



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

SELECT COMMITTEE ON AGRICULTURAL AND RELATED  
INDUSTRIES

**Reference: Food production in Australia**

TUESDAY, 24 NOVEMBER 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE SELECT COMMITTEE ON  
AGRICULTURAL AND RELATED INDUSTRIES**

**Tuesday, 24 November 2009**

**Members:** Senator Heffernan (*Chair*), Senator O'Brien (*Deputy Chair*), Senators Fisher, Milne, Nash and Sterle

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Forshaw, Furner, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Heffernan, O'Brien and Sterle

**Terms of reference for the inquiry:**

To inquire into and report on:

Food production in Australia and the question of how to produce food that is:

- a. affordable to consumers;
- b. viable for production by farmers; and
- c. of sustainable impact on the environment

**WITNESSES**

**CLAYTON, Mr Graeme (Joe), Project Director, Shenhua Watermark Coal Pty Ltd..... 1**



**Committee met at 4.21 pm****CLAYTON, Mr Graeme (Joe), Project Director, Shenhua Watermark Coal Pty Ltd**

*Evidence was taken via teleconference—*

**CHAIR (Senator Heffernan)**—I declare open this public hearing of the Senate Select Committee on Agricultural and Related Industries. The committee is hearing evidence on the issue of mining on agricultural land within its current inquiry into food production in Australia. I welcome you all here today. This is a public hearing, and a *Hansard* transcript of proceedings is being made. Before the committee starts taking evidence, I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The committee prefers all evidence to be given in public, but under the Senate's resolutions witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they wish to give in camera evidence. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such requests may, of course, be made at any other time.

I welcome Mr Joe Clayton of Shenhua Watermark Coal Pty Ltd by teleconference. Joe, if you would like to make an opening statement, we will ask you a few gentle questions.

**Mr Clayton**—Thank you for inviting Shenhua Watermark Coal to participate in the inquiry into food production in Australia. As highlighted in our submission, sent to the Senate Select Committee on Agricultural and Related Industries on 12 October 2009, Shenhua Watermark is unable to respond to the terms of reference at this stage as the exploration work has only been underway for some six months now. Shenhua Watermark is here today to provide an overview of the current position of the Watermark project, to reaffirm our commitment to work with the Australian government and to demonstrate that Shenhua Watermark is committed to listening and responding to community concerns and protecting the environment.

A detailed outline of the exploration works is included in our submission, so I will not go into that level of detail here. I would like to use this opportunity, however, to explain the current approach Shenhua Watermark is taking towards the development of the Watermark project and highlight the conclusions that we have been able to draw at this early stage.

Exploration licence 7223 was granted by the New South Wales Department of Primary Industries on 22 October 2008 and the exploration program has only been underway for some six months. From this exploration program, Shenhua Watermark has only been able to form preliminary views on the in-situ coal resource and has not been able to formulate any in-principle mine plan. When sufficient geological information is available, Shenhua Watermark will then develop an in-principle mine plan for which it will seek general approval from the New South Wales Industry and Investment. When a mine is developed, the potential impacts of the

mine on the environment will be comprehensively assessed by the existing environmental planning and assessment process regulated by the New South Wales government. This framework will not only require detailed, vigorous science-based environmental assessment but also require consideration of the social and economic impacts and benefits of the project.

Shenhua Watermark is aware of and has retained appropriately qualified and experienced consultants to ensure that all of the environmental planning, social and community issues required to be addressed are so addressed in the appropriate way. No mining project development application can proceed in New South Wales without a thorough assessment of potential impacts of a mining operation on the surrounding environment, including agriculture. Ultimately, it is a government that must determine whether these environmental impacts are acceptable in light of the economic and social benefits of mining. While a government has the ultimate approval, Shenhua Watermark guarantees that, in developing its proposed mine plan and environmental assessment, we are committed to paying particular regard to the potential impacts of its project mining operations on all environmental values in the Liverpool Plains, including the potential impacts upon surface and groundwater flows and agricultural land.

