Institute for Energy Economics and Financial Analysis
ieefa.org

91 Percy Street
Warwick, QLD 4370

aus_staff@ieefa.org

9 September 2026

To: New South Wales Independent Planning Commission (IPC)
Re: HVO North Open Cut Coal Continuation Project, EPBC No. 2025/10177, and;
HVO South Open Cut Coal Continuation Project, EPBC No. 2025/10176

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide this supplementary submission in respect of the proposed HVO North and South Open Cut Coal Continuation Projects, responding to the additional information provided by the respondent on 1 September 2026.

IEEFA presented a submission at the public hearings on 16 July and published a follow-up commentary highlighting the inconsistencies between the application and the key findings of the Net Zero Commission's (NZC) Spotlight report into Coal Mining, positions supported by the NZC in its opening statement to the IPC on 24 July 2026.

The supplementary information provided by HVO does not change IEEFA's key conclusions from its previous analysis that the IPC would be justified in refusing HVO's lease applications.

HVO 1 September response

IEEFA understands from HVO's position response that the company stated the 19-year proposed timeframe is the minimum period it would consider for the investment, as a shorter timeframe would fundamentally alter the project plan and constrain its ability to manage market price volatility. Any change to this requested term would be treated as a rejection of the project, leading to the immediate closure of the mine, a sudden and significant economic shock to the local community, and constraining the mine's ability to meet its rehabilitation obligations.

IEEFA's analysis challenges several assumptions underlying HVO's position:

A longer project timeframe is unlikely to improve its financials

On page 4 of the response, HVO makes the following comment:

"A longer approval term provides HVO with the flexibility to operate through these market cycles and make investment decisions with greater confidence"

IEEFA acknowledges that the thermal coal market exhibits price volatility, however this volatility must be differentiated from structural market decline driven by falls in demand.

In its expansion application for the Moolarben coalmine, Yancoal provided an independent assessment of the thermal coal market outlook undertaken by Wood Mackenzie, repeated below. The only scenario that does not reflect structural market decline is the Delayed Transition case, which reflects a temperature rise of 3.1°C by 2100. Other independent coal price forecasts, such as by KPMG, also suggest longer-term structural decline in coal market prices.

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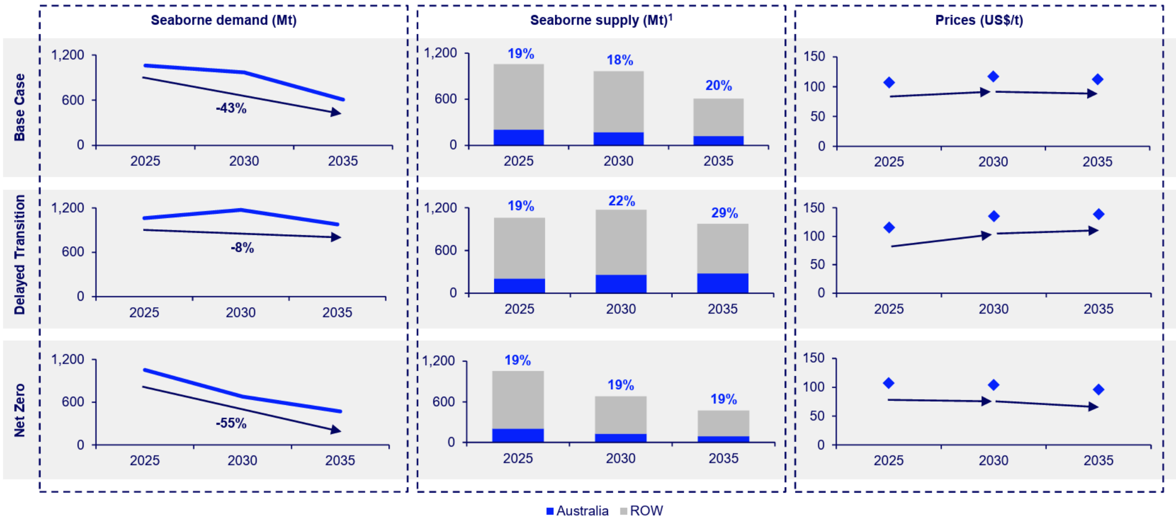
Figure 1: Yancoal thermal coal projections: seaborne demand, supply (Mt) and prices (US$/t)



Source: [Wood Mackenzie](), slide 8. Note: The supply stack includes a range of mine extensions. Mt = million tonnes.

Therefore, in a period of structural market decline, extra time would merely extend the period of operational loss rather than provide flexibility to weather short-term price cycles.

There is a distinct possibility HVO would not operate for the full 19 years

Miners cease operations as soon as the price, and hence revenue, is insufficient to meet the operating costs of the mine, as explicitly stated by Hunter Valley coal producers (HRATF) in their recent submission to the Australian Competition and Consumer Commission (at page 9): *"it will make economic sense for coal producers to continue operating these assets whilst they remain cash flow positive".* That is, when the market price is not sufficient for the mine to be cash-flow positive, it will cease operation.

