Speech By

Stephen Andrew

MEMBER FOR MIRANI

Record of Proceedings, 12 September 2024

PROGRESSIVE COAL ROYALTIES PROTECTION (KEEP THEM IN THE BANK) BILL

Mr ANDREW (Mirani—KAP) (4.03 pm): I rise to speak on the progressive coal royalties protection bill 2024. The bill amends the Mineral Resources Act 1989 by introducing a coal royalty floor rate that will prevent the state's progressive coal royalty rates being lowered or removed by way of regulation. The bill's primary goal is to make it impossible for an LNP government to reduce the royalty rate without having to go to the parliament first. However, just in case Labor manages to retain government, the bill still retains the current regulatory clause allowing the royalty to be easily raised by Labor whenever they are in need of more funds. By passing this bill today, it will be a win-win for Labor and a lose-lose for Queensland.

If I were in the coal sector, I would be looking for an immediate increase of the progressive coal royalty rate if Labor are returned in October. It will not stop there either, I do not believe. How else are they going to fund all those giant steel windmills and habitat-destroying pumped hydros that are being built in my electorate?

Queensland's progressive coal royalty tiers were introduced as part of the government's 2022 budget. According to the Treasurer, the new royalty regime was aimed at ensuring Queenslanders received a fair return on the use of the state's valuable natural resources, particularly during periods of high coal prices. All of this sounded eminently sensible to me at the time and I did not oppose the bill. However, since this new regime commenced, the negative impact it has had on the coal companies in my region has been alarming, to say the least.

I am now very concerned that these tiers may be putting the whole industry at risk, which is why it is vital that the levers for adjustment remain as flexible as possible, allowing for quick changes when the conditions and circumstances change. Again and again, over the last three years, we were told that this new progressive scheme would have no negative impact on Queensland's 54 operating coal mines. In the case of at least one Queensland company that I am very familiar with—Bowen Coking Coal Ltd—this has proved to be manifestly untrue.

Over the last four years, Bowen Coking Coal purchased several mothballed mines with the intention of restarting operations to create jobs and support for local communities. Three of these mines were Bluff, near the town of Blackwater; Ellensfield South; and Broadmeadow East, which are both near Moranbah. The new progressive coal royalties scheme came in just after the company had heavily invested in these new mines. The immediate impact of the scheme led directly to the closure of Bluff Mine in 2023, which cost some 300 jobs.

It is easy to forget sometimes that decisions made in this House can have real-world consequences, and that impacts people's lives. In this case, 300 honest, hardworking people in my own region lost their livelihoods. The company itself and investors have also sustained a major blow. At the time the new royalty regime was introduced, Bowen Coking Coal and its investors had put $430 million into the purchase and development of these mothballed mines. Two years after the commencement of the first mine, the company is yet to turn a profit. In fact, its loss over the 2023 financial year was $163 million, and its interim loss for the 2024 financial year was $65 million.

Despite all these losses, by the end of 2024 the company will have paid out some $100 million in royalty payments to the state government without being able to reinvest, and the company's shareholders still have not received any return on their capital investment. Approximately 50 per cent of the company's forecast operating cash flow over the next three years will go towards paying these progressive royalties to the state government. From the remaining 50 per cent, it is expected to pay federal government taxes, service and repay debt and spend its required capex in order to remain in business. How will it have any chance of securing a return for its shareholders who invested the significant risk capital to restart the mines in the first place?

The share price has gone from 14 cents a share down to 0.13 cents a share today. It's ludicrous, therefore—and, frankly, dishonest—for anyone to try to say that these new royalty tiers have had no impact on the coal industry. They have. Quite clearly, they are making any new investment in the industry completely unviable. The cold reality is that investors simply will not open new mines, or invest in existing ones, here in Queensland if they can find better returns elsewhere or if they cannot deliver a return at all.

Keeping Queensland's coal mines attractive for investment is vital for retaining high-quality, well-paid jobs in our regions and for driving economic growth and prosperity in the whole economy. At the time progressive coal royalties were introduced, there was a temporary spike in coal prices due to geopolitical disruptions. They were brought in without any provision made for the periodic review or proper adjustment mechanisms—a serious oversight that ignores the dynamic nature of the global coal market and its inherent volatility.

The current bill locks in a royalty rate regime which many say is now the highest in the world. Locking in such high rates poses a threat to future investment, leading to yet more closures and job losses in our regions. Without a healthy and strong coal industry, what will be left to drive the real growth and productivity in this state, or fund all the hospitals, highways, schools and giant sports stadiums Labor has promised Queenslanders?

The public transport fares have been reduced in the south-east corner. Every train that goes down the line with passengers paying a 50-cent fare should have the picture of a coal train to show where the money came from. There should be a picture of the coalminers who live in dongas, who do it tough and who work 14-hour days. People who vote down here and the Greens think it is all just one big joke and that we can do without it.

Guess what? Take it out of the state and see what happens. Take the coalminers out of the mines and see what happens. We will not have anything in this state. That is where we are going. Give them a little bit of credit as well. If those opposite want to take it off them then give them some credit for it.

Mr Smith: Where are we taking it off them?

Mr ANDREW: I am not telling you. I am telling you that the situation is this—

Mr DEPUTY SPEAKER (Mr Kelly): Pause the clock. Member for Bundaberg, you are on a warning. You can leave the chamber for one hour.

Whereupon the honourable member for Bundaberg withdrew from the chamber at 4.09 pm.

Mr ANDREW: If the government kill off coal they will lay waste to the strength of the resource industry at the same time.

Queensland's future economic success is intrinsically linked to the success of the coal industry and the communities that support it. The success of our coal sector relies on new mines being developed. Secondary sales of existing mines create no jobs, and as older mines increase in cost they will close more rapidly under this very high royalty tax regime. It is becoming more and more clear that these progressive coal royalties are putting the whole industry in jeopardy by increasing the sovereign risk for coal companies as they grapple with sky-high costs and other pressures. As everyone knows, sovereign risk deters investment. Creating all these disincentives for investment will only serve to increase Queensland's reliance on Commonwealth grants and foreign borrowings. We do not need it.

By introducing this bill, the government has failed to recognise the central role coal plays in the Queensland economy—and when I say central, I mean critical. No other sector of our economy has done what coal has done for the citizens and the governments of this state. In terms of improving Queenslanders' lives, keeping Queenslanders in jobs and supporting the Queensland community, nothing comes close.

By passing this bill, the government will be compounding its error of 2022. They will be putting at risk the long-term sustainability of coal and their ability to continue funding the lifestyle and prosperity Queenslanders have become accustomed to over the last century. They will be killing the goose that lays the golden egg. There is no doubt about it.

I urge both major parties to think long and hard about the ramifications of passing this bill—the message it will send and the many short- and long-term consequences, all of which will be cumulative. I believe that what is on the line is the wellbeing of Queensland and its citizens. If members think I am exaggerating, they should have a chat with their superannuation fund manager. Coalmines make up a huge chunk of super fund industry investments. A hit to the coalmining sector will be a hit to the hip pocket and to the nest eggs that ordinary, everyday Queenslanders have invested.

It is important that everyone in this House understands what may be at stake. It is very well to say 'tax the rich' and 'down with coal' when we have a backup plan. We do not have a backup plan. That is the problem. Any chance of a backup plan was killed off by the globalisation policies and trade deals of both major parties back in the eighties and nineties. The ship has sailed.

With bills like this one, our governing classes are proposing to kill off the one thing we have left—coal. Once it is gone, the state has nothing bar foreign borrowings and money printed by the Commonwealth to replace it with. Good luck with building your renewable revolution then!