COST OF LIVING AND ECONOMICS COMMITTEE

Members present:
Mr LP Power MP—Chair
Mr RA Stevens MP
Ms AJ Camm MP
Mrs MF McMahon MP
Ms JC Pugh MP

Staff present:
Mr T Horne—Committee Secretary
Ms M Salisbury—Assistant Committee Secretary

PUBLIC BRIEFING—INQUIRY INTO THE PROGRESSIVE COAL ROYALTIES PROTECTION (KEEP THEM IN THE BANK) BILL 2024

TRANSCRIPT OF PROCEEDINGS

Monday, 10 June 2024

Brisbane

MONDAY, 10 JUNE 2024

The committee met at 10.30 am.

CHAIR: Good morning. I declare this public briefing open. I would like to respectfully acknowledge the traditional custodians on the lands on which we are participating in this meeting today, the Yagara people, and pay our respects to elders past and present. We are extraordinarily fortunate to live in a country with two of the oldest cultures on earth in Aboriginal and Torres Strait Islander peoples, whose lands, winds and waters we share. My name is Linus Power. I am the member for Logan and chair of the committee. With me here today are: Mr Ray Stevens, the deputy chair and member for Mermaid Beach; Ms Amanda Camm, the member for Whitsunday; Mrs Melissa McMahon, the member for Macalister—and also the 'member for alliteration'; and Ms Jessica Pugh, the member for Mount Ommaney. I note the apology from Mr Michael Crandon, the member for Coomera.

The purpose of today's briefing is to assist the committee with its examination of the Progressive Coal Royalties Protection (Keep Them in the Bank) Bill 2024. The bill was introduced to the parliament on 23 May 2024 by the Deputy Premier, Treasurer and Minister for Trade and Investment, Hon. Cameron Dick. The committee is required to report to the parliament on the bill by 2 August 2024.

This briefing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. To assist the committee and Hansard reporters, please ensure you have activated your microphone by pushing the button prior to speaking and turn it off whenever you are not speaking. I remind committee members that officers are here today to provide factual or technical information. Any questions seeking an opinion about policy should be directed to the minister or left to debate on the floor of the House.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. You may be filmed or photographed during the proceedings. Images may also appear on the parliament's website or social media pages. Please ensure mobile phones are switched off or to silent mode.

CAREY, Mr Michael, Under Treasurer, Queensland Treasury

McKEE, Mr Simon, Commissioner of State Revenue, Queensland, Revenue Office, Queensland Treasury

MOLLOY, Mr Dennis, Deputy Under Treasurer, Economics and Fiscal, Queensland Treasury

CHAIR: Thank you for agreeing to brief the committee today. I now invite you to make some opening comments, after which committee members will have some questions for you.

Mr Carey: Thank you, Chair. We would like to join with you in respectfully acknowledging that we meet on the lands of Aboriginal and Torres Strait Islander people and recognise their connection to land, sea and community. We pay our respects to elders past, present and emerging.

I refer the committee to our written submission in relation to the bill. The bill before the committee seeks to amend the Mineral Resources Act 1989 to introduce a coal royalty rate floor. This is achieved by inserting provisions into the act which prevent a regulation prescribing coal royalty rates that are lower than those prescribed at the time by way of new regulation, amendment of an existing regulation or repeal of an existing regulation. These amendments will commence on assent. The amendments will mean that any proposed decrease to coal royalty rates must be made via a bill. The bill does not make changes to current processes for increasing coal royalty rates, nor does it make any changes to the current coal royalty rates paid by industry. I am happy to take any questions from the committee.

CHAIR: Thank you, Under Treasurer. I appreciate that this week is a reasonably busy week so I appreciate your turning up to appear before the committee today.

Mr STEVENS: Given that the current royalty rates, as I understand it, were done by regulation—the officers are nodding—why was it not seen by Treasury as appropriate when they put the royalty rates up to be transparent? This bill says it is all about transparency, yet history shows it was not necessary previously. What has changed that, in Treasury's mind?