To conclude, Shenhua Watermark can wholeheartedly state for the record that Shenhua Watermark will not mine the black soil plains and will only mine the ridge country. This is a guarantee that has been made to the community from the outset and one that remains strong to this day and into the future. Thank you.

**CHAIR**—Thanks very much. We are grateful for Shenhua appearing before this committee today. There has been a fair bit of concern from the community about what is going on up there and we see this as a great opportunity for the mining industry, in this case Shenhua, in particular, to set out their plans to allay the concerns and fears of the local community. Mr Clayton, you state in your submission that any mining in the Gunnedah area will be limited to the ridge country and will not be on the black soils. This is a similar commitment to BHP's. Would you say it is in line with what BHP has stated or are you going further, or are you not quite up to their mark?

**Mr Clayton**—I cannot comment on BHP. All I can say is that in our original expressions of interest to the New South Wales government, we highlighted target areas in the ridge country and that is where we are doing our exploration.

**CHAIR**—The recent agreement, about which the committee took evidence, between BHP and the New South Wales government actually precludes BHP from applying for longwall open-cut mining leases underneath the flood plains and alluvial aquifers under the New South Wales Mining Act. Are you contemplating a similar agreement with the government if you go ahead?

**Mr Clayton**—We are exploring the ridge country only. We will be putting some water-monitoring bores into the black soil so that we can better understand the aquifers around that area. Our mine plan and our application through the EA process will only be for mining in the ridge country. We will not be applying for any mining in the black soil.

**CHAIR**—Other than longwall and open cut, are there other types of mining that could be used and permitted?

**Mr Clayton**—We are stating that we will not be mining the black soil. We are not qualifying that. We will not be mining the black soil.

**CHAIR**—Are negotiations underway between Shenhua and the New South Wales government for the company to be compensated in return for not mining under the Gunnedah flood plain?

**Mr Clayton**—The process that will run down is that the project application will be for mining the ridge country within the exploration lease. I would imagine that the mining lease would cover the area that we are applying to mine, and that will not be the black soil. Through the process of the project application and potential project approval, I would imagine that the mining lease will cover the area that we want to mine, and we will not want to mine the black soil, so that will not be part of the mining lease.

**CHAIR**—With regard to the original exploration licence, which would have covered a good bit of the flood plain, I take it that under the mining lease arrangements and the agreement you would have with the New South Wales government you would give up both exploration rights and future possible mining rights to the flood plain in some sort of legal agreement.

**Mr Clayton**—We would only be applying to mine in the ridge country. We will not be applying to mine any of the black soil area.

**CHAIR**—Obviously, you would be aware—and I am sure that Shenhua, in wanting to be good Australian citizens, would be aware—of the concerns that we and the local community have about maintaining our maximum food production capacity on good farming land. Will you take precautions to be certain that if you mine the ridges you will not be interfering with the recharge of the aquifer?

**Mr Clayton**—At this early stage we are just in exploration. We are putting together a geological model, and from that geological model we will develop a mine plan. The mine plan will deal with the issues that you are alluding to, but at this early stage we do not have a mine plan, so I really cannot answer any hypothetical questions. We will deal with any environmental issues to do with the black soil plains through the development of that mine plan.

**CHAIR**—So, like BHP, you would be happy to incorporate the findings of the water study in the environmental assessment that you would undertake?

**Mr Clayton**—Absolutely. All of our information will be given to the water study for its use.

**CHAIR**—The company has committed—and I congratulate the company—to funding part of the water study. Has a dollar amount been determined yet? Obviously, they are all a bit slow off the mark. They are saying they would like to see the money, as it were—the Commonwealth is offering to put money in but not until the state puts it in et cetera. Shenhua has offered some money. Have you determined how much?

**Mr Clayton**—We are committed to helping to fund the study, but obviously we do not want to write an open cheque. We have committed to resourcing the first phase, along with the rest of the

mining industry up here, and then once we understand what the cost of the study will be we have money committed to supporting it.

