Clean Economy Jobs Bill 2024

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QUEENSLAND resources COUNCIL

Resourcing Queensland's future

7th March 2024

Committee Secretary
Clean Economy Jobs, Resources & Transport Committee
Parliament House, George Street
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Dear Margaret

Thank you for the opportunity to provide a brief submission on the *Clean Economy Jobs Bill 2024*, (the Bill) which was tabled by the Premier on 14 February 2024. QRC's submission also encompasses the document Queensland's 2035 Clean Economy Pathway: 75% by 2035, (pathway report) which was released at the same time.

As you know, the Queensland Resources Council (QRC) is the peak representative organisation of the Queensland minerals and energy sector. QRC's membership encompasses minerals and energy exploration, production, and processing companies, and associated service companies, both technical and professional.

QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively in a socially and environmentally sustainable way. We see renewable energy, (and the industries that reliable low-cost renewable energy enables), as examples of Queensland's extraordinarily diversified resource opportunities.

Reliable and globally competitively priced electricity is critical to ensure we maximise Queensland's value-adding opportunities in producing, processing, refining and delivering the final components required for renewable energy generation. Queensland's existing resource producers are also relying on the introduction of renewable energy being rolled out on time to facilitate the electrification of equipment with green energy.

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QRC's latest annual economic contribution data details the resource industry's ubiquitous spending across Queensland down to the postcode level. The 2022-23 industry data shows that Queensland's resource industry collectively:

- supported one in six Queensland jobs;
- contributed one in every four dollars to the State economy;
- generates more than 80% of the value of Queensland exports (Queensland Treasury figures);
- supports more than 15,919 local Queensland businesses;
- paid $18.1 billion in royalties (Queensland Treasury figures);
- contributes to more than 1,427 charities and local sports clubs; and
- is Queensland's largest industry in 2022-23, worth A$86.5 billion in nominal gross value added (GVA) terms (Queensland Treasury);
- generates all of these economic and social benefits from an area of just 0.1 per cent of Queensland's total land area.

In short, Queensland's resource sector is a world-class engine of regional prosperity that has successfully competed on the world stage by all measures including economic viability and environmental and social responsibility. A copy of the latest QRC summary graphic on the resource industry's annual economic contribution describes the extensive contributions that the export industry's extended supply chains make to the entire Queensland economy.

Many QRC members are already advanced in implementing their detailed corporate plans to decarbonise their operations. QRC member companies are setting their own deadlines for achieving net zero emissions. Renewable energy is imperative for QRC members, with operations directly investing in their on-site projects as well as signing green power purchase agreements that underpin further renewable investments in Queensland. For example, we understand that some of CleanCo's largest contracts have been signed to supply firmed green energy to QRC members.

With much of the resource industry's infrastructure already electrified, QRC members are already major electricity users in Queensland, and this will only increase, as electrification is a key decarbonisation pathway. Mines, processing plants, refineries, gas compression plants, smelters, railways, slurry pipelines, conveyor belts and draglines all require large volumes of reliable and affordable electricity to keep resource sites operating around the clock and keep Queenslanders in well-paid highly skilled jobs.

The production of critical minerals and refining of battery minerals will further increase the intensity of electricity use in Queensland's resource industries. The cost of energy and its reliable supply are key criteria for our member companies when determining whether to commit investment in a new project or capital infrastructure. Queensland needs to be competitive in this regard.

QRC supports the Paris Agreement and its emission reduction goals and supports action to achieve those goals. Queensland's challenge is to reduce emissions at the least cost to society and the economy. QRC endorses the (then) Premier's vision on page v of the Queensland Resource Industry Development Plan (2022) that Queensland has:

> *"…the mineral and energy resources below the ground, the renewable energy above the ground, and the skilled and innovative people to bring the world what it needs."*

The global need for both existing and new economy minerals is driving significant future demand for our resources and the transparent, clean, safe and efficient way we produce them.

