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

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QUEENSLAND resources COUNCIL

*Resourcing Queensland's future*

14 June 2024

Committee Secretary
Cost of Living and Economics Committee
Parliament House, George Street
Brisbane Qld 4000
Online via colec@parliament.qld.gov.au

Dear Secretary

Thank you for the opportunity to provide a brief submission on the *Progressive Coal Royalties Protection (Keep Them in the Bank) Bill*, (the Bill) which was tabled by the Deputy Premier, Treasurer and Minister for Trade and Investment on 23 May 2024. The Queensland Resources Council (QRC) opposes this Bill for the reasons set out below. We also express our very strong concern that we learned through the media about a piece of legislation that will have significant impacts on future decision making in our industry. As was the case when the Queensland Government introduced the world's highest coal royalties in 2022, this Bill has been announced without any consultation with the industry.

**The resources sector – Queensland's nest egg**

The 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.

QRC's latest annual economic contribution data details the resources industry's extensive 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 around 83% 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);
- supports more than 1,427 charities and local sports clubs; and

all from just 0.1 per cent of Queensland's land.

In short, Queensland's resources industry is a world-class engine of regional prosperity. The latest QRC summary graphic on the resources industry's annual economic contribution demonstrates the extensive contributions that the industry's extended supply chains make to the Queensland economy.

**If you hurt the resources sector, you hurt everyday Queenslanders**
When the Queensland Government announced – without consultation – that it was introducing the world's highest coal royalty, it sent shock waves throughout the resources sector. These shock waves were not confined only to Queensland. Indeed, some of our state's strongest and most loyal investment partners have expressed their alarm at the sudden and serious impact on the investments that create jobs and economic prosperity. While existing operations continue due to the sunk investment, QRC is concerned about the long-term impact of the royalty increase and the manner in which it was introduced, on investment confidence.

In past years when Queensland coal achieved high prices, this was followed by investment in new Queensland mines and mine extensions. The current production levels, which drive royalties received by Queenslanders, result from investments made many years prior based on the previous royalty structure. Although global coal prices have been strong in recent years, Queensland has not seen the investment in new and expanded projects that will underpin a future jobs and royalties yield several years from now. QRC is also deeply concerned that the royalties decision will harm the confidence of investors in future renewable energy or critical minerals projects in Queensland required to meet our State's net zero targets, because of the deep uncertainty surrounding our state's investment environment.

This lack of investment today will necessarily result in a reduced resources sector for Queensland tomorrow.

The recent public narrative around "multi-national mining companies", fails to acknowledge that the harm is mostly done to everyday Queenslanders. Coal producers, which are made up of Australian and international companies, contribute positively to the lives of Queenslanders through direct and indirect employment, buying goods and services from local businesses, supporting community and sporting organisations and being important partners of regional Queensland communities. Everyday Queenslanders, through their superannuation investments or direct shareholdings, also invest in mining companies and rely on returns to support their financial security now and in retirement. Royalties from Australian and international companies go to everyday Queenslanders to provide government services and infrastructure for a high standard of living in our State.

Overseas companies and Australian companies can choose to invest in other jurisdictions where regulation is more stable and transparent, and where royalty rates are more competitive. The small business owners in regional Queensland who rely on the resources sector for their jobs and livelihoods – truck drivers, caterers, retailers, cleaners, hoteliers – do not have the luxury of shifting their operations overseas. It's these everyday Queenslanders who will hurt the most from the government's decision to raise taxes, and from the damage that the world's highest coal royalties is doing to the state's international competitiveness and reputation.

Queensland's other industries also rely on investment from international companies. Negative commentary about multinational companies will impact investor confidence in other industries such as renewable energy, critical minerals, property, construction, infrastructure and manufacturing.

**Scrutiny and openness are very welcome**

The Bill proposes to insert a new section, 321AA into the *Mineral Resources Act 1989*, which would prevent the royalty rate for coal being decreased through regulation. The new section would preclude a royalty rate reduction through future changes in regulation that would otherwise: prescribe a lower royalty rate 321AA(1)(a), or an amendment 321AA(1)(b) or by repeal of existing royalty regulation 321AA(1)(c).

