CFMEU
Mining and Energy

QUEENSLAND resources COUNCIL

Resourcing Queensland's future

1 February 2019

Committee Secretary
State Development, Natural Resources and Agriculture Industry Development Committee
Parliament House
Brisbane QLD 4000
via email: sdnraidc@parliament.qld.gov.au

Dear Committee Secretary

Thank you for the opportunity to provide a submission on the *Mineral Resources (Galilee Basin) Amendment Bill 2018 (Qld),* (the Bill), introduced as a Private Member's Bill by Mr Michael Berkman MP, Member for Maiwar, on 31 October 2018. This is a joint submission by the Mining & Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU) and the Queensland Resources Council (QRC).

The CFMEU is a trade union registered under federal industrial law with over 120,000 members is one of the largest in Australia. CFMEU Mining and Energy represents over 20,000 workers, mainly in coal mining and also in metalliferous mining, coal ports, power stations, oil refineries and other parts of the oil and gas production chain. We are here to advocate and protect our members' wages and conditions. The health and safety of our members is a prime focus and an issue on which we will never compromise.

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. QRC works on behalf of members to ensure Queensland's resources are developed profitability and competitively, in a socially and environmentally sustainable way.

The Bill proposes to prohibit thermal coal mining in the Galilee Basin. As stated in the explanatory notes to the Bill, the effect of the legislation would be that Adani's Carmichael coal mine could not proceed, nor could any other thermal coal mine proposed for the Galilee Basin.

We agree with the Member for Maiwar that climate change is a critical global challenge, which must be addressed by all parts of society. The resource industry is committed to being part of the global solution. However, the Bill is a blunt legislative instrument which is unlikely to achieve its aim.

We also agree with the Member for Maiwar's comments in his second reading speech that this is "*a drastic piece of legislation*". In fact, the Bill is sufficiently drastic to exceed Australia's climate change commitments. As stated in the explanatory notes, the objective of the Bill is to "contribute to Australia's commitments to keep global

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warming below 1.5 degrees". The Paris Agreement specifies that countries should "limit warming to well below 2 degrees, and pursue efforts to limit it to 1.5 degrees". Under the Paris Agreement, Australia's nationally determined contribution is to reduce our emissions by 26-28 per cent on 2005 levels by 2030, not to limit global warming to below 1.5 degrees.[1]

There are five primary reasons why we do not support the Bill:

1. The Queensland Government has a thorough environmental assessment and on-going regulatory framework for resource projects. The assessment framework includes public consultation and ensures the responsible development of the State's resources.

2. The opportunity cost of prohibiting thermal coal development in the Galilee Basin would be significant to the community and Government.

3. The proposed cancellation of mining leases without compensation would undermine the State's investment attractiveness, and this would be not limited to investments in the resources sector or the Galilee Basin.

4. Prohibiting coal mining in the Galilee is unlikely to affect the demand for thermal coal globally.

5. The Bill unnecessarily restricts options available to address climate change by focusing on eliminating thermal coal, rather than reducing emissions.

We recommend that the Committee does not support the passage of the Bill.

1. ASSESSMENT AND REGULATORY FRAMEWORK

Queensland's resource industry contributes to the creation of jobs, supports local communities and businesses and provides significant royalty payments to the State. The resources sector uses only 0.1 percent of Queensland's land mass. Resource operations are planned and undertaken in a way that minimises impacts to the environment, including to land, biodiversity, air quality, water and the Great Barrier Reef. QRC regards responsible environmental management as a core part of the sector's social license to operate.

Under the Constitution, the Queensland Government owns the State's rich endowment of natural resources. The primary responsibility for regulating resource development sits with State and Territory Governments. The Commonwealth Government's main assessment role is to ensure compliance with Australia's international commitments and national legislation, such as the *Environment Protection and Biodiversity Conservation Act 1999*. It is true that major projects, including coal mines, have multiple impacts, both positive and negative, each of different scope and duration. This is why – despite the risk of duplication and overlap – these projects are comprehensively assessed and regulated by both State and Commonwealth governments.