Mr Carey: Certainly from a policy perspective, revenue is supported and collected in a number of different ways, not only via legislated rates and requirements but also through regulation. Consistent with the government's decision, this bill amends the Mineral Resources Act to introduce that coal royalty floor. This change moves coal royalty rates from regulation into legislation and enables appropriate parliamentary visibility. This is consistent with other revenue measures and other revenue rates such as payroll tax and transfer duty. These changes also bring Queensland closer and into line with the position of other states where coal royalty rates are legislated. This includes New South Wales, Tasmania, Victoria and Western Australia.

Mr STEVENS: If I heard you correctly, Mr Carey, you said that it does not change the fact that it is a regulation to put coal royalties up further. Is that what you said in your opening statement? Is that correct?

Mr Carey: The impact of the changes in the bill apply a floor to coal royalty rates.

Mr STEVENS: Why is the transparency different, from Treasury's perspective? Transparency is the issue here. If the government wanted to put royalty rates up it could be done by regulation—they do not have to come into the House; yet if it wanted to move the royalty rate down it would have to come into the House. I do not understand what the difference is between going up and going down.

Mr Carey: The objective of this bill is to ensure there is parliamentary consideration required for proposed changes to decrease coal royalty rates. Coal royalty rates can only be decreased by a bill, rather than by regulation. In terms of the way this impacts other sources or areas of revenue, this merely gives effect to a decision that was taken in 2022 to introduce progressive tiers of coal royalty rates. This is a substantial portion of the Queensland government budget and a significant revenue measure. Including some legislative provision to prevent its decrease provides additional transparency in relation to those matters.

Mr STEVENS: It is the transparency issue I am having difficulty dealing with. If it goes up it is okay—it does not have to be transparent—but if it goes down then it does have to be transparent. We are dealing with a lot of transparency requirements. Many people have made submissions on the transparency of government activity and I am wondering, from a Public Service point of view, when an issue becomes transparent or not. I am having difficulty understanding, from the Public Service point of view.

CHAIR: There is a bit of repetition in the question.

Mr STEVENS: I understand that, but Mr Carey's answer, to me, was not fully about transparency. That is what I am asking about.

Mr Carey: In the end, revenue rates are set in multiple ways. They are set both in regulation and in legislation. This bill merely implements a legislative answer to the baseline level of coal royalties. That is consistent with what we do in other revenue areas and is consistent with what occurs in other states.

CHAIR: If my memory serves me correctly, when we introduced progressive coal royalties—different tiers when coal companies are making different levels of profit—we introduced legislation to that effect. That increase, at least by this government, was done with a bill before the parliament to amend it.

Mr Carey: That is right: there was legislation passed to give effect to that policy.

CHAIR: In 2015, when coal royalties were increased by a different government, was it introduced in the parliament and changed via a bill or done via regulation?

Mr Carey: The 2015 changes were via regulation.

CHAIR: Thank you.

Ms CAMM: Thank you for being with us this morning; I know it is a busy week. I have two questions and both are related. Firstly, was there any consultation undertaken by Treasury with the industry? I will define 'industry' as beyond the Queensland Resources Council and including unions, other suppliers in the value chain, proponents, Trade and Investment Queensland as well as any trade commissioners based across the globe?

Mr Carey: Because the bill does not have any direct impact on industry, in that the amendments do not change royalty rates or obligations on royalty payers—the amendments merely relate to the legislative process for amending coal royalties—public or private industry consultation does not usually occur for these types of amendments, which are machinery in nature. On that basis, consultation was not undertaken.

Ms CAMM: I have a question for Mr McKee around future revenue. Given that these figures will be legislated and will send a clear economic message, if you like, to those who deal with coal internationally, was any analysis undertaken of the impact of setting this baseline in regards to future forecasts around the coal price and commodity impacts that may occur that would affect industry and, therefore, potentially impact that baseline figure and revenue threshold?

Mr McKee: I think your question is best answered by Dennis Molloy.

Mr Molloy: Obviously the royalties will be updated tomorrow. The current ones are in the mid-year update. The issue that is currently being considered has no implications for those numbers. Obviously the rates have already been taken into account.

Mrs McMAHON: This is about setting a floor for progressive coal royalties. Could you give us an overview of what that floor base rate is?

Mr Carey: The coal royalty rates are prescribed in the Mineral Resources Regulation 2013. Prior to 1 July 2022, the regulation prescribed a three-tier coal royalty structure with the applicable royalty rate determined based on the average price per tonne of coal sold, disposed of or used in the return period. Those tiers were seven per cent on the part of the average price per tonne up to and including A$100; 12.5 per cent on the part that is more than A$100 per tonne but not more than 150; and 15 per cent on the part that is more than A$150 a tonne.

