



Our reference: SCP QPARL SUB 310316

31 March 2016

Research Director
Agriculture and Environment Committee
Parliament House
BRISBANE QLD 4000

By email: aec@parliament.qld.gov.au

To whom it may concern:

Re: Environment Protection (Chain of Responsibility) Amendment Bill 2016

We write in relation to the above and make the following submission to the Committee.

Sister City Partners Limited (SCP) is a not for profit economic development and investment advisory firm, based in Townsville, North Queensland. Since 18 January 2016 SCP has been working to develop and progress what has been described as a creditor-community buyback of the Yabulu Nickel Refinery (variously described as Queensland Nickel and variations on the name). This work has been undertaken with the able support of a Steering Committee comprising former refinery employees. This work has involved extensive considerations regarding a future capital structure, equity participation and the associated business issues related to various risks.

In this context, the proposed amendments represent significant new risks and uncertainties for potential equity participants and debt providers.

Central to the buyback proposal is the participation of supply chain parties within the new corporate structure. New equity would be issued to those who are presently owed monies by Queensland Nickel Pty Ltd (under administration). We have also progressed discussions with existing supply chain parties from around the world, as well as new equity participants, in relation to the injection of working capital to enable the refinery to be re-operationalised at the earliest practical time. The proposed amendments have cut across these discussions and have raised serious concerns about future risks and exposures to liabilities for these capital partners for issues that they would simply have no direct control over or responsibility for.

Concern relates to the proposed powers that enable the Department of Environment and Heritage Protection to issue Environmental Protection Orders to a broad range of related persons including shareholders and financiers. There are real risks in these provisions that go to the absence of clarity of definitions, the absence of robust safeguards to investors and financiers who are more or less "passive" participants and the potential for arbitrary abuse of such powers.

Concern also exists in relation to proposed provisions that enable the Department to impose new financial assurance obligations upon a transfer of an Environmental Authority. As the proposed buyback involves a new company, such transfers are likely to be required to enable the smooth transition of ownership and operational rights. Unfortunately, the possibility of new (unspecified) financial assurance obligations creates further uncertainties as to the business case for investing in the new enterprise.

Whatever it's broader intentions or objects, and whatever the merits of quarantining the public from future liabilities associated with environmental damage and remediation, the sweeping nature of the proposed amendments has placed in jeopardy international interest in participating in the creditor-community buyback proposal. The nickel sector is notoriously cyclical, and businesses can fall fowl of rapid and significant changes in market sentiment and commodity price conditions. Adding further risks to potential investors and debt providers, as the draft provisions no doubt unintentionally do, only compounds the challenges of a successful buyback and timely re-operationalisation of the refinery at Yabulu.

The equity and debt partners we have been in discussion with have been, to use a colloquialism, "seriously spooked" by the breadth of the provisions contained in the Bill. The proposed buyback has, as a consequence, been seriously and adversely affected and with it the prospects of re-employment of hundreds of people in North Queensland. No doubt, these are unintended consequences of the proposed amendments, but are nonetheless real.

Should you wish to contact us in relation to the above, please email one of the authors at wpowell@sistercitypartners.com.au.

Yours sincerely

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