

Petroleum and Gas (Production and Safety) (Royalties and Cost of Living Relief) Amendment Bill 2022

Explanatory Notes

Petroleum and Gas (Production and Safety) (Royalties and Cost of Living Relief) Amendment Bill 2022

The short title of the Bill is the *Petroleum and Gas (Production and Safety) (Royalties and Cost of Living Amendment Bill 2022* (the Bill).

Policy objectives and the reasons for them

Queenslanders are doing it tough this Christmas, with rising energy bills, food prices and stagnating wages.

While this occurs, Australian gas corporations have made almost \$40 billion in windfall profits over the last year, off the back of soaring energy prices.

This bill commits the government to giving every adult aged 18 and above, residing in Queensland as at 30 November 2022, a \$500 cost-of-living payment, funded by tripling the top tier of gas royalties during 2023.

According to ABS data, Australia's present inflation crisis is being caused by increasing profit margins, and is not due to an overabundance or increase of money supply amongst workers and low to middle income Australians.¹ This has resulted in a decline in the real value of wages and support payments of more than 3.5%.² The inflation crisis has also coincided with a housing crisis that has seen rents increase more than 20% across Queensland in the last year, and as

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<https://australiainstitute.org.au/post/profits-causing-inflation-in-australia-not-wages-european-central-bank-abs-data-reveal/>

<https://theconversation.com/profits-push-up-prices-too-so-why-is-the-rba-governor-only-talking-about-wages-185688>

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<https://australiainstitute.org.au/post/wpi-worst-real-wage-decline-this-century/#:~:text=%E2%80%9CThis%20represents%20the%20biggest%20destruction,are%20expected%20to%20fall%203.5%25.>

much as 30% in some parts.³ As a result, more and more Queenslanders are being afflicted with poverty by an unjust economy which is disproportionately benefitting huge gas corporations.

According to the Australian Competition and Consumer Commission, gas corporations have had virtually no increase in the cost of production of gas over the last year, despite increasing prices to record highs, giving gas corporations no reason to pass on these additional royalties as costs to consumers.

Achievement of policy objectives

The bill will triple gas royalties in order to fund a \$500 cost of living payment for all adult Queenslanders.

Its objective is to provide cost of living relief for individuals by establishing a scheme for a one-off payment of financial assistance.

All adults aged 18 or over, residing in Queensland as at 30 November 2022, will receive the payment upon completing the required form.

The tripling of gas royalties will occur as follows:

- For domestic gas, if the average sales price is more than \$8 per gigajoule: 46 cents per GJ plus 0.30 cents per GJ for each 1 cent per GJ more than \$8 per GH.
- For supply gas, if the average sales price is more than \$8 per GJ: 65 cents per GH plus 0.375 cents per GJ for each 1 cent per GH more than \$8 per GJ.
- For project gas:
 - if the average sales price is more than \$9, but not more than \$14, per GJ: 27 cents per GJ plus 0.27 cents per GJ for each 1 cent per GJ more than \$9 per FJ; and
 - if the average sales price is more than \$14 per GJ: \$1.62 per GJ plus 0.375 cents per GJ for each 1 cent per GJ more than \$14 per GJ.

Alternative ways of achieving policy objectives

There is no alternative method of achieving the policy objective, apart from increasing royalties on other elements of Queensland's resources sector.

³ <https://sqmresearch.com.au/weekly-rents.php?region=qld-Brisbane&type=c&t=1>

Estimated cost for government implementation

The additional revenue from increased gas royalties will be in excess of the cost of implementation. Costings were estimated using existing estimates for Queensland's predicted 2022-2023 gas production, prices, government royalty revenue, and Queensland Government Statistician's Office estimated resident population data for persons aged 18 years and above.

Consistency with Fundamental Legislative Principles (FLPs)

This bill is consistent with fundamental legislative principles.

Any discussion of taxation should consider the question of whether the legislation in question has sufficient regard to the rights and liberties of individuals, in accordance with section 4(2)(a) of the *Legislative Standards Act 1992*. Section 4(3) provides that this will depend on, among other things, whether the legislation does not adversely affect rights and liberties, or impose obligations, retrospectively.

