

Gillespie, R. and Bennett, J. (2015) Challenges in Including BCA in Planning Approval Processes: Coal Mine Projects in New South Wales, Australia, Journal of Benefit Cost Analysis, Vol. 6(2).

Abstract: A requirement for project proponents to include a benefit-cost analysis (BCA) as a component of their environmental impact assessments is implied in planning approval legislation in New South Wales, Australia. Fulfilling that requirement in the context of three large-scale expansions of coal mines has led to the application of choice modeling to estimate values for the main environmental, social, and heritage impacts. A number of particular issues have emerged in those applications: the framing of choice sets so that incentive-compatible willingness to pay questions are asked; the inclusion of “existence values” associated with employment opportunities provided by mines; and the incorporation of environmental offsets as part of the choice task given to respondents. The benefit-cost analyses of the coal mining projects have proven controversial. While the government agency responsible for administering the project approval process has used them as an input to decision-making, in some cases its recommendations have been “over-ridden” by the imposition of subjectively determined administrative rules. In one case, an appeal through legal channels against an approval was successful in part because the judge who heard the appeal dismissed the BCA findings because it was contrary to his own viewpoint of the merits of the case. In response, the state government has introduced legislation that requires greater “weight” to be given to the development benefits of coal mining. These responses have left the role of BCA and nonmarket valuation in the decision-making process in “limbo,” with practitioners and policy makers unsure as to the future of the methods in politically charged contexts.