

INFORMATION BRIEFING:

MINERAL RESOURCES (GALILEE BASIN) AMENDMENT BILL 2018

Prepared for: State Development, Natural Resources and
Agricultural Industry Development Committee

Prepared by: The Department of Natural Resources, Mines and
Energy

The following information is provided by the Department of Natural Resources, Mines and Energy, to assist the Committee in conducting its inquiry into the above Bill, as requested by correspondence from the Committee dated 13 November 2018.

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Question 1: The current process to grant coal mining leases for land in the Galilee Basin

1. The process for the grant of a coal mining lease is summarised in the flow chart at **Attachment 1**.
2. The current process to grant a coal mining lease requires applicants to apply for an area of contiguous land within the area of an existing coal resource authority, being any of the following: a prospecting permit; an exploration permit for coal; or a mineral development licence.
3. An applicant must be an eligible person under the *Mineral Resources Act 1989* (MRA) and the land applied for must be within the area of an existing resource authority held by the applicant.¹ If the existing resource authority is not held by the applicant, the applicant must have the consent of the holder of the resource authority to apply for the coal mining lease.
4. An applicant is also required to obtain an environmental authority (EA) for the mining activities proposed to be carried out under the mining lease under the *Environmental Protection Act 1994* (EP Act). Under the MRA, a mining lease cannot be granted unless an EA has been issued.² The Department of Environment and Science (DES) has administrative responsibility for the EP Act.
5. If the chief executive (or delegate) is satisfied the applicant has complied with the requirements of the MRA for the mining lease application and the applicant is eligible to apply for the mining lease, the chief executive (or delegate) must give a mining lease notice to the applicant. The mining lease notice includes the setting of an objection period which must be at least 20 business days after the notice is given to the applicant. During this period, any entity may lodge an objection to the mining lease application.
6. Depending on the application process undertaken for the mining lease and EA, the objection period for these two processes may occur simultaneously.
7. At the conclusion of the objection period, any objections lodged under the MRA are referred, with the mining lease application, to the Land Court of Queensland for a hearing. If no objections are received on the mining lease application it is not referred to the Land Court.
8. If any objections to the draft EA are lodged, these are also referred to the Land Court at the same time.
9. The Land Court conducts a hearing into the mining lease application and objections, and if objections on the draft EA have been made, the draft EA and objections as well. The hearing culminates in the Land Court recommending grant or refusal of the ML (taking into account the matters set out in section 269(4) of the MRA) and EA, with or without conditions.
10. Compensation for all relevant land owners must be finalised before the ML can be granted. If the parties cannot agree on compensation, either party can apply to the Land Court to determine compensation at any time.
11. However, the Minister can refuse to grant the mining lease if there is no compensation agreement or Land Court application made to determine compensation within three months of:

¹ In this context, 'land' as defined by the MRA, does not include protected areas including national parks and conservation parks under the *Nature Conservation Act 1992*.

² Section 391A *Mineral Resources Act 1989*.

- the day the Governor in Council consented to the application (if it is at least partly over a reserve); or
 - the last objection day for the application (if no one objected to the application); or
 - the day the Land Court gave the Minister a recommendation about the grant.
12. If compensation is determined for all of the land the subject of the application (whether by agreement or by determination of the Land Court), the Department of Natural Resources, Mines and Energy (DNRME) confirms whether the administering authority under the EP Act (i.e., the chief executive or delegate of DES) has issued the final EA for the application.
13. A mining lease may only be granted over the surface of land that is restricted land if each relevant owner for the restricted land has given written consent, which has been lodged with the chief executive of the MRA. Examples of restricted land include a residence, a place of worship, a water storage facility, or a stockyard. A mining lease may only be granted for land that is the surface of a reserve, or below the surface of the whole or part of a reserve that is rail corridor land if the owner of the land has given written consent which has been lodged with the chief executive of the MRA or the Governor in Council has consented to the grant.
14. If the final EA has been issued, DNRME also confirms that any relevant consents for reserves or restricted lands have been given, that Native Title processes are complete, that the Initial Development Plan has been approved and that there are no outstanding matters for the application.
15. Once all matters are finalised, the application is briefed to the Minister responsible for the MRA for decision on the mining lease application. The Minister may decide to:
- grant the applicant a mining lease for whole or part of the land in the proposed lease area;
 - reject the application; or
 - refer the matter to the Land Court to conduct a hearing or further hearing on the application generally or on a specific matter/s raised by the Minister.
16. In considering the application for decision, the Minister must consider (but is not bound to follow) any recommendation made by the Land Court for the mining lease application and the matters mentioned in section 269(4) of the MRA.