[1] http://www.environment.gov.au/climate-change/publications/factsheet-australias-2030-emissions-reduciton-target

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All Queensland resource projects undergo a rigorous assessment process, the purpose of which is to ensure an appropriate balance between economic, environmental and social impacts.[1] This process can take years to complete and is undertaken by credible and unbiased experts in the public service. This assessment process agrees on the scope of the issues to be evaluated. A considerable weight of scientific evidence is assembled and presented as a key input into this assessment process.

The process involves input from many stakeholders. The community, including supporters and opponents of projects, can provide comment on the draft terms of reference for the proposed project's Environmental Impact Statement (EIS) and the draft EIS. The Bill effectively undermines existing Government processes and procedures which have been put in place to ensure the responsible development of the State's resources. The Bill is poor legislative practice and conflicts with fundamental legislative principles.

Fundamental legislative principles underlie parliamentary democracy.[2] In his second reading speech, the Member for Maiwar acknowledged that the Bill would take away companies' rights. Companies would be deprived of their rights, without the opportunity to have their case heard. This breaches natural justice.[3] Additionally, the explanatory notes outline that the Bill contradicts the fundamental legislative principles that legislation should not interfere with property without fair compensation. A Bill which outright contravenes fundamental legislative principles should not be supported.

The Committee should also take into account that the industry's regulatory framework is frequently upgraded and refreshed. As recently as November 2018, the Queensland Parliament passed the *Mineral and Energy Resources Financial Provisioning Act*. The new Act establishes a Financial Provisioning Scheme and a detailed, universal rehabilitation planning framework. The new scheme further protects taxpayers in the unlikely scenario a company fails to meet its rehabilitation commitments. The new laws strengthen the reputation of the Queensland resources industry, and its commitment to world-class rehabilitation.

2. THE BENEFITS FORGONE

Coal mining in the Galilee Basin can provide a major source of economic benefit, particularly for regional Queensland. The Productivity Commission recognises that:

> "Major projects can bring substantial economic benefits. They contribute to national income; they create employment opportunities during their construction and operation; and they can raise productivity and generate revenue for governments through royalties and taxation, thereby helping to fund government programs".[4]

CSIRO agrees with the conclusions of the Productivity Commission, stating:

> "There are significant opportunities to develop new Australian regions through resources".[5]

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[2] *Legislative Standards Act 1992*, s 4(1)

[3] https://www.premiers.qld.gov.au/publications/categories/policies-and-codes/handbooks/legislation-handbook/fund-principles/rights-and-freedoms.aspx#7.2.7

[4] Productivity Commission (2013) 'Inquiry into Major Project Development Assessment Processes). Accessed at http://www.pc.gov.au/inquiries/completed/major-projects/report/major-projects.pdf

[5] CSIRO, *Resourceful, Issue 16: Regions in focus*, URL: https://www.csiro.au/en/Research/MRF/Areas/Resourceful-magazine/Issue-16

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At a time when Queensland's unemployment rate is the highest on the east coast,[6] the development of the Galilee Basin can provide a welcome increase to the employment opportunities for Queensland's regional labour force. According to the Office of the Chief Economist's December 2018 update, if the six major projects in the Galilee were to proceed as currently configured, the projects would have a combined cost estimate of $36 billion and would support 13,900 jobs during construction and 12,803 jobs during operation.[7] Mining jobs are typically highly skilled, high-tech and high-paying, and they support local communities across Queensland.

The economic benefits aren't limited to regional Queensland. The royalty taxes from developing the Galilee Basin will support Queensland Government services. Even if only one quarter of the coal capacity in the Galilee (as identified by the Office of the Chief Economist) is developed, QRC estimates the royalty taxes paid to the Queensland Government would reach approximately $220 million <u>each year</u>. At today's rates, that could pay the annual salaries of over 3,100 teachers, police constables or registered nurses.

Attachment one outlines the resource industry's current contribution to the Queensland economy. The Member for Maiwar states the Bill "will not change Queensland's revenue in the budget one iota" as future royalty taxes from Galilee Basin mines are not factored into the budget forecasts. A decision to forego future revenue streams may not affect the 2018-19 budget forecasts, but it will certainly dent the outlook for the Queensland budget.