The International Energy Agency (IEA) has forecast a quadrupling of demand for the minerals required for clean energy technologies over the next two decades. Last year, Queensland produced 220,500 tonnes of copper – enough to make around 2.75 million electric vehicles – so the potential for this demand to grow by 400 per cent is an incredible opportunity for Queensland.

Queensland also has world-class deposits of cobalt, copper, scandium, bauxite and vanadium, with opportunities emerging for other new economy minerals, so we are well placed to meet this future demand created by the global energy transition. Indeed, our traditional resource export customers are relying on Queensland to continue supplying them with the building blocks of economic growth.

However, one of the primary objectives of building a world-leading renewable energy system is to make affordable green power available to our export industries so that they may continue to generate an outsized contribution to Queensland's economy. Great care needs to be exercised to ensure that state emissions reduction targets do not have the counterproductive effect of undermining the economic viability of the very industries that were intended to benefit the most from green energy.

It is imperative that a disproportionate responsibility for economy-wide emission reduction objectives is not imposed on Queensland's export industries so as to make them uncompetitive in global markets. Perversely, damaging Queensland's competitiveness would reallocate a significant share of Queensland's economic and employment opportunities to other nations that have a lower level of regard for mitigating the impacts of climate change.

QRC's key recommendations:

As the Committee considers the draft Bill, QRC makes the following set of recommendations. More details on each of these recommendations follows in the body of the submission.

1. QRC recommends that the membership of the Clean Economy Expert Panel (CEEP), as currently drafted under section 16, is too narrowly constrained. To ensure a diversity of expertise, QRC recommends that the Panel should also include elected local representatives from resource communities as well as representatives from each of the sectors required to deliver an emission reduction plan under section 12.

2. QRC requests that the Government release their analysis of the cost and impact of the draft Bill's legislated new 2035 emission reduction target before the Bill commences.

3. QRC requests that the Government publish their analysis of how they see "*other state plans*" and "*sector plans*" working in tandem to efficiently deliver substantial emission reductions before the Bill commences.

4. QRC requests that the Government consider allowing the Clean Economy Expert Panel (CEEP) to undertake some of this analysis around the new emissions reduction target to build understanding amongst stakeholders before the 2035 target is legislated. This transparent approach to setting targets worked to build public understanding when the 50% renewable energy target was adopted in 2016.

5. QRC recommends that the draft Bill give explicit recognition to the fact that Queensland's economy is overwhelmingly reliant on export industries that are exposed to competition in global markets. In section 6(4) QRC recommends that new subsections should be added under (4) to also require a consideration of:

a. the relativity of the interim target to targets for reducing greenhouse gas emissions in jurisdictions other than Queensland; and

b. the impact the interim target may have on the competitiveness of trade-exposed industries in Queensland.

6. QRC recommends that rather than the Ministers being responsible for making the sectoral plans under section 11(1)(b); instead, the draft Bill should encourage the Ministers to work in collaboration with each sector to develop emission reduction plans.

QRC's general comments on the Bill.

1. Resource communities are key stakeholders.

QRC is surprised that the Bill doesn't address the Local Government Association of Queensland (LGAQ)'s 2023 Advocacy Plan, specifically recommendation 73, page 24, which calls for the establishment of:

> *"a Regional Transformation Authority with statutory powers inclusive of local governments to respond to changing supply and demand for fossil fuels, and develop regional plans and coordinate a sustainable transformation and diversification of the resources sectors."*

The LGAQ document quotes Issac Mayor, Anne Baker, page 24:

> *We want to make sure any plans for this transition bring our communities along with us, and don't leave anyone behind as we grow the new energy economy."*
> Mayor Anne Baker, Isaac Regional Council

The Clean Economy Expert Panel (CEEP), which is established on page 13 of the Bill seems to have a much narrower technical advisory role than the Statutory Authority requested by Queensland's 77 local Governments.

QRC recommends that the membership of the Clean Economy Expert Panel (CEEP), under section 16, should include representatives from resource communities, like Mayor Baker's, so they can help plan for the transition as the LGAQ recommendation number 73 had requested.