Question 2: Details on all coal mining leases and mineral development licences in the Galilee Basin - including details on their size, lifespan and value

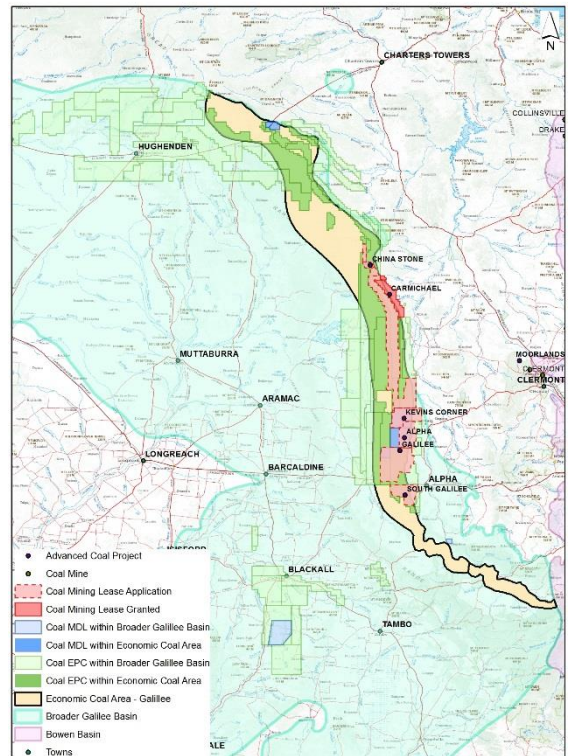
The extent of the Galilee Basin described in the Bill

17. The Bill describes the Galilee Basin as the area shown in a document published by the Department of Natural Resources, Mines and Energy (DNRME) called *Queensland coal – mines and advanced projects* (see map 1 below). The map in this document does not show the whole of the Galilee Basin, but is actually a subset of the broader Galilee Basin.
18. The information provided below relates to the area described as the Galilee Basin in the Bill, not the whole Galilee Basin area.
19. The map on the right (Map 2 below) shows the area impacted by the proposed Bill in yellow overlaid on top of the broader geological Galilee Basin (shown in light blue-green).

Map 1 from *Queensland coal – mines and advanced projects*



Map 2 Broader Galilee Basin



Granted coal mining leases

20. There are three granted coal mining leases (ML) in or overlapping the Galilee Basin as described in the Bill. These are ML70441, 70505 and 70506. These MLs are held by Adani Mining Pty Ltd for the Carmichael Mine project.
21. ML70506 is wholly within the Basin, while the other two MLs are only partially within it.

Coal mining lease applications

22. There are ten ML applications in or overlapping the Galilee Basin as described in the Bill.
23. These are:

- Alpha project – MLA70426
- China Stone project – MLA70514, MLA70515, MLA70516, MLA70517, MLA70518
- Galilee Coal project – MLA70454
- Kevin's Corner project – MLA70425
- North Alpha project – MLA700031
- South Galilee project – MLA70453.

Granted mineral development licences (MDL)

24. There are six MDLs in or overlapping the Galilee Basin as described in the Bill.

25. These are:

- Alpha West project – MDL285
- China Stone project – MDL516
- Galilee Coal project – MDL455
- Kevin's Corner project – MDL333
- Pentland / West Pentland – MDL356 and MDL361.