In his Parliamentary comments immediately prefacing the tabling of the Bill on 23 May 2024, (page 1824), the Premier said:

> *"Our plan will ensure the royalties we receive from multinational mining companies cannot be lowered by the government of the day—only by a vote of parliament. This means any reduction in what is owed to Queenslanders would be subject to the public and parliamentary scrutiny it deserves."*

The QRC certainly welcomes public and parliamentary scrutiny. QRC has raised concerns for the last two years about the impacts on existing projects and the prospects for future investments due to the abrupt addition of new royalty tiers in 2022, which were introduced without industry consultation.

However, the QRC does not believe the legislation as its stands will provide transparency or create the conditions for detailed consultation to ensure sound policy development. The proposal for Parliamentary scrutiny applies only to future decreases in the royalty rate, not to future increases. This appears to support the approach taken two years ago, to significantly impact Queensland's largest export industry and an important employer of Queenslanders without consultation and scrutiny. Concerningly, this approach is becoming the norm in the Government's dealings with the resources sector. This was in stark contrast to the approach taken by the NSW Government when it consulted meaningfully with the industry when amending the royalties in that state.

Future decreases in royalty rates would be welcomed by producers so that they can continue to create jobs and prosperity for Queensland, and by those everyday Queenslanders in regional areas who rely on a strong and competitive resources sector for their livelihood. By contrast, further sudden increases would cause even more damage to Queensland's reputation as a stable and reliable place in which to do business. And causing future injury to the resources sector would without doubt cause more harm to the everyday Queenslanders who rely on the sector.

While the QRC believes this Bill should not be passed in any form, we believe that if it is good enough to legislate for future royalty decreases – with all the scrutiny and public consultation that is said to entail – then it is good enough to apply that consultation and scrutiny to any future increase as well.

In relation to the public discourse that has surrounded the Bill, and this royalties issue generally, we again restate our disappointment that the Government has refused to engage with the industry on this issue. The Queensland resources sector is a long-term economic partner of communities across Queensland. The strength and vitality of regional communities are put at risk when such changes are made without consultation.

At a broader level, Queensland's economy depends on a vibrant resources industry, with a steady pipeline of investment in new mines, new commodities, new ways of adding value to Queensland's endowment of minerals and energy. These damaging changes will hurt the entire industry, including the state's home-grown explorers and miners. Meanwhile, our state's most important international trade and investment partners now feel that their contribution to the state's prosperity is not only unrecognised, but unwelcome.

**Recommendations**

1. QRC recommends that this legislation not proceed beyond the committee stage, and instead be allowed to lapse at the expiry of this 57th Parliament.

2. In the alternative, the QRC recommends the following changes to the proposed section 321AA of the Mineral Resources Act 1989, which is described in Clause 3 of the Bill.

   a. Insert the words "increase or" before the word "decrease" in the title.
   b. Replace the words "lower than" with the words "different to" where they appear in each of (1)(a), (1)(b), and (1)(c).

**Conclusion**

The resources industry has always been willing to pay its fair share and is proud to contribute to Queensland's budget to help everyday Queenslanders, but Queensland deserves a royalty system that is fair and balanced for all parties and promotes future investment in Queensland. A fair royalty system will promote investment not just in coal but also in other commodities and critical minerals. If not, investment dollars will go elsewhere risking jobs, local businesses and regional communities that rely on our industry.

A healthy and strong resources sector is the best way to ensure the industry can support all Queenslanders through the decades ahead. The QRC is willing to work with all sides of politics to achieve the best outcomes for the industry and for Queensland. QRC calls on all members of Parliament to think beyond the October election and to the future, so we can keep Queensland competitive and protect the jobs and businesses of everyday Queenslanders.

The contact at QRC, if you have any questions about any matters raised in this submission, is [redacted].

Yours sincerely

[redacted]

Janette Hewson
**Chief Executive Officer**