As part of the 2022-23 state budget, amendments were made to the Mineral Resources Regulation to prescribe an additional three tiers from 1 July 2022, so there was no change to the existing tiers. The three new tiers were: 20 per cent on the part of the average price per tonne that is more than A$175 but not more than A$225; 30 per cent on that part that is more than A$225 but not more than A$300; and 40 per cent on the part that is more than A$300 a tonne. The additional tiers were designed to ensure that Queensland receives a greater and fairer return on the use of the state's resources particularly when coal prices were high.

Mrs McMAHON: From a layperson's understanding, which is what I have, the additional three rates that were introduced in the last bill were above what was previously set. This bill does not change the floor level, so the original three rates are still there.

Mr Carey: That is correct.

Mrs McMAHON: For my benefit, how do our royalty rates compare to other state jurisdictions in relation to coal?

Mr Molloy: The most direct comparison is with New South Wales. New South Wales does not have the same progressive arrangements that Queensland has. They have a flatter structure that depends upon exactly how coal is mined, if you like. You will find that when coal prices are low the Queensland arrangements will see royalties are lower but when there are periods of very high coal prices, as we have been experiencing, the progressive coal royalties arrangements which the government has put into place mean that the Queensland royalties will be higher, remembering that the structure which the Under Treasurer read out is an incremental structure of the arrangement—so the 30 per cent only kicks in when you are above a certain price. I think that is an important distinction.

Mrs McMAHON: I know we have spoken about transparency. From a budget certainty point of view, how does having that floor—that is, knowing this is the lowest amount that can be generated—help in forecasting revenue, knowing that it will take a bill having to pass through parliament in order to lower that floor rate?

Mr Molloy: When we are forecasting we are doing it on the basis of what the government's policy is. We project that forward, as we do on all things, on a no-policy change basis. Once that structure is established, it is then views on the particular parameters which will drive those numbers. Obviously, with coal, price is very important—price, volumes and exchange rates. Once a policy is established—and the common assumption amongst all of treasury is that there is a no-policy change basis—it is then the movement in those parameters that determines the movements in revenue.

Mr STEVENS: What measures or investigations were considered to ensure this proposed amendment to the setting of coal royalties did not deter future mining investment in Queensland?

CHAIR: I think we have already had this question.

Mr STEVENS: We had a different version.

Mr Carey: The implementation of progressive coal royalty tiers has been completed and in place since 2022. Given that the legislation does not propose to change any royalty payments of any royalty payer, this does not impact the financial viability or the financial investment that miners or coal explorers seek to make.

What I would say to the committee is that Queensland's coal production is predominantly in high-quality metallurgical coal. Queensland is very uniquely positioned in terms of the quality of its hard coking coal reserves. We continue to offer an incredibly attractive environment for investment in coal. That reflects a range of competitive advantages that we have, not just high-quality coal but great proximity to fast growing Asian markets, efficient supply chains, great infrastructure and a highly skilled workforce.

Reflecting this, since the new tiers were announced in 2022 there has been a range of developments that highlight a clear and ongoing interest from investors including in the coal industry. This includes companies like Whitehaven Coal, Peabody Energy, Stanmore, Coronado, Thungela Resources, Bowen Coking Coal, Sumitomo and Pembroke Resources, who have all made significant announcements in relation to investments. Employment in Queensland coalmines reached record highs in September 2023 and remained very elevated through to December 2023, with 9.4 per cent more people working in coalmines as at 31 December 2022 than previously and a 17.5 per cent increase to December 2022 on the numbers that were recorded at 30 June 2022.

The other area that we would look to to understand investment impacts is coal exploration. Coal exploration expenditure has also been at record highs. Coal exploration in Queensland was $254 million in the 12 months to March 2024. This is the highest 12 months since December 2014. We are not seeing any impact on the attractiveness of Queensland coal resources in the market.

Mr STEVENS: Thank you, Mr Carey. That was historical in terms of what had previously gone on with the rise in the royalties et cetera. However, the question was about this particular legislation—this bill we have before the House. Have you been back to the industry? To summarise what I believe you have just answered, you have not been back to the industry to give effect to this particular bill on either measures or investigations. That was the question.