26. With the exception of the two Pentland MDLs, these MDLs are associated with current ML applications.

Impacted exploration permits

27. There are 37 granted coal exploration permits in or overlapping the Galilee Basin as described by the Bill.

Size, lifespan and value of MLs and MDLs

28. The department has prepared a table (**Table 1 – Information on Galilee Basin Coal Projects**) with information about the projects proposed for the Galilee Basin.

29. The information in this table has come from proponents' Environmental Impact Statements, ML and MDL application documents, and been supplemented with publicly available information the companies release themselves about their projects.

30. Information on the Pentland and West Pentland MDLs is not included in Table 1 as these are early-stage projects which do not have mining lease applications associated with them, and are currently conducting additional studies and other work to inform their project feasibility.

31. DNRME is unable to quantify the value of the tenures held in the Galilee Basin, which is a commercial matter and subject to market conditions at the time of any sale. The table below however, contains indicative information on the saleable quantities of coal associated with the Galilee coal project.

32. If there is any inconsistency between the information in this table and information proponents provide to the Committee directly, the information from proponents should be preferred.

Table 1 – Information on Galilee Basin Coal Projects

Project	Company	Status	Proposed Start Up		Permit Number/s	New Capacity Per Annum		Coal Type	Mining Method	Basin	Target Formation	Port	Regional Council
			Construction Start Date	First Coal Date		Total ROM	Total Saleable						
Alpha Coal	GVK Hancock (79%) Hancock Prospecting Pty Ltd (21%)	Application	2021	2024	MLA70426	45Mt	32Mt	Thermal	Open-cut	Galilee	Bandanna Formation	Abbot Point	Barcaldine
Alpha North Coal	Waratah Coal Pty Ltd	Concept	2030	2035	EPC1039 EPC1053 EPC1079 EPC1080	56Mt	40Mt	Thermal	-	Galilee	Bandanna Formation	Gladstone	Barcaldine Isaac
Alpha West	GVK Hancock (79%) Hancock Prospecting Pty Ltd (21%)	Concept	2025	2028	MDL285	N/A	N/A	Thermal	Underground	Galilee	Bandanna Formation	Abbot Point	Barcaldine
Alpha West Coal	Waratah Coal Pty Ltd	Concept	2035	2040	EPC1079 EPC1156	56Mt	40Mt	Thermal	-	Galilee	Bandanna Formation	Gladstone	Barcaldine
Carmichael Coal	Adani Mining Ltd	Granted	Q2 2018	2019	ML70441 ML70505 ML70506	2Mt increasing to 27.5Mt)	1.9Mt	Thermal	Open-cut	Galilee	Bandanna Formation Betta Creek Beds	Abbot Point	Charters Isaac
China Stone Coal Project	MacMines Austasia Pty Ltd	Application	2020	2022	EPC 987, MDL 516, MLA70514 MLA70515 MLA70516 MLA70517 MLA70518	55 Mtpa	38 Mtpa	thermal	Open-cut Underground	Galilee	Betts Creek Beds	Abbot Point	Isaac
Clyde Park	Clyde Park Coal Pty Ltd	Concept	N/A	N/A	EPC1250 EPC1260	2.5Mt	1.75Mt	Thermal	-	Galilee	Betts Creek Beds	Abbot Point	Flinders
Galilee Coal	Waratah Coal Pty Ltd	Application	-	2023	MLA70454 MDL455	56Mt	40Mt	Thermal	Open-cut Underground	Galilee	Bandanna Formation	Abbot Point	Barcaldine