2. Clean economy expert panel also needs sectoral expertise.

As the pathway report emphasises the importance of sectoral plans to deliver emission reductions to meet the draft Bill's 2035 emission reduction target, QRC suggests that each sector required to deliver an emission reduction plan under section 12, should be represented on the Clean Economy Expert Panel (CEEP) under section 13. QRC suggests that having each sector with representation will ensure that the panel has a pragmatic view of the technical challenges of decarbonisation.

In the period 2005-2021, the Queensland economy has achieved an emission reduction of 29%. The Government is hoping that sectoral plans can deliver an emission reduction of 15% in five years, almost half the magnitude of the emission reduction achieved by the whole economy over the 16 years from 2005 to 2021.

In the absence of any analysis being released by the Government, QRC expects that achieving these emission reduction targets will be technically challenging. Achieving these magnitudes of emission reduction targets will require a strong cooperative partnership across each of the sectors that the Government nominates.

The Resources sector is committed to achieving decarbonisation. QRC recognises that decarbonisation and achieving the Paris Agreement outcomes is a goal shared with the Queensland government and the community. It is important that a credible target and pathway is established to ensure that the outcomes are achieved in a realistic timeframe so that the community retains confidence in government and industry.

3. Queensland's proposed emission trajectory is far from smooth.

The recent addition of a 75% emission reduction by 2035 introduces a sharp inflection in Queensland's emission reduction trajectory, which is highlighted by the table below.

Period	Net emission reduction*	Years	Annual emission reduction
2005 – 2030	-30%	25	1.2%
2030 – 2035	-45%	5	9.0%
2035 – 2050	-25%	15	1.67%

Note: *Net emission reductions are measured against a 2005 base year.
The Bill, section five (2), also allows for a 2040 and 2045 interim target to be set, which would break the final 15 years into three separate five-year plans.

It is difficult to see why the 45-year trajectory to Queensland's net-zero goal in 2050 requires 45% of the total emissions reduction to be achieved in a single five-year period from 2030 to 2035. The annual rate of emission reduction during that time will be more than *five times* faster than in either of the other two time periods.

Meeting the 2035 emission reduction target will require sharp reductions in emission which in many industries cannot be delivered by the existing generation of technologies. Step-change improvements in the next wave of emissions reduction technologies may not always proceed to plan or may deliver substantial emission reductions beyond the 2035 deadline.

Queensland's emission reduction trajectory from 2030 to 2035 risks being steeper than those for any target of any other State or Territory, steeper than national targets, and (most importantly for export industries) steeper than the trajectories for targets of competing trading nations. The *relativity* of interim targets to those applicable to Queensland's competitors is an important consideration in setting such targets.

In the absence of a detailed economic impact analysis of the marginal cost of emission reduction in Queensland, it is difficult to determine whether such a sharp emission reduction in such a short time is achievable without inflicting significant damage on Queensland's economy. QRC notes that the Minister is required to consider the economic impact of the 2040 and 2045 interim targets before setting them, under section 6(4)(e) of the Bill, but that same discipline has not been publicly applied to the 2035 target.

QRC requests that the Government release their analysis of the cost and consequence of the new 2035 emission reduction target that the Bill seeks to legislate.

Queensland's 2035 Clean Economy Pathway: 75% by 2035, page 7, seems to rely on EY's September 2022 cost-benefit analysis which informed the development of the Queensland Energy & Jobs Plan rather than presenting updated fresh analysis in the light of the new and far more ambitious 75% emissions reduction target that the Bill seeks to legislate.

Figure 3, on page 13 of the pathways report presents a waterfall graph that shows the major components of emission reductions that the Government has in mind in seeking to legislate this new 2035 emission reduction target (below).

