres (average) of spoil.

Compensation of \$1.65 million equates to a tip fee of 9 cents/tonne³.

2 Commercial value of over \$1.5 billion

NPWS referred to the dumping of spoil within the Park as a "commercial matter between NPWS and SHL". So, what is the commercial value to Snowy Hydro Ltd of being afforded the (extraordinary) right to dump in the Park rather than having to use a registered tip?

The going rate for dumping rock in a Snowy Monaro Regional Council landfill⁴ is \$100/m3. Dumping 14 million m3 would cost \$1.4 billion, possibly plus an excess handling fee for the significant portion



¹ Briefing Paper to the Minister for Energy and Environment, The Hon Matt Kean MP, NSW Department of Planning, Industry & Environment, 21 May 2020

<https://drive.google.com/drive/folders/1grLpKE2of6H4xrYCrG65FFtb1X4Zk8m4> Document 5b(2)

² Snowy 2.0 Main Works EIS, Appendix F Rehabilitation Strategy, estimates 9 million m3 of banked volume (in-situ), which expands to between 12.9 and 14.6 million m3 (say 14,000,000 m3) when extracted:

"It is estimated that approximately 9,000,000 m3 banked volume (between 12,900,000 m3 and 14,600,000 m3 bulked volume) of rock and soil will be excavated associated with the construction of the tunnel excavations, power station complex caverns and intakes."

³ 14 million m3 equates to about 18 million tonnes. \$1.65m for 18 Mt = 9 cents/t.

⁴ Snowy Monaro Regional Council Landfill Disposal Fees and Charges (Cooma and Jindabyne)
<https://www.snowymonaro.nsw.gov.au/1098/Landfill-Disposal-Fees>

of spoil that contains naturally occurring asbestos and acid forming rock. Further, if the NSW Waste Levy⁵ were applicable (it's not in Snowy Monaro but is in other regions of the state), this would add another \$1.4 billion (\$76.20/tonne).

In addition to the tip fee would be the cost of transportation. Rather than haul all the way to existing tips at Cooma or Jindabyne, new tips could possibly be established closer to the Park boundary, resulting in a transport cost of around \$200 million⁶.

Thus the cost avoided for Snowy Hydro from being authorised to dump spoil at four sites in the Park totals well over \$1.5 billion (\$1.4b tip fee + asbestos excess fee + \$200m transport), or around \$90/tonne, excluding the Waste Levy (potentially another \$1.4 billion).

Possibly these indicative estimates could be reduced in practice, even substantially, but the avoided cost would still be hundreds of times more than the compensation negotiated.

3 It's time to stop subsidising Snowy Hydro

There is a long history of Snowy Hydro Ltd being heavily subsidised by NSW - examples of token lease fees and free water are outlined in Attachment A. (The Commonwealth Government has also kicked in billions of dollars - \$2 billion (so far) to fund Snowy 2.0 and Kurri Kurri Gas Power Station, and \$6 billion to purchase over-priced shares).

Snowy Hydro Ltd should not be treated differently to any other developer or business just because it is owned by the Commonwealth Government and operates the iconic Snowy Scheme. Nor should it be treated favourably compared to competitors in the National Electricity Market. The NSW Government must assume its role of responsible custodian, on behalf of NSW citizens, and charge commercial rates to ALL businesses for the use of public resources and services.

It is inconceivable that any developer would be authorised to dump waste within a National Park in the first place, let alone 14 million m³ (some hazardous). But if they were, as is the case for Snowy Hydro Ltd, it is unconscionable for a Government to charge a fraction of the commercial value.

Compensation of 9 cents/tonne is indefensible when the avoided cost is \$90/tonne (1/1000th)

At the very least the people of NSW must not be short-changed, this time by over \$1.5 billion, for yet another subsidy to Snowy Hydro Ltd.

⁵ The NSW Waste Levy requires certain facilities to pay for each tonne of waste received. The Levy aims to reduce the amount of waste being landfilled and promote recycling and resource recovery. The Levy for 'virgin excavated natural material' is \$76.20/ tonne in regional areas (\$132.40/tonne in the metropolitan area).

⁶ *Owner-Drivers (Contracts and Disputes) Act 2007*, Guideline Rates, Aug 2020

https://www.transport.wa.gov.au/mediaFiles/Freight-Ports/FREIGHT_P_OwnerDriversGuidelineRates_2020.pdf

B-Double Regional Rate is \$163.40 per hour (incl GST). Assume five-hour round trip (50 km each-way) with 62.5 tonne load. Cost is about \$13/tonne ($\$163.40 \times 5 / 62.5 = \$13.07/\text{tonne}$), giving a total cost of over \$200 million ($18,000,000 \times \$13.07 = \235m).

Attachment A

Other NSW Government 'subsidies' to Snowy Hydro Ltd

A.1 Snowy Hydro Scheme lease

At the corporatisation of the Snowy Mountains Authority into Snowy Hydro Ltd in 2002, a 75-year lease was negotiated for the use of Kosciuszko National Park. It is understood the initial lease fee was set at \$500,000 per year, subject to CPI-escalation. The current annual fee is around \$750,000.

The lease covers the occupation and use of land and infrastructure for 16 major dams and reservoirs, 12 major tunnels, numerous aqueducts, 9 power stations, 2 pumping stations and other related plant.

It may have been appropriate, though still questionable, to have applied a nominal fee when the NSW Government was the major shareholder of Snowy Hydro Ltd. But that is no longer the case. Other commercial tenants in the Park, such as the private businesses that operate the four resorts (Perisher Range, Thredbo, Selwyn and Charlotte Pass) are subject to competitive tendering.

A company with an exclusive right to operate a multi-billion-dollar business in a National Park should be charged commercial lease rates, which would be at least an order of magnitude more than \$750,000 – just 0.03% of Snowy Hydro's annual revenue (\$2.7 billion in 2020-21).

The lease of Kosciuszko National Park costs less than the lease of Snowy Hydro's Sydney office (one of many).

A.2 Snowy 2.0 project lease

It is understood an annual lease fee of \$1.6 million has been negotiated for the Snowy 2.0 project, for:

- exclusive use of significant areas of the Park during the 8-year construction phase, including the Lob's Hole/Ravine area, Marica, Talbingo and Tantangara work sites, and associated road access
- additional liaison and monitoring responsibilities for NPWS during construction
- once completed, ongoing operation of Snowy 2.0 and use of NPWS infrastructure and services

Whilst a fee of \$1.6 million is double the main lease fee, it is still a token amount, representing just 0.2% of Snowy 2.0's \$10 billion cost.

A.3 Water

As part of the corporatisation process it was agreed that Snowy Hydro Ltd would not be charged for *"the use, collection, diversion, storage or release of water"*.

Whilst most water ultimately flows downstream, it is through the use of water that Snowy Hydro derives its billions of dollars of revenue. Hence it would be appropriate for the 'owners' of that resource (i.e. the public) to receive a royalty for its use, in the same way that royalties are applied by the government for the use of other natural resources.

No other electricity generation company (or business) in NSW is effectively gifted the use of public land, roads, infrastructure and water, let alone in a National Park.