Project	Company	Status	Proposed Start Up		Permit Number/s	New Capacity Per Annum		Coal Type	Mining Method	Basin	Target Formation	Port	Regional Council
			Construction Start Date	First Coal Date		Total ROM	Total Saleable						
Kevin's Corner	GVK Hancock	Application	2023	2026	MLA70425 MDL333	40Mt	28Mt	Thermal	Open-cut Underground	Galilee	Bandanna Formation	Abbot Point	Barcaldine
North Alpha Coal	Waratah Coal Pty Ltd	Application	-	2030	MLA700031	56Mt	40Mt	Thermal	-	Galilee	Bandanna Formation	Abbot Point	Barcaldine Charters Towers Isaac
Northern Galilee	FTB (Qld) Pty Ltd Orion Mining Pty Ltd	Concept	N/A	N/A	EPC1300 EPC1394 EPC1477 EPC1478 EPC1479 EPC1641 EPC1890 EPC1892 EPC1893 EPC1962 EPC1964 EPC2049	10Mt	7Mt	Thermal	-	Galilee	Betts Creek Beds	Abbot Point	Richmond Flinders
South Galilee Stages 1, 2, 3	Alpha Coal Management Pty Ltd	Application	2023	2025	MLA70453	13.8Mt	11.32Mt	Thermal	Open-cut Underground	Galilee	Bandanna Formation	Abbot Point	Barcaldine

Question 3: The feasibility and process to terminate any existing coal mining leases for land in the Galilee Basin

33. The Queensland Parliament has previously enacted a law to terminate a mining lease without compensation. A previous example of where this has occurred can be found in Chapter 12 of the *Mineral Resources Act 1989* (MRA).
34. Without a specific legislative amendment to cancel a mining lease, the power to administratively terminate existing mining leases under the MRA is limited to certain circumstances provided under the MRA.³
35. These circumstances allow the Minister to consider cancellation as one of the options for addressing non-compliance under the MRA where:
- the tenure holder is not using the lease for its granted purpose;
 - the tenure holder fails to pay any moneys required by legislation; or
 - the tenure holder fails to comply with a condition of the mining lease.
36. Before cancelling a mining lease, the Minister must serve on the holder a notice to show cause as to why the lease should not be cancelled. If such cause has not been shown to the Minister's satisfaction, the Minister may cancel the lease. The lease is terminated on the next day after the Minister's decision to cancel.
37. Additionally, where the tenure holder fails to lodge a later development plan within the required timeframe, the Minister may cancel the mining lease. This happens automatically under legislation, but the cancellation of the mining lease does not take effect until the holder has been given a notice stating that the lease has been cancelled.
38. There are several other ways that a coal mining lease may be brought to an end. These circumstances include:
- consent to a surrender of a mining lease by the Minister (or delegate) under the MRA;⁴
 - refusal of an application to renew a mining lease under the MRA;⁵
 - lease expiry (where no renewal is lodged or a renewal application is withdrawn) under the MRA; and
 - the complete extinguishment of mining tenement interests through resumption of land.⁶

³ Sections 308 and 318EC *Mineral Resources Act 1989*.

⁴ Section 309 *Mineral Resources Act 1989*.

⁵ Section 286A *Mineral Resources Act 1989*.

⁶ See *Acquisition of Land Act 1967* and sections 10AAA – 10AAD of the *Mineral Resources Act 1989*.

Question 4: The feasibility and process to amend any existing coal mining leases which overlap with land in the Galilee Basin to exclude that land

39. The Queensland Parliament has not previously enacted a law that excludes areas from existing mining leases without compensation.
40. Under the *Mineral Resources Act 1989*, there are limited mechanisms to exclude land from the area of an existing mining lease without an amendment request coming from the holder of the lease.
41. These mechanisms are limited to:
- the partial extinguishment of mining tenement interests through resumption of land;⁷ and
 - varying the mining lease for accuracy (for example, to address inaccuracies in the description of the mining lease when it was granted).⁸

⁷ See *Acquisition of Land Act 1967* and sections 10AAA – 10AAD of the *Mineral Resources Act 1989*.

⁸ Section 295 of the *Mineral Resources Act 1989*.