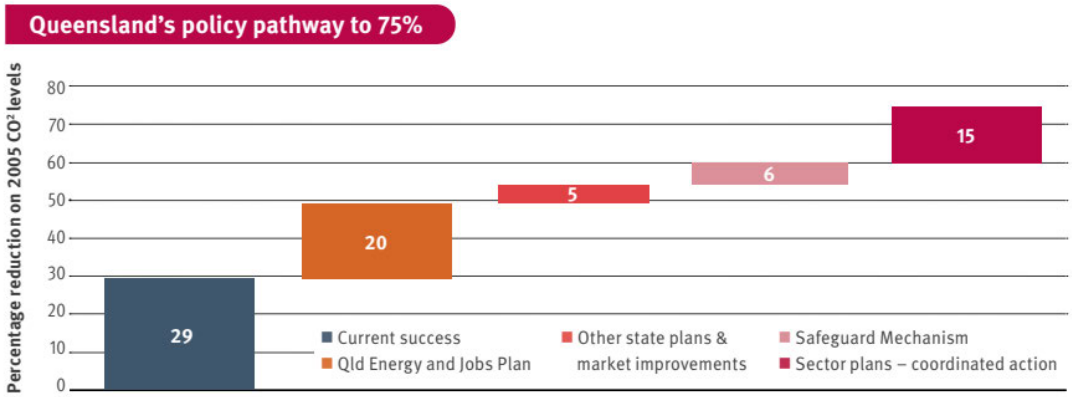


Figure 3

The graph, Figure 3, shows that based on the latest emissions data (2021), Queensland has already achieved 29% emission reduction, which almost achieves our 2030 goal. The remaining 46% emission reduction required for the Bill's new 2035 goal would require:

- a 20% emission reduction from the $62 billion Queensland Energy & Jobs Plan;
- a 5% reduction from "*other state plans and market improvements*";
- a 6% reduction from the Commonwealth Safeguard mechanism; and
- a 15% reduction from coordinated action under "*sector plans*".

QRC members are familiar with the Queensland Energy & Jobs Plan and the Commonwealth Safeguard mechanism, each of which involves wholesale, complex and expensive reforms. As such, the prospect of previously unheralded "*other state plans*" that deliver a similar magnitude of emission reduction to the Safeguard mechanism and new legislative-backed State "*sectoral plans*" that deliver more than double the emission reduction of the Safeguard mechanism is alarming in the absence of any analysis about how these different requirements might interact. A coordinated approach is needed to avoid duplication, inconsistencies and uncertainty.

As there is considerable uncertainty around 20% of the 45% emissions reduction that the draft Bill seeks to legislate between 2030 and 2035, QRC requests that the Government publish their analysis of how they see "*other state plans*" and "*sector plans*" working in tandem to efficiently deliver such substantial emission reductions before the Bill commences.

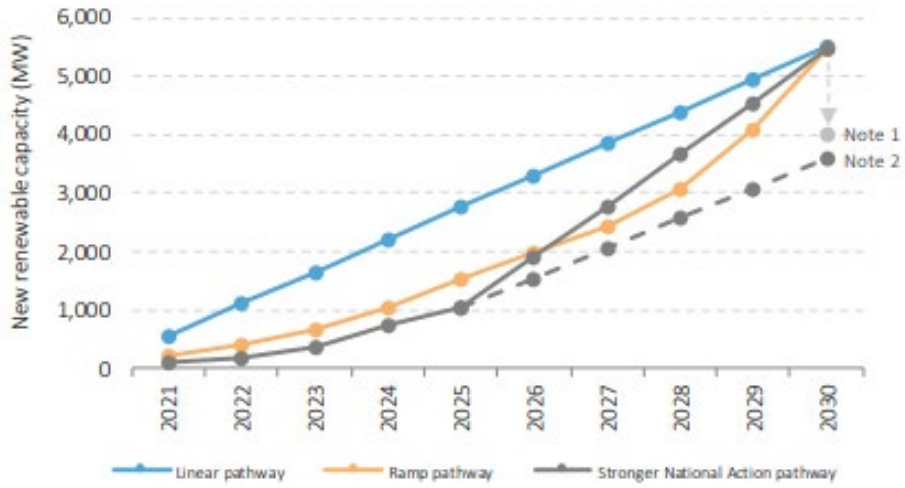
4. 'The answer may well be right, but please show all your workings[1].'