**CHAIR**—In the event—and obviously it is only in the event—it were discovered that mining would significantly impact on the aquifer and the water system, what would Shenhua's position be?

**Mr Clayton**—We are in a situation where we do not have a mine plan, so we cannot have a hypothetical answer to that. Through the mine planning process we will be dealing with all the environmental issues to do with the mine plan. By the end of next year I would be able to answer that question a lot more fully.

**CHAIR**—We have heard evidence that maybe, to assist this process, the Mining Act should include water planning. I will now throw to my colleagues.

**Senator O'BRIEN**—Thanks for the information you have given us, Mr Clayton; it sounds quite positive. In relation to the right to explore, does what you have said about Shenhua's intention to explore and mine only in the ridge country mean that Shenhua would relinquish its rights for the future to explore or mine in the other parts of the lease?

**Mr Clayton**—The process will be that we are only targeting mining areas in the ridge country. So, if and when we get to a project application, it would only involve mining that ridge country, and I would imagine that a mining lease would target the area that is being mined. It would not include black soil.

**Senator O'BRIEN**—When you say, 'I would imagine,' has the company taken such a decision or is that a decision yet to be made?

**Mr Clayton**—We have stated from day one that we will only be mining ridge country.

**Senator O'BRIEN**—So you are assuring this committee that Shenhua—despite whatever exploration rights it has under the lease—would only seek when commissioning a mining lease to mine the ridge country and would not seek to utilise in any way its future exploration rights to mine the black soil country?

**Mr Clayton**—Yes, correct.

**Senator O'BRIEN**—So that gets back to my original question: effectively that means you are relinquishing a right to explore the black soil country, does it?

**Mr Clayton**—It is just a process for the mining lease approval. It is common practice, in my experience, that mining is smaller than the exploration lease. We really only need the mining area as a mining lease.

**Senator O'BRIEN**—So you do not envisage surrendering any part of the exploration right?

**Mr Clayton**—We will be applying for a project approval sometime in 2011. At that point, we will be identifying the mining lease. So it seems to me that it is simpler to go through the process of applying for a mining lease rather than doing it twice.

**Senator O'BRIEN**—I am not an expert on it; that is why I am asking these questions. When you apply for the mining lease, what does that do to your residual exploration rights?

**Mr Clayton**—I am not sure. I would have to take that on notice. I would need to discuss that with the government at the time.

**Senator O'BRIEN**—Sorry? You would need to discuss it with the government at the time?

**Mr Clayton**—Yes, I am really not sure what will happen with the exploration licence and the exploration rights. I am sorry; I will have to take it on notice.

**Senator O'BRIEN**—Okay. How long would you take to get back to us on that?

**Mr Clayton**—Two weeks.

**Senator O'BRIEN**—That would be great. Thank you very much. In terms of other mining operations what, if any, interest does Shenhua have in Australia at the moment?

**Mr Clayton**—None.

**Senator O'BRIEN**—So this is the first?

**Mr Clayton**—This is their first mining operation outside of China.

**Senator O'BRIEN**—This will be the experience of a lifetime, I imagine, for the company to work its way in the Australian environment. What do you know about how it operates or how it needs to operate in China—or is that beyond your range of knowledge?

**Mr Clayton**—Our whole team has just done a ten-day trip through China. What we have seen up there has been a real eye-opener. China Shenhua Energy—as the company is known—is a world-class mining operation. We were all very impressed with how they managed the mining and how they managed the environment and the communities up there. Even with that, we are operating in Australia and as an Australian entity we come under Australian legislation.

**Senator O'BRIEN**—Yes, and I think the interest of the local community is to—at least for most—have a harmonious relationship

**Mr Clayton**—Yes.

**Senator O'BRIEN**—In your experience of the Chinese operation, do they mine in valley-floor, floodplain type areas in China?