Mr Carey: Given nothing in the bill changes the financial exposure of any investor, we expect there to be a nil impact on investment or exploration activity.

CHAIR: Unless you are indicating a secret alternative, risky plan. Obviously there is speculation about the future. We know what announcements have been made. We know the record. We introduced progressive coal royalties in 2022. What has happened to both the workforce and investment from then until now? At the time we heard all sorts of outlandish claims both from the opposition and from some industry figures. What has happened since progressive coal royalties have been in place?

Mr Carey: Since the introduction of the new royalty tiers we have seen strong interest in investment in the Queensland coal sector. There have been a series of very significant financial transactions where Queensland-based coal assets have been sold at very strong market values. As I have indicated to the committee, we have seen a significant growth in the number of people employed in the industry and in the sector. Largely those investments and that work are driven by international factors and the strong competitive advantages that the Queensland coal industry has.

CHAIR: The progressive nature of it means that royalties would come down if international prices come down, meaning there is still that continued investment in the workforce in Queensland.

Mr Carey: Certainly the state's uplift in royalties only applies during periods of high prices. As a result, while the state does reap more from those higher end tiers, coalminers themselves are enjoying very significant profitability during those periods.

Ms PUGH: Thank you very much for making time in a very busy week. I note that the royalties are funding many preannounced budget measures including the 50-cent fares and the energy rebates. Can you outline for the committee and for the many people watching at home, what the benefits of the progressive nature of the royalty system are for Queenslanders and for the budget?

Mr Carey: I think the easiest way for us to do that is to point the committee to the various figures that have been published in budgets and budget updates. At the time of the 2023-24 budget update, royalties excluding land rents were expected to total $11.388 billion. So $11.3 billion in royalties excluding land rents is a very significant revenue stream for the state. The capacity for that to be invested in services and capital is a very meaningful contribution to the state budget.

Mrs McMAHON: I have a question around the workforce that comes with this very significant industry and what that means for jobs in Queensland. Since the progressive coal royalties were introduced, is there any data on workforce metrics in the industry in terms of whether there have been job losses or job growth since the progressive royalty rates were introduced?

CHAIR: I think the member is looking for more detail.

Mr Carey: Employment in Queensland coalmines reached a record high in September 2023. The latest data from the Queensland Mines Inspectorate show that 44,630 people are coal workers or employed at Queensland coalmines as at 31 December 2023. That is up 9.4 per cent over the course of the year and is 17.5 per cent higher than the June 2022 level of 37,970 workers. There continues to be strong growth in the number of people employed in Queensland coalmines.

Mrs McMAHON: I would imagine that the nature of those job increases basically follows the same line in terms of the coal prices. When coal prices are high, there are more workers on site but, when the demand for coal goes down and the price goes down, the workforce sheds as well. Is that a basic comparable rate—the coal price and the workforce? Is that historically how it goes?

Mr Molloy: That is a relationship that normally holds and you would expect it to. There are many fundamentals that drive the industry. Obviously the coal price is an important part of that. Whilst that rule holds generally, from time to time you may see that operations at particular mines or the nature of the mine require more labour to be deployed. Whilst it generally holds—

CHAIR: During construction phase.

Mr Molloy: Yes, but even with the nature of the mine, such as the extraction of the coal. Whilst that holds generally, it would not hold for every mine in every instance.

Mrs McMAHON: It is quite likely that during periods when the coal price is forecast to decrease then we might see jobs directly employed by that sector lower, but there are also other factors such as when resource companies automate their workforces which might see a drop in jobs in that particular industry.

Mr Molloy: I think the nature of mines' employment arrangements and their deployment of capital is really a matter for them. If we have a look at history, we do see that in periods, when prices are high, employment tends to be higher and, when prices are lower, employment tends to be lower.

CHAIR: There being no further questions, I wish to thank you for being here, especially in this busy week, as many have noted. I do not believe there were any questions taken on notice. With that, I thank you again for the information you have provided today. Thank you to our Hansard reporters and our broadcast staff up in the heavens for their assistance. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. With this, I declare this public briefing closed.

The committee adjourned at 11.00 am.