In recent years, there have been multiple examples of mines restarting and ceasing operations in line with market prices. BHP's responses to deteriorating economic performance of its mines earlier this year highlighted that jobs and community investment are contingent on the economic performance of the coalmine.

Therefore the 19-year production term is subject to the market price providing revenue sufficient to cover operating costs. This implies that the lease term is merely an option for HVO to operate the mine as long as it's in its economic interests to do so. Once it is not, the mine may cease operations or, as is more common, be "mothballed" with a view to reopening when conditions are more favourable.

Should the decision be taken to mothball mine operations, the consequences of that closure will still be felt by the community, exacerbated by the lack of any mine exit planning.

There are significant questions on HVO's ability to meet its emissions abatement strategy

HVO's applications rely entirely on the purchase of emissions offsets rather than onsite abatement to meet emissions reduction targets under the Safeguard Mechanism (SGM). The Commonwealth Government released a consultation paper in respect of the SGM on 7 August. IEEFA notes media reports that the unconstrained use of offsets to reduce net emissions —

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HVO's abatement strategy — is a key focus of the review. This therefore raises significant questions on the ability of HVO to implement its abatement strategy over the requested term. Any change to this strategy will affect the economics of the operation, which, as outlined above, is a critical determinant in whether mining operations continue. This uncertainty on a key element of HVO's operational strategy therefore raises further questions on the longevity of the mine.

At an industry level, Hunter Valley coal producers assess that production, and hence emissions, will remain at their current levels (at a minimum) for the next 10 years (page 29 of the HRATF submission). Based on HVO's statements that offset purchases will not be limited to NSW for economic reasons, it is reasonable to conclude that Hunter Valley coal production will not contribute any emissions reductions to meet NSW targets within the next 10 years. This reinforces the concerns expressed by the NZC in respect of granting applications. It also highlights the need that, if applications are granted, firm on-site abatement obligations to contribute to reduction targets are imposed, rather than relying on an uncertain mechanism.

It should be possible for HVO to complete a mine exit plan within six years, and there are many economic opportunities post mine closure

HVO's submission confirms the lack of any mine exit plan. IEEFA notes that HVO has suggested that consultation on mine closure with affected stakeholders would take three to five years. However, no consultation has commenced despite the lack of mining approvals beyond this year. This also implies there has been no planning for alternative uses of the mine site should it close.

This can be compared to other mine sites that have recently closed, such as Mt Arthur, Muswellbrook and Stratford.

The Department of Planning, Housing and Infrastructure (DPHI) recently published an application for the Mt Arthur transformation project, which reflects a variety of potential uses, covering renewable energy, industrial and freight logistics parks as well as native bushland revegetation. This development has been progressed as a pilot project, in line with Recommendation 6 of the final report from the 2025 NSW Parliamentary Inquiry into beneficial and productive post-mining land use. Recommendation 13 of the final report also highlighted the value in leveraging existing infrastructure to reduce decommissioning costs and waste, a concept that underpins the Mt Arthur proposal. It has been suggested that the Mt Arthur development alone could provide up to 5,900 jobs (compared with a direct mine employment of 2,200 and total coalmine production employment in NSW of 25,000). Progression of a number of these projects would provide significant economic and job security for the region.

Development plans consistent with the leverage of existing infrastructure are not limited to Mt Arthur, and have been progressed by at least one owner of HVO. In July, DPHI approved a development proposal by Yancoal at its closed Stratford mine for development of a pumped hydro (PHES) renewable energy project, which is forecast to inject up to $1.8 billion of expenditure into the site. This is a clear example where HVO proponents have been prepared to invest in and develop alternative post-mining land uses for closed mines.

The timeline for mine closure planning published by Yancoal on its website, and reproduced below, highlights a timeline of four years from closure to full rehabilitation in 2028, which is also the target date for the commencement of the PHES project. That is, the timeline from commencement of closure plans to a fully rehabilitated and developed site is six years.