Question 5: The potential financial impacts of the Bill to the Queensland economy, Queensland Government, affected mining lease holders and related sectors

42. The Bill includes provisions which would prohibit the granting of coal mining leases for land in the Galilee Basin, terminate existing coal mining leases and amend existing coal mining leases which overlaps the Galilee Basin to exclude that area.
43. There would be both direct and indirect financial impacts from this Bill. Direct impacts are discussed below.
44. Indirect impacts are difficult to quantify and could range from impacts on local suppliers contracting services to these mines, to impacts on investor confidence (i.e., sovereign risk) arising from negative perceptions about the stability of the Queensland regulatory system.
45. At a high level, the main direct financial impact of the Bill would be that all coal projects that are included in the Bill's Galilee Basin identified area will cease. This means that there would be a loss of the expected capital expenditure for each of these projects, as well as a loss of the estimated jobs and flow-on benefits associated with the projects.
46. Table 2 outlines the estimated financial impact on mining projects in the Galilee Basin. It is important to note that the estimated figures in the table has been sourced from information supplied by proponents at the time of the project's EIS evaluation or revised information from the company that has subsequently been made publicly available online. As a result, the data should be seen as predicted figures only and are subject to alteration as projects change over time and construction commences.
47. As such, the figures included in Table 2 should be viewed as point-in-time estimates provided by private companies and would therefore be subject to change as the scope and nature of the projects evolve over time. Project proponents would be able to provide more current information directly to the Committee, and this information should be preferred.
48. With regard to the impact on the Queensland Government and the broader Queensland economy, passage of the Bill would potentially result in a loss of future royalty revenue. In Queensland, royalties ensure some of the proceeds of the extraction of non-renewable resources are returned to the community through increased spending on infrastructure and services.
49. Royalties are payable on the value of all coal extracted in Queensland once it has been sold, disposed of or used. The royalty rate depends on the price of coal per tonne, which in turn is determined by the quality of the coal and the supply and demand balance in global coal markets. Current coal royalty rates are available on the Queensland Government's website.
50. Any estimation of royalty revenue received from coal extracted from the Galilee Basin is subject to a number of complicating factors, including, but not limited to, the prevailing price of coal, the prevailing USD AUD exchange rate (as coal prices are generally denominated in US dollars), variations in the quality of coal extracted and uncertain timelines for its extraction.
51. In addition to the payment of royalties, other sources of revenue to government that would potentially be foregone by the Bill would include payroll tax and any rental payments required under the *Mineral Resources Act 1989*.

Table 2 – Estimated financial impact of mining projects in the Galilee Basin

Project	Estimated capital investment	Estimated jobs during construction phase	Estimated jobs during operational phase
Carmichael Coal Mine and Rail project ⁹	TBD	TBD	TBD
Alpha Project ¹⁰	\$10.8 billion	3,400 jobs	2,290 jobs
China Stone Coal project ¹¹	\$6.7 billion	3,900 jobs	3,400 jobs
Galilee Coal project ¹²	\$6.4 billion	3,500 jobs	2,325 jobs
Kevin's Corner project ¹³	\$6 billion	1,500 jobs	2,000 jobs
North Alpha project	Proponent has been approved by the Department of Environment and Science to undertake a voluntary environmental impact statement (EIS) under the <i>Environmental Protection Act 1994</i> . Details regarding estimated capital investment and jobs will be available through the EIS.		
South Galilee project ¹⁴	\$4.2 billion	1,600 jobs	1,288 jobs

⁹ Adani recently announced a revised scope for its Carmichael coal and rail project, and information on the estimated capital investment and jobs during the operational phase has not been made publicly available. As such, the Department of Natural Resources, Mines and Energy is unable to include this detail.

¹⁰ Information has been extracted from the Department of State Development, Manufacturing, Infrastructure and Planning's website, 'Alpha Coal Project', December 2017, available at <https://www.statedevelopment.qld.gov.au/assessments-and-approvals/alpha-coal-project.html>

¹¹ Information has been extracted from the Coordinator-General's evaluation report on the environmental impact statement for the China Stone Coal project, November 2018, available at <https://www.statedevelopment.qld.gov.au/resources/project/china-stone-coal-project/china-stone-coal-project-eis.pdf>

¹² Information has been extracted from the Coordinator-General's evaluation report on the environmental impact statement for the Galilee Coal Project (Northern Export Facility), August 2013, available at <https://www.statedevelopment.qld.gov.au/resources/project/china-first-coal/galilee-coal-cg-report.pdf>

