

Progressive Coal Royalties Protection (Keep Them in the Bank) Bill 2024

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Committee Secretary
Cost of Living and Economics Committee
Parliament House
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Dear Committee Secretary

Progressive Coal Royalties Protection (Keep Them in the Bank) Bill 2024

The Mining and Energy Union Queensland District (MEU) welcomes the opportunity to provide a submission to the Cost of Living and Economics Committee on the *Progressive Royalties Protection (Keep Them in the Bank Bill) 2024* (the Bill).

In Queensland, the MEU is the principal union representing workers across all roles in Queensland's coal mining and coal-fired power generation industries, with a proud history in the state of more than 115 years.

The MEU is a strong believer in the social and economic good that mining brings to workers and their communities, particularly in regional Queensland. Progressive royalties regimes maximise these benefits. This is why we supported the Queensland Government's decision to reform the royalties regime in mid-2022, bolstering its progressiveness and ensuring that Queenslanders saw a more proportionate return from the record coal prices that our premium quality, world-class coal was attracting at the time.

The Bill being considered by the committee will ensure that ordinary Queenslanders continue to see an appropriate social and economic return for the use of their shared natural resources. It will prevent Queenslanders being short-changed for their resources, by requiring any bid to reduce royalty rates to withstand parliamentary scrutiny. It also offers an opportunity to return more of the prosperity generated by coal mining back to the communities and regions that host mining operations.

We recommend that the Queensland Parliament support and pass the Bill.

The purpose and importance of coal royalties

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Coal mining companies do not own the coal on their leases. It belongs to the people of Queensland, and mining leases are a right to extract coal in return for multiple obligations, including the payment of royalties.

The mining industry is the first to congratulate itself on its tax and royalty contributions to state and federal government coffers,¹ while simultaneously arguing against the royalty rates and industrial relations policies that would see more of this wealth shared with workers and their communities. The real source of mining wealth in this country is created by ordinary MEU members and chronically under-resourced mining communities, not the boardrooms of ASX companies. Workers and their communities should see a fair share of the profits generated by mining – progressive royalties are just one way to deliver this.

Queensland's coal royalties regime

Queensland's mining communities face particular challenges as hosts to the coal industry, including heavy demands on public infrastructure and local environments. It is unjust for the rewards of this community sacrifice to go entirely towards lining the pockets of multinationals and their shareholders. But this would have been the case had the Queensland Government not opted to introduce three new tiers of royalties to match coal prices which far exceeded highest tier of the old 2012 royalty rates.

The Queensland Government's decision to introduce the new royalty tiers in 2022 meant that (unlike in New South Wales²) Queenslanders saw substantial returns from record coal prices at that time. Still, coal companies were not stopped from enjoying extraordinary profits from favourable price conditions – for example, in the 2022-23 financial year, BHP still earned US\$3.2bn (EBITDA) from Queensland metallurgical coal, while Anglo American's Queensland mines brought in US\$2.75bn (EBITDA) in 2022.³

Progressive coal royalties contributed \$15.36 billion to the Queensland budget in 2022-23 and are expected to contribute \$10.54 billion this financial year.⁴ Coal royalties are projected to decline in the coming years as coal prices return to normal levels, but this is precisely the point of a progressive regime – to ensure that Queenslanders share in the benefits when times are especially good.

Segments of the mining industry have been opportunistic in claiming that royalties charged on what are essentially windfall profits will affect investment decisions. Mining companies do not make investment decisions based on the kinds of record prices seen in 2022. Due to the fact that Queensland's coal royalties are applied at marginal rates, at times when prices are at or near their historical averages, the bulk of the coal prices achieved by companies will attract very similar royalty payments to the 2012 regime. Companies who argue that Queensland's royalties regime has impacted their approach to investing in Queensland are simply seeking a convenient cover for coal divestment strategies already underway.

Our observation is that Queensland's coal industry is booming. BMA saw no shortage of keen buyers for Blackwater and Daunia mines, which have now come under the ownership of

¹ See, for example, <https://minerals.org.au/resources/australian-minerals-sector-achieves-record-tax-and-royalty-payments/>.

² Analysis suggests that if NSW had adopted Queensland's new royalty system, it would have raised an additional \$4.2-6.2 billion in 2022-23, <https://australiainstitute.org.au/wp-content/uploads/2023/03/P1388-Qld-coal-royalty-system-in-NSW-Web.pdf>.

³ BHP Financial Results for the Year Ended 30 June 2023, p. 15; Anglo American 2022 Simplified Earnings by Business Unit.

⁴ Queensland Budget Paper 2: Budget Strategy and Outlook, p. 119.

Whitehaven. Meanwhile, Anglo American is already noting 'strong interest' from potential buyers of its Queensland coal mines, mere weeks after announcing a major global restructure.⁵ These mines are changing hands because diversified global mining companies are realigning their portfolios towards transition minerals, while cashed-up pure play coal companies continue to see very strong value in Australian coal assets. Employment in the industry is booming – as at March 2024, Queensland coal mines employed 44,812 workers, roughly 3,000 more than they did just one year earlier.⁶

Other considerations

Resources belong to all Queenslanders, and we welcome the power bill relief announced by the Government, which will be appreciated by our members and all Queenslanders. Among the billions in coal mining royalties collected since 2022 there should also be plenty of funds to devote to the regions which support the coal industry. Queensland's economic prosperity is underpinned by regional mining communities. However, these communities are invariably under-resourced, with public services, health care, roads and public infrastructure, childcare, and housing under huge pressure. We are strongly supportive of the Government's announcement that it would direct revenue from coal royalties to fast-track work on the new Moranbah Hospital, a much-needed project.⁷

We wish to draw attention to the extremely poor condition of public roads in central Queensland's mining regions, with road fatalities in mining regions significantly higher than statewide averages. Highways which link major mining communities and regional cities are single lane, and key public roads are worn-down from heavy usage, including frequent heavy vehicle traffic. There have been no major repairs or upgrades for decades, with recent road repairs only patchwork in nature. We urge the Queensland Government to invest coal royalties into road infrastructure for mining communities and regions. We encourage the Government to consider implementing a requirement (potentially through legislation) for a designated portion of coal royalties to be directed back towards roads and other infrastructure and public services in coal communities.

Yours faithfully



MITCH HUGHES
District President

⁵ <https://www.afr.com/companies/mining/anglo-american-to-sell-qld-coal-in-big-shrink-spurning-bhp-20240514-p5jdgw>

⁶ Queensland Mine and Quarry Worker Numbers on 31 March 2024, <https://www.data.qld.gov.au/dataset/quarterly-mines-and-quarries-safety-statistics-data/resource/9722bfd4-9618-4b52-95de-e7c8f03cfd6b>.

⁷ <https://statements.qld.gov.au/statements/99103>