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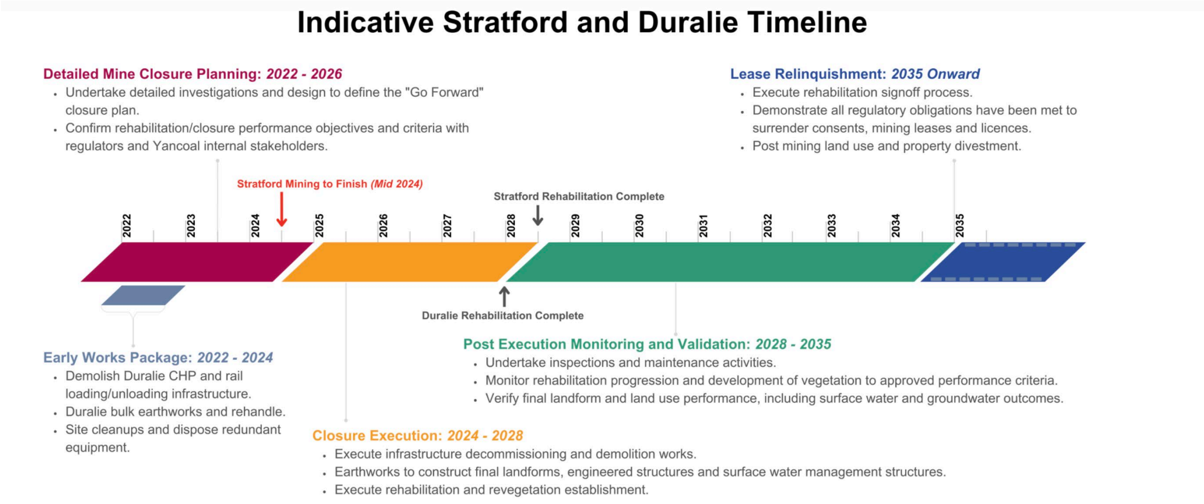

Source: Yancoal

HVO suggests it needs up to five years for consultation on mine closure and to develop a mine exit plan, which they have so far failed to produce. However, when confronted with a mine closure based on its own economic considerations, Yancoal has been able to complete consultations, develop and submit a project plan, have it approved and plan for project completion within six years. This included two years prior and four years post closure. As highlighted in the IPC's letter to HVO, the (unpassed) NSW Future Jobs and Investment Authority (FJIA) Bill allows for a three-year notification requirement prior to closure.

IEEFA's analysis above highlights that the uncertainty surrounding the potential mine closure is due to HVO's failure to develop a mine exit plan. However, this failure is not a function of the IPC's determination but rather is a direct consequence of HVO's own strategy. It is worth noting that HVO has had many years to develop a mine exit plan. A media report suggested that a 2004 HVO lease condition to develop a mine exit strategy was never met and, further, the condition was absent from a lease extension granted last year.

HVO's comments suggest it is in breach of its legal rehabilitation obligations

HVO's comments in respect of the value of the extension in providing cash flow to support rehabilitation is particularly concerning. NSW legislation provides explicit, legally enforceable obligations in respect of both ongoing and final rehabilitation requirements. This includes the provision of security deposits to meet estimated future rehabilitation liabilities to ensure the risk to NSW residents of meeting this cost is minimised. The deposits provided by each mine are published by the NSW government; HVO's deposit amounts to $266.073 million.

HVO's comment that an extension is required to meet its rehabilitation obligations suggests that, in its view, this assessed deposit is insufficient to meet future liabilities. It further suggests that the proponents have made no provision in their financial accounts for future liabilities, and are reliant on future (unapproved) cash flows to meet those obligations. Finally, if a 19-year extension is integral to meeting rehabilitation obligations, this would suggest HVO is not up to date with its ongoing requirements.

IEEFA notes these rehabilitation obligations are binding and legally enforceable, with significant financial penalties as well as potential prosecution for breaches. HVO's implication that meeting

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these commitments is subject to an approval that has never been guaranteed are concerning and warrant further investigation by both the IPC and other relevant NSW Departments.

Conclusion and recommendation

HVO's response on 1 September states that anything aside from an approval of the 19-year application is a rejection that will force an immediate mine closure, the consequences of which will flow to the community, including for unmet future rehabilitation obligations.

As highlighted in the discussion above, if an approval were granted, mine operations would be conditional on the economic realities of the coal market, operational costs and emission mechanisms that are under review. An approved application therefore does not provide 19 years of certainty but merely grants HVO an option to exit at a time of their choosing, based on the economic conditions they face. The actions of HVO's majority owner at its Stratford mine highlights that when a coal producer exercises its option to halt operations, six years (two years pre-closure and four years post) is sufficient to deliver a rehabilitated and operational alternative providing substantial economic benefits to the region. (The inclusion of these alternative developments in the economic assessment of the no-mine alternative would significantly reduce the net benefits of the HVO application.)

HVO therefore appears to be holding hostage the economic and community health of the local region, and by extension of the rehabilitation comments, NSW residents, to the approval of the application because they have failed to develop a mine exit plan. The implication is that all Hunter Valley applications should be granted to allow production (and emissions) to remain at current levels. Rewarding HVO's position would reinforce its legitimacy and ensure post-mine strategies will only be developed at a time of the producer's choosing at the expense of the community and the opportunities lost.

IEEFA therefore strongly recommends that the IPC allow a three-year extension of the licence to produce at current levels for HVO North to 2030, and reject the HVO South application. This is consistent with the three-year notification requirement under the draft FJIA Bill, is greater than the pre-closure period at Stratford and, finally, would align HVO North with the HVO South lease expiry.

Thank you again for the opportunity to provide this submission. Please don't hesitate to contact me at jteubner@ieefa.org or 0438 400 250 with any questions.

Kind regards,

Jonathan Teubner, Lead Energy Finance Analyst, Australian Coal