In 2015 when the Queensland Government announced their commitment to investigating a target of 50% renewable electricity by 2030, many stakeholders were concerned about whether such a target was practical or achievable. To address these concerns, the Government commissioned an expert panel to review the pathways (and the plural was used very deliberately) to this proposed target. The expert panel was supported by economic modelling and expert advice from Jacobs, the Centre for Policy Studies and KPMG.

[1] With apologies to all the long-suffering maths teachers in Queensland.

The resulting report which went through a draft report and finalisation stage, *Credible pathways to a 50% renewable energy target for Queensland* 30 November 2016, did exactly what it said on the cover. It demonstrated three different credible pathways to achieving 50% renewable energy in Queensland. Figure 1 from page 2 of the report is below and shows the different trajectories that Queensland could choose.

Figure 1: Large-scale renewable energy capacity delivered under the 3 modelled pathways (MW)



QRC suspects that the Government may be hoping that the future role for the Clean Economy Expert Panel (CEEP) may well be to help establish the same level of transparency and understanding across all stakeholders as was built by the Queensland Renewable Energy Expert Panel back in 2016. The key difference is that in 2016, before the target was adopted all the workings were shown, the assumptions and rationale were clarified and the implications of setting that target were widely understood. Just 8 years later, the *Clean Economy Jobs Bill 2024* seems to risk legislating the emission reduction target first and only then establishing the CEEP to help try to start explaining the pathways to the new 2035 emission reduction target.

The beauty of the 2016 process in establishing the Renewable Energy Expert Panel was that by demonstrating three different pathways to the proposed renewables target, it provided a framework and a common language for constructive public debate about the trade-offs around the pace and cost of emissions reductions achieved by building renewable generation. QRC is concerned that in the Bill's haste to have an emissions target legislated, that it may miss the opportunity to also build public understanding of the different emissions reduction pathways available.

QRC's specific comments reading through the Bill.

Section 2, page 4 – QRC queries whether it iss accurate for the main purpose of the Act to say that stating emission reduction targets will reduce greenhouse gas emissions of themselves.

QRC also suggests that as the 2050 target is net zero, the Act's purpose should refer to *net* emission reductions. That drafting suggestion would make the purpose of the Act more consistent with the drafting of section 5.

Section 6, (4) (c), page 5 – QRC suggests that consideration should be to the extent the interim targets are '*realistically*' achievable, rather than reasonably achievable.

Section 6, (4) (d), page 5 – QRC suggests that the reference to the Minister considering employment should refer to *net* employment to better reflect figure 1 on page 6 of the pathways report which shows net or overall employment growing each year from 2021 (see below). The graph shows Queensland's employment growing from around 2.6 million in 2021 to around 3.2 million in 2035. That net growth of around 600,000 extra jobs is a very important driver of economic prosperity, particularly if those are well-paid highly skilled resource jobs in the regions.