**Mr Clayton**—The open-cut operations we saw up there were in the inner Mongolian shifting-sand deserts. There was not—

**Senator O'BRIEN**—There is not much flood plain in the Mongolian desert—I will give you that.

**Mr Clayton**—That is right. The one thing that really stood out to us was that on the top of the open-cut operations where the mining is occurring in the shifting-sand deserts and the rehabilitation area for the mine, we had rehabilitated to the point where we were grazing cows in the rehab slopes. We are very committed to the environment. Where there was no pasture at all, now there is pasture there and we are grazing cows. We have spent RMB600 million on rehab in the Shendong area. The current exchange rate to Australia is about six to one. So there is \$A100 million that has been spent on rehabilitation in that area.

**Senator O'BRIEN**—You talked about open cut. I am presuming that that is not the plan for the Australian lease.

**Mr Clayton**—We are looking at open cut.

**Senator O'BRIEN**—You are looking at open cut?

**Mr Clayton**—Shenhua also does a lot of underground mining.

**Senator O'BRIEN**—Have you as yet any idea of the area that will be the subject of open cut, or is it still early days?

**Mr Clayton**—We have just finished phase 1 of the exploration and we are putting together a geological model. It is really just too early to look at that. We will have an answer to that towards the end of next year.

**Senator O'BRIEN**—Are there open-cut mines in the vicinity?

**Mr Clayton**—Yes. On the other side of Gunnedah, there are, yes.

**Senator O'BRIEN**—On the other side of Gunnedah?

**Mr Clayton**—Yes.

**Senator O'BRIEN**—Usually there are some dust issues with open cut. So that will be another challenge, I imagine, for your environmental proposal.

**Mr Clayton**—Again, that will all be part of the EA study. We will have answers to that when we submit the project application.

**Senator O'BRIEN**—Thanks, Mr Clayton.

**Senator STERLE**—Mr Clayton, I want to go to page 3 of your submission—bearing in mind that it was written on 12 October—down to the land access paragraphs. You said:

Seven properties (4 landholders) are currently under contract, one contract is being drawn up and another 18 parcels of land (11 landholders) are under negotiation for purchase.

Has there been any progress on that?

**Mr Clayton**—We have got agreement now for approximately 11½ thousand hectares. That includes 21 landowners.

**Senator STERLE**—That is a significant increase in six weeks, isn't it?

**Mr Clayton**—It sure is. The 3½ thousand mentioned that is actually settled is about the same. I think there is probably one more property that has settled since then. I stated in there that we had 8,000 hectares under agreement, and we have added about another 3½ thousand in six weeks.

**Senator STERLE**—You say further down:

Any land not used for mining will be maintained in the most appropriate form of agricultural production.

What does that mean?

**Mr Clayton**—Again, we are still reviewing the best way to manage the properties. We have offered to lease them back to the original owners for the first 12 months, and a majority of those have picked that up. So we have some time to put our plans in place. We want to review all the different ways to manage the properties—whether they be leased out or agisted out or we set up our own pastoral company. We are still assessing the benefits of each one of those. We will be putting on a land manager who will manage the whole of that land asset for us.

**Senator STERLE**—That clears that up. Thank you very much.

**CHAIR**—Of the land you have acquired, is some of that on the flood plain?

**Mr Clayton**—We have not purchased any just black soil properties. The only black soil that we have purchased is—

**CHAIR**—Where it comes up into a hill?

**Mr Clayton**—Yes, contiguous with ridge country, and we have not subdivided the blocks. When we originally came out, we said we would purchase all of the properties within the expiration lease, because I did not want to discriminate against anybody. But after community feedback—why would we be buying black soil blocks—we have changed our strategy and we are only targeting the blocks in the ridge country in the area that we will be mining. In fact we have got a couple of landowners that are not happy with us, because they were interested in selling their black-soil country to us but we told them—

**CHAIR**—Yes, I imagine you have put a bit of a spike in the local land price expectations too. I will not ask you how much you have had to pay above the market to get it.

**Mr Clayton**—Yes. Thanks for not asking.

**CHAIR**—Thank you very much for your time. We are due to report this week, so we are very grateful for your help. I hope it all works out.

**Mr Clayton**—Okay. Thanks very much.

**Committee adjourned at 4.45 pm**