While the budget doesn't yet formally factor in these increases in royalties, unfactored revenue can certainly be used to fund further investment in Queensland. New revenue funds new policy proposals. The QRC notes the Member for Maiwar's proposed Queensland Public Infrastructure Bank relies on funding from new revenue streams not included in Queensland Treasury's forward estimates.[8] Further, many of the Greens' proposals rely on the royalty taxes collected from projects such as those proposed in the Galilee.[9]

3. QUEENSLAND'S INVESTMENT ATTRACTIVENESS UNDERMINED

The Bill expressly cancels mining leases granted by the Government in the Galilee Basin. This creates a precedent for the Parliament to cancel mining leases granted by the Queensland Government, following its approval processes. The Bill stipulates that no compensation should be paid to the holders of the mining leases. While the legislation is specific to the Galilee Basin, there is no reason to believe the Parliament will not be asked to introduce similar legislation for other basins/regions and industries.

The explanatory notes say the Bill "sends appropriate signals about our long-term economic development to all players including public entities and private businesses". We agree the Bill send signals about Queensland's long-term economic development. It

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[6] Australian Bureau of Statistics, *Cat. No. 6202.0 Labour Force, Australia*, December 2018

[7] The projects are: Alpha Coal project, Carmichael Coal project, China First, China Stone, Kevin's Corner & South Galilee; Department of Industry, Innovation and Science (Office of the Chief Economist), Resources and Energy Quarterly, December 2018.

[8] The Greens Queensland, URL: https://greens.org.au/qld/platform/public-infrastructure

[9] The Greens Queensland, URL: https://greens.org.au/qld/platform/fair-share-plan

signals to global investors that regulatory uncertainty is a major risk when evaluating opportunities in Queensland.

For the resources sector, the latest Fraser Institute Annual Survey of Mining Companies, released in February 2018, found that while Queensland was 3rd of 92 international jurisdictions for "mineral potential" and 5th for "availability of labour and skills", Queensland fell to 12th for "investment attractiveness" impacted by its rank at 68th for "uncertainty about environment regulations."

The precedent for Parliament to cancel any approval or right will clearly deter future investment, future job creation and future economic development in other industries—not just coal mining. There are numerous projects planned for Queensland. The Department of Industry, Innovation and Science reported in its most recent Resources and Energy Quarterly,[10] that in Queensland, there are:

- $22.9 billion in projects at the publicly-announced stage,
- $68.7 billion at the feasibility stage,
- $7.9 billion at the committed stage, and
- $2.1 billion at the completed stage.

Projects provide investment, employment, export earnings and royalty tax windfalls. This Bill puts these projects in jeopardy.

4. DEMAND FOR THERMAL COAL TO CONTINUE

As Queensland is an export economy, banning all Galilee coal will largely affect energy consumers overseas. They will simply source their energy from other suppliers, and sadly, many of these other sources will have higher emissions than the Queensland fuels they replace. QRC accepts that some Galilee Basin coal has a lower calorific value than other established Australian thermal coals, but by global standards Galilee coals are still high energy coals with reported calorific values in the range of up to 5,800 kcal/kg.[11] Well above a typical Indian thermal coal, which has a weighted average value of 4,301–4,600 kcal/kg.[12]

All reputable energy market analysts envisage a role for coal as an energy source past 2040, particularly in Asia.[13] Some of Queensland's closest and largest trading partners will continue to be major purchasers of thermal coal. Several countries in the Asia Pacific have already made significant investments in coal-fired power generation. For example, as at November 2018, India had 62 gigawatts of coal fired generation capacity under construction—more than the entire generation capacity of Australia's National Electricity Market.[14]

Thermal coal demand across the Asia Pacific is set to continue. IHS forecasts India's thermal coal demand to grow at a yearly average growth rate of around 3.5% from

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[10] https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2018/documents/Resources-and-Energy-Quarterly-December-2018-Major-Project.pdf

[11] See for example, http://gvkhancockcoal.com/our-advantage/high-quality-coal
http://www.waratahcoal.com/galilee-coal-project-northern-export-facility-coal-project/#lightbox[12]/3/

[12] IHS Markit, India Coal Market Profile, December 2018.