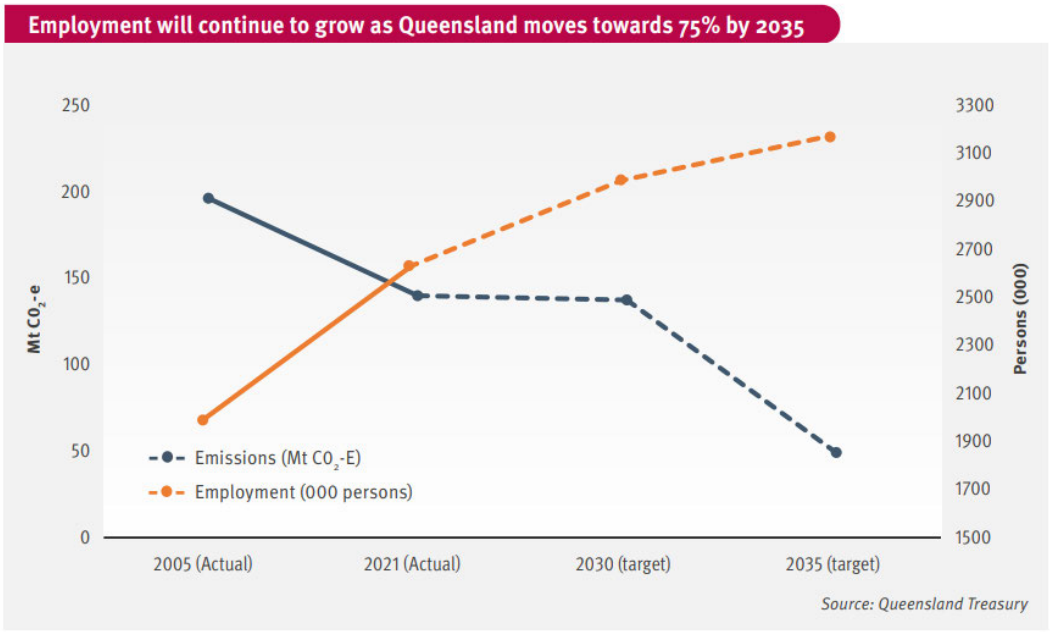


Figure 1

Section 6, (4), page 6 – QRC suggests that recognition be given to the fact that Queensland's economy is overwhelmingly reliant on export industries that are exposed to competition on global markets. Subject to the specific advice of the Office of the Queensland Parliamentary Counsel, QRC recommends that new subsections should be added under (4) to also require a consideration of:

(i) the relativity of the interim target to targets for reducing greenhouse gas emissions in jurisdictions other than Queensland; and

(j) the impact the interim target may have on the competitiveness of trade-exposed industries in Queensland.

Section 7, (1), page 6 – while QRC applauds the transparency of making a changed methodology public, QRC questions the merits of changing the methodology of emission reductions in 2040. QRC suggests that the Government should consider explaining why they see the need for section 7. In the absence of a clear explanation of the rationale for considering a new methodology, it would be easy for stakeholders to be confused by a change in the measurement metrics.

Section 8, page 7 – QRC welcomes an annual statement for each financial year which sets out the progress towards the emission reduction targets.

Section 9, page 8 – QRC notes that the careful definition of sectors will be very important in delivering practical and realistically achievable emission reductions in Queensland.

Section 11 (1) (b) page 8 – QRC suggests rather than the Ministers be responsible for making plans, which sounds like *imposing* a sectoral plan. Instead, the draft Bill should encourage the Ministers to work in collaboration with the sectors to develop emission reduction plans. The Government should not be looking to simply allocate emission reductions to sectors or to delegate shares of emission reductions to key sectors.

QRC makes the same comment about section 12. The Minister should be responsible for working in partnership with the sectors rather than imposing a plan on a set of arbitrarily defined sectors.

Section 14 (a), page 10 – QRC suggests that the functions of the panel as described is too limited. As noted above, QRC suggests that the Clean Economy Expert Panel (CEEP) should also be responsible for providing the Minister with both a sectoral and a regional perspective on the challenges and opportunities of emissions reductions.

QRC would further recommend that the CEEP also include a specific area of expertise in local content, procurement and supply chain development.

Section 16 (1), page 11 – QRC suggests that having a CEEP of no more than five (plus the Chief Scientist – section 16) (4)) might be too limited and the Committee may need a broader set of expertise.

QRC thanks the Committee for the opportunity to make a submission on this short but momentous Bill. We would welcome any opportunity to appear before the Committee and speak in support of our submission. Our sector has taken active steps already to decarbonise and their experiences are helpful to share so that government and industries can achieve emission reductions. If you have questions about any matters raised in this submission the contact at QRC is Andrew Barger at [redacted]

Yours sincerely

[redacted]

Janette Hewson
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