MEDIA RELEASE

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GOVERNMENT SELLS ERARING ENERGY TO ORIGIN AND TERMINATES COBBORA CONTRACT

NSW Taxpayers Dodge Labor’s Fiscal Bullet

The Government has sold Eraring Energy to Origin Energy and, in exchange for a payment to Origin, has terminated its obligation to develop and operate a coal mine at Cobbora, NSW Treasurer Mike Baird announced today.

"The O'Farrell Government has unwound the dud deal of the century that was executed in Labor's dying days in office," Mr Baird said.

"As a result, taxpayers will no longer be exposed to hundreds of millions of dollars in potential damages payments under Labor’s so-called GenTrader agreement with Origin Energy.

"Nor will taxpayers be required to develop and operate a coal mine at Cobbora, in central western NSW, which would have cost more than $1.5 billion.

“Overall, at a net cost of around $75 million, taxpayers will avoid liabilities of over $1.75 billion, which were part of Labor’s disastrous legacy.”

The transaction includes the sale of Eraring Energy’s assets, the Eraring power station and Shoalhaven Hydro power station, for $50 million, which is above their retention value to the State. The electricity generated by Eraring Energy was sold by the previous Labor Government in 2011.

The sale removes the State from its previous GenTrader agreement with Origin. Liabilities under this GenTrader agreement – the Availability Liquidated Damages – have been estimated at a cost of around $250 million over the life of that agreement.

“As a result of the sale of Eraring Energy for $50 million, the State removes this liability,” Mr Baird said.

Mr Baird said the State has also agreed with Origin to terminate its coal supply contract with the Cobbora coal mine. In return for terminating the contract, the State will pay Origin $300 million.

Taking into account the residual cash retained by the State, the net cost to the State of the entire transaction is around $75 million.
Mr Baird said the transaction was a win for the people of New South Wales. It removes significant liabilities from the State that remained from the previous Labor Government’s uncommercial GenTrader agreement.

"The State's financial outlook looks significantly healthier today than it did last week," he said.

"This can only bolster our AAA credit rating, and make it easier for us to invest in critical infrastructure for the people of NSW.

"In terms of the Cobbora coal mine, the price agreed by the previous Labor Government was not commercial. In fact, the development costs of the mine were not covered."

Once the coal supply agreement with Origin Energy is terminated, Cobbora coal contracts with Macquarie Generation and Delta Electricity will also be terminated.

“Cobbora is nevertheless a large coal resource and we remain committed to the sale or lease of this asset, noting than an independent planning process for the mine is still ongoing,” Mr Baird said.

“In the meantime, the Member for Dubbo, Troy Grant, will lead a group of Parliamentary colleagues to work on a local transition plan with the Cobbora Holding Company. This group will include the Member for Barwon, Kevin Humphries, and the Member for Orange, Andrew Gee.

“The transition plan will include the implementation of a comprehensive land management plan to improve the quality of the site and to allow for ongoing productive agricultural use pending the sale.”

Mr Baird said the O’Farrell Government was working hard to reverse the financial mess and debt it inherited from the former Labor government and to retain its AAA credit rating.

“The sale of Eraring Energy is the first step in fixing a number of significant problems created by Labor’s mismanagement of the electricity generation sales rushed through in its dying days," Mr Baird said.

Mr Baird said Eraring Energy employees transferring to the new owner would do so on current terms and conditions and with a number of important guarantees and benefits, consistent with other Government asset sales.

“T I thank the employees of Eraring Energy for their hard work and diligence and I wish them well in the future.”

Mr Baird said the schedule for the sale of the remaining electricity generation assets remained on track.

Bilateral negotiations for the one remaining GenTrader asset, Delta West’s Mt Piper and Wallerawang power stations, are ongoing.

The Eraring Energy transaction is expected to complete on 1 August 2013.