[13] IEA; IHS.

[14] IHS Markit, *India Coal-Based Power Plant Database*, November 2018; AEMO, National Electricity Market Fact Sheet, URL: https://www.aemo.com.au/-/media/Files/Electricity/NEM/National-Electricity-Market-Fact-Sheet.pdf

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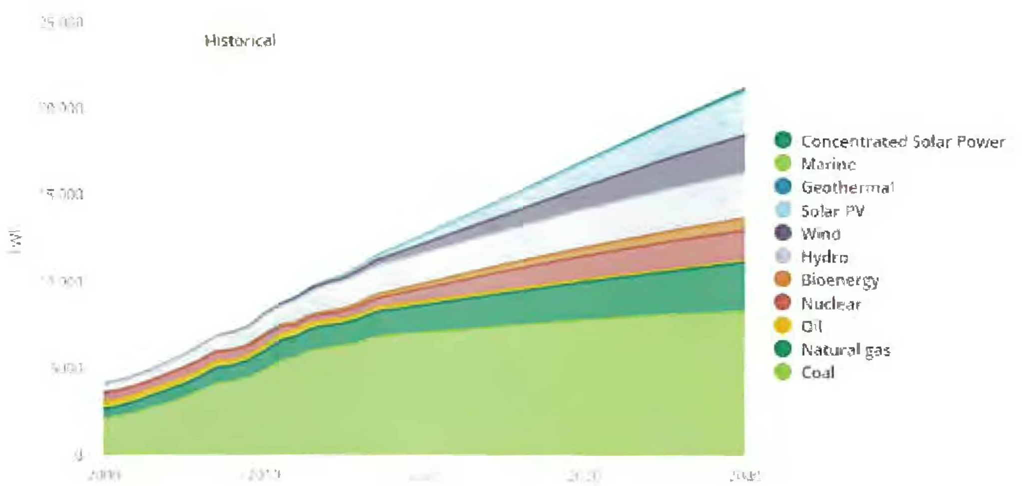
777 million tonnes in 2018 to 1,180 million tonnes in 2030.[15] That's nearly an extra Carmichael mine of demand growth each year.[16]

Similarly, the IEA, in its central scenario, projects India to nearly double its coal-fired power capacity by 2040.[17] This investment will mean coal remains the dominant generation source for India in 2040 at around 50% of total generation. Across the wider Asia Pacific, coal is projected to provide around 40% of total power generation by the year 2040 (see **Figure 1**).

Figure 1: Asia Pacific electricity generation by technology, new policies scenario



Outside of the IEA's central scenario, industry opponents refer to the IEA's Sustainable Development Scenario, which aligns with the Paris Agreement goal to hold the increase in the global average temperature to well below 2°C above pre-industrial levels. Under the scenario, coal's share in primary energy demand worldwide is projected to fall below 12% by 2040.[18]

Yet even in the most accelerated emission reduction scenario (the Sustainable Development Scenario), the IEA envisages a role for coal, particularly in the Asia Pacific. Under the scenario, the IEA projects:

- coal to remain the single largest source of primary energy demand in Asia Pacific at 21%
- the Asia Pacific region to account for 83% of global coal demand
- 74% of global cumulative coal fired power generation investment (in gigawatts) is directed to the Asia Pacific region

5. MISSING THE TARGET

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[15] IHS Markit, India Coal Market Profile, December 2018.

[16] Adani Australia, URL: https://www.adaniaustralia.com/projects-businesses/mine

[17] IEA, World Energy Outlook 2018.

[18] Ibid.

The Member's second reading speech places great emphasis on the goal of eliminating thermal coal, when in fact, the target in the IPCC report and Australia's commitment is to reduce emissions to the atmosphere.

A focus on eliminating thermal coal rather than reducing emissions unnecessarily limits the options available for addressing climate change. Technology has a role to play. While the Member for Maiwar has dismissed carbon capture and storage technologies as "pie-in-the-sky solutions", these technologies are acknowledged as having the potential to play a significant role, particularly in the longer term.

