

DEPARTMENT OF AGRICULTURE, ENERGY & MINERALS

TO: ACTING EXECUTIVE DIRECTOR, RESOURCES DEVELOPMENT
FROM: MANAGER, MINERALS AND PETROLEUM OPERATIONS
SUBJECT: BOND FOR HAZELWOOD MINE

Ref: MIN5004

4 December 1995

PURPOSE

1. To brief you on the basis for assessment of the rehabilitation bond for Hazelwood brown coal mine.

BACKGROUND

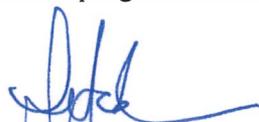
2. At the time of submission of the work plans for the three Latrobe Valley mines interim bonds of \$15million were set on the basis of estimates provided by the companies.
3. Hazelwood mine have now provided more detailed estimates of current and final rehabilitation liability. The estimates are considered reasonable by Minerals and Petroleum Operations Branch.
4. The company argues that the bond should be based only on the end of life liability on the basis that they keep up the current programme of progressive rehabilitation.

ISSUES/COMMENT

5. The company's estimate shows a final liability at closure of the mine of \$9.88million. However this includes allowances for revenue of \$6.75million from sale of assets. EMV has no control over these assets and they do not become Crown property until six months after the demise of the licence.
6. The estimate of cost for ongoing rehabilitation work during the life of the mine is \$11.7million. If the mine were to close now a significant proportion of this work would be outstanding ie a part of this liability exists now.
7. The total current liability for rehabilitation is thought to be in the vicinity of \$20million. However, the company has a well managed progressive rehabilitation programme with annual expenditure of approximately \$1million. Their aim is to have all of the progressive rehabilitation work completed by the time the mine closes.
8. Bonds are usually based on an estimate of the worst case liability during the mine life. To set a bond for this site based only on the end of life costs would be a departure from this practice. However, the importance of the mine as a part of the State's power supply infrastructure means it is very unlikely to close before the scheduled end of life. It can therefore be argued that provided progressive rehabilitation is kept up, the potential liability to the State is only the cost at closure.

RECOMMENDATION

9. That we maintain the present nominated bond level of \$15million to cover the end of life costs at the site.
10. That we agree not to seek further bond against the current liability for works which are carried out on a progressive basis during the life of the mine.
11. That we require the company to continue progressive rehabilitation at a similar rate to the present programme and to maintain a rolling five year plan detailing the next five years work.



KEN GARDNER
 Manager
 Minerals and Petroleum Operations

Agreed

 5.11.95