¹³ Information has been extracted from the Department of State Development, Manufacturing, Infrastructure and Planning's website, 'Kevin's Corner Project', July 2018, available at <https://www.statedevelopment.qld.gov.au/assessments-and-approvals/kevin-s-corner-project.html>

¹⁴ Information has been extracted from the Coordinator-General's evaluation report on the environmental impact statement for the South Galilee Coal Project, December 2014, available at <https://www.statedevelopment.qld.gov.au/resources/project/south-galilee/south-galilee-coal-project-report-on-final-eis.pdf>

Question 6: The Government's current approach to address the impacts of climate change

52. The Queensland Government supports the goals of the Paris Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit warming to 1.5 degrees Celsius.
53. The Queensland Government is committed to playing its part in the global effort to limit warming because it recognises that doing so is critical for the long-term viability of Queensland's economy, communities and industries.
54. In June 2017, the Queensland Government released the Queensland Climate Change Response which includes the *Queensland Climate Transition Strategy* (QCTS) and *Queensland Climate Adaptation Strategy*.

Climate transition

55. Under the QCTS, the Queensland Government has set a target of achieving zero net emissions by 2050, with an interim target of reducing emissions by at least 30 per cent below 2005 levels by 2030.
56. Queensland's 2050 zero net emissions target aligns with the emissions pathway suggested by the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C (the SR1.5 report).
57. The QCTS targets are supported by a range of early actions, to be taken between 2017 and 2019, to set Queensland on the path to a zero net emissions economy.
58. Meeting Queensland's emissions reduction target of 30% below 2005 levels by 2030 requires a reduction of at least 27 million tonnes annually from current levels. Any additional emissions in Queensland will need to be offset by reductions in emissions elsewhere.
59. The Department of Environment and Science (DES) is currently working with Queensland Government agencies, experts and key stakeholders to develop a 'green paper' for the State's post-2020 climate strategy. This work includes engaging with industry, business and communities to identify a comprehensive suite of policies for post-2020 action.
60. The green paper, proposed to be released for public consultation in mid-2019, will present a set of possible directions and policy options to put Queensland on path to its 2030 target and to position Queensland industries, workers and communities to manage the transition.
61. While Queensland and the world transition to a zero net emissions future, international demand for thermal coal – particularly from coal power stations in Asia – is expected to remain steady, but will face challenges in light of the transformation of the electricity sector already underway.¹⁵
62. In this context, it should be noted that Queensland thermal coals, including those from the Galilee Basin, have a generally higher energy-value than those of international competitors.
63. DES and Queensland Treasury are also in the process of establishing the Queensland Government's flagship \$500 million Land Restoration Fund (LRF).
64. The LRF will directly support Queensland-based land sector emission reduction projects with additional biodiversity and vegetation protection benefits. The LRF will support

¹⁵ International Energy Agency, *World Energy Outlook 2018*, available at <https://www.iea.org/weo2018/>.

projects that generate high quality carbon credits with verifiable co-benefits such as threatened species protection and water quality improvement in the Great Barrier Reef.

65. The first project call is expected in mid-2019.

Climate adaptation

66. The *Queensland Climate Adaptation Strategy* includes the \$12 million QCoast2100 and the Queensland Climate Resilient Councils programs, which are designed to build local government and industry climate resilience, and are being delivered in partnership with the Local Government Association of Queensland.

67. The Queensland Government is also supporting the development of eight industry-led Sector Adaptation Plans to assist each sector plan for and manage climate risk. An Industry and Resources Sector Adaptation Plan is under development and expected to be released in 2019.

68. Queensland Climate Ready is a two-year program to strengthen institutional climate risk management within the Queensland Government.

69. A new, state-of-the-art 'Queensland Future Climate Dashboard' on the Long Paddock website features the latest, high-resolution climate projections data to enable land managers, policy-makers, industry organisations and businesses to identify and manage climate risks.