The International Energy Agency notes that carbon capture and storage provides a technology option to reduce emissions of existing coal-fired generators:

> "CCUS [Carbon Capture Utilisation and Storage] technologies will play an important role in meeting energy and climate goals.
>
> In the IEA Sustainable Development Scenario (SDS), CCUS accounts for **7% of the cumulative emissions reductions** needed globally to 2040. This implies a rapid scale-up of CCUS deployment, from around 30 million tonnes (Mt) of CO_2 currently captured each year to 2 300 Mt per year by 2040".[19] (emphasis added)

In addition, it is accepted that coal plants are trending towards higher efficiencies. Even hostile analysts such as the Institute for Energy Economics and Financial Analysis (IEEFA) recognises "coal plants are becoming on average more efficient, generating 0.5-1.0% more electricity per tonne of coal used each year".[20]

Queensland can contribute to minimising the risks of climate change and protect the Great Barrier Reef by taking effective action to reduce emissions, rather than relying on melodramatic legislative flourishes.

IN SUMMARY

For the reasons outlined, we do not support the proposed Bill.

Queensland coal is amongst the best quality in the world, mined under the most stringent regulations in the world, and will continue to be in demand for decades to come. The Bill is a blunt legislative instrument which will ultimately not achieve its desired outcome, but will cost Queensland significantly in jobs, regional opportunity, investment and taxes foregone.

The QRC also provided a submission to the Commonwealth Senate Environment and Communications Legislation Committee on the substantially similar Galilee Basin (Coal Prohibition) Bill 2018 (Cth). The submission is available at the Inquiry website.[21] Attachment two of this submission also includes a response to some of the pro-forma arguments made in support of this Bill.

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[19] IEA, *Carbon Capture, Utilisation and Storage*, URL: https://www.iea.org/topics/carbon-capture-and-storage/

[20] IEEFA, IEEFA's submission to the Senate Environment and Communications Legislation Committee inquiry into the Galilee Basin (Coal Prohibition) Bill 2018, January 2019

[21] https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/GalileeBasinBill2018/Submissions.

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QRC would welcome the opportunity to elaborate on any of the points made in this submission or for the opportunity to appear before the Committee to give evidence. QRC can confirm that the submission is not confidential, so the Committee is welcome to publish it on the Parliamentary website. The contact at the QRC is Kirby Anderson, Policy Director, Strategic and External Relations on [redacted] or [redacted]

Yours sincerely

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Attachment One:

Resource contribution to Queensland (or at link)

Background: About Queensland's resource industry
Geologically, Queensland boasts a rich endowment of resource wealth. This geology has seen Queensland develop a diverse and world-class resource industry that contributes in many ways to our unique quality of life.

Queensland supplies the world with a broad range of elements, energy, minerals and metals; and is fundamentally in the business of supplying the world's economic development. Our resource exports are either energy fuels, like thermal coal and gas, or the building blocks of development (copper, zinc, aluminium and metallurgical coal for making steel).

In 2017-18, the total contribution to the Queensland economy from the resource industry was $62.9 billion dollars, supporting one in five dollars in the Queensland economy and one in eight Queensland jobs.

High commodity prices and strong export volumes have seen Queensland's resource industry contribute a record $5 billion dollars in royalties for 2018-19 (*Mid Year Fiscal and Economic Review 2018-19*, Table 15, page 31). These royalties help pay for Queenslanders' roads, schools and hospitals, and pay for the teachers that educate our children, the nurses and doctors who look after our health and the police force that keeps us safe.

ABS statistics show that the Queensland resource industry has created 10,000 jobs over the past year – that's a new job every 40 minutes (Australian Bureau of Statistics (ABS), 6291.0.55.003 - Labour Force, Australia, Quarterly, Nov 2018). The resource industry offers well paid, highly-skilled and high-tech jobs – many of which are in Queensland's regional and rural communities. The same ABS figures show that the mining industry has the country's highest median weekly wage. And the median hourly wage for men and women is close to parity with a gap of $1.50 or less.

In the year to November 2018, Queensland posted a record $80 billion export milestone with an extra $10 billion earnt through the sale of Queensland coal, minerals and petroleum (Queensland Government Statistician's Office, Exports of Queensland goods overseas, November 2018). Queensland now exports more than the rust-bucket states of NSW and Victoria combined (Premier, *Queensland's exports boom again*, 7 December 2017). The latest Queensland Treasury report shows that the State's resource exports had increased to $65.6 billion – or 81% of the State's total merchandise exports.

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Attachment Two:

Addressing the pre-fabricated pro-forma arguments

Historically, activist groups have treated Parliamentary inquiries as an opportunity to campaign rather than to persuade or inform Committee members. Often, the pro-forma arguments are presented as assertions, long on emotion and short on facts. Below is the QRC's response to the many pro-forma submissions that the Committee is likely to receive.

Pre-fab arguments for the Bill, for example from EDO Qld	**On the other hand, the facts are...**
If we are to have any hope of stopping catastrophic climate change and saving our precious Great Barrier Reef, we need to do everything we can to meet our commitments to limit global warming to below 1.5 degrees.	• Queensland can minimise the impacts of climate change and protect the Great Barrier Reef by taking effective action to reduce emissions rather than relying on blunt, inappropriate legislation. • Australia's target is to reduce our emissions by 26-28 per cent (on 2005 levels) by 2030. There is no Australian commitment to limit global warming to below 1.5 degrees. • "*Everything we can*" shouldn't include wilfully damaging our economy. Unemployment doesn't reduce emissions.
I support the Bill's intent to terminate existing coal mining leases in the Galilee Basin and prohibit grant of new coal mining leases for land in the Galilee Basin. *In addition, I believe it should be amended to prevent all new thermal coal and gas projects in Queensland to ensure we are doing all that we can to reduce the risks of dangerous climate change.*	• Termination of granted tenure by legislative decree would be a clear breach of fundamental legislative principles. It would retrospectively affect the rights and liberties of individuals. • Queensland has the best resource project assessment processes in the world. If a project doesn't stack up environmentally, it won't be approved. There's no need for a new law to try to be an all-in-one judge, jury and executioner for thermal coal and gas projects. • Queensland coal and gas are produced under stringent regulations delivering world-class outcomes on the environment, safety and salaries. • Even when global markets for thermal coal start to contract, the 'flight to quality' will see demand for Queensland coal continue to grow.
The Intergovernmental Panel on Climate Change has warned we need to phase out coal as an energy source in the next two decades or face the near total destruction of our precious coral reefs.	• The Intergovernmental Panel on Climate Change has warned we need to phase out <u>*emissions from*</u> coal as an energy source in the next two decades. There are a number of well documented pathways to achieve these emission reductions.
If Queensland and Australia are to take our commitments to	• Taking emission reduction seriously means reducing emissions from fossil fuels. We can reduce the emissions from coal by using

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Pre-fab arguments for the Bill, for example [from EDO Qld](#)	**On the other hand, the facts are...**
reduce greenhouse gas emissions seriously we must stop thermal coal mining.	the best quality coal in the highest efficiency plants and those emissions can then be minimised, offset, captured and stored.
The Bill could go further to address all new thermal coal and gas proposals.	• We can reduce domestic emissions while still exporting high quality energy to industrialising economies. • As Queensland is an export economy, banning all new fossil fuel proposals will largely affect energy consumers overseas. They will source their energy from other sources, and sadly many of these other sources will have higher emissions than the Queensland fuels they displace. • The likely impact of an arbitrary ban would be an increase in global emissions.
The Climate Council of Australia concluded in this 2015 Report that over 90% of Australia's remaining coal reserves must be left in the ground, unburned if we are to have any hope of meeting the Paris Commitment of 2 or 1.5 degrees Celsius.	• The Climate Council report made no allowance for reductions in emissions or improvements in technology. As such the reports 90% estimate is likely to be too high (NB: for context, the report also called for an emission reduction target of 40-60% (below 2000 levels) by 2030). • Queensland's latest coal inventory report (Dec 2018) found that we have 63 billion tonnes of coal. 10% of that coal is still more than 28 years of Queensland's exports at absolute full tilt. • Rather than "to have any hope" the study concluded (page 1) there was a 50% chance of two degree Celsius if 62% of fossil fuels were not burnt (88% of coal, 52% of gas and 35% of oil reserves).

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