The only individual rights affected by the bill are a new right it creates for adult Queenslanders to a cost of living payment.

No individual taxation rights are affected, and care has been taken to ensure no retrospective taxation obligations have been imposed on private corporations.

Further, section 4(3)(c) of the *Legislative Standards Act* states that legislation should allow the delegation of administrative power only in appropriate cases and to appropriate persons. Care has been taken to enshrine this new royalties framework in legislation, to avoid any inappropriate exercise of administrative power.

Consultation

Queensland's cost of living crisis is well documented.⁴ As wages have stagnated, prices have skyrocketed this year.

Australia's present inflation crisis is being caused by increasing profit margins according to ABS data, and not due to an overabundance or increase of money supply amongst workers and low to middle income Australians.⁵ This has resulted in a decline in the real value of wages and

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<https://www.theguardian.com/australia-news/2022/nov/14/five-australians-managing-cost-of-living-crisis-housing-food-prices-inflation>

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<https://australiainstitute.org.au/post/profits-causing-inflation-in-australia-not-wages-european-central-bank-abs-data-reveal/>

support payments of more than 3.5%.⁶ The inflation crisis has also coincided with a housing crisis that has seen rents increase more than 20% across Queensland in the last year, and as much as 30% in some parts.⁷

As the member for South Brisbane, Dr MacMahon has had contact with thousands of Queenslanders who are affected by this crisis, including:

- Parents who have contacted the electorate office when they are unable to cover the cost of school activities and resources for their children.
- Renters from across the state facing extreme increases in rent.
- People struggling with the cost of groceries and other essentials.
- Local community groups such as Community Friends, Signal Flare, West End Community House and others who are providing direct support to Queenslanders in need.

This consultation has inspired her to introduce this bill.

Consistency with legislation of other jurisdictions

In 2022 the Victorian Labor government announced a one-off \$250 payment to Victorians who used the Energy Compare website in response to super-profits and price hikes in the energy and resources sector.⁸

Governments of comparable gas producing economies have historic royalty rights as high as 25% in places such as Texas and 78% on profits in Norway, with a trend of increasing them as resource extraction becomes more lucrative.⁹ Queensland significantly undercharges corporations for its natural resources compared to other jurisdictions.

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<https://australiainstitute.org.au/post/wpi-worst-real-wage-decline-this-century/#:~:text=%E2%80%9CThis%20represents%20the%20biggest%20destruction,are%20expected%20to%20fall%203.5%25.>

⁷ <https://sqmresearch.com.au/weekly-rents.php?region=qld-Brisbane&type=c&t=1>

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<https://s3.ap-southeast-2.amazonaws.com/budgetfiles202223.budget.vic.gov.au/2022-23+State+Budget+-+Budget+Overview.pdf>

⁹ <https://australiainstitute.org.au/post/norway-shows-how-australia-can-get-a-fair-return-from-oil-and-gas/>
<https://www.pheasantenergy.com/oil-and-gas-royalties/>
<https://www2.deloitte.com/ro/en/pages/energy-and-resources/articles/An-overview-on-royalties-and-similar-taxes1.html>

Notes on provisions

Clause 1 cites the short title of the Bill.

Clause 2 sets out that this bill amends the *Petroleum and Gas (Petroleum and Safety) Act 2004* (the Act).

Clause 3 inserts a new chapter 14, part 4 to the Act which sets out a scheme for cost of living relief for 2023 as funded by increased petroleum royalty rates, with the following provisions:

Division 1 - Cost of living relief scheme

- **Section 859A:** the **objective** of the scheme is to provide cost of living relief for individuals by establishing a scheme for a one-off payment of financial assistance.
- **Section 859B:** defines 'scheme' as the scheme set out in this division.
- **Section 859C:** defines eligibility for the cost of living payment: all adults aged 18 or over, residing in Queensland as at 30 November 2022, will receive the payment if they fill out the required form.
- **Section 859D:** sets out how the chief executive may request further information in order to determine eligibility under section 859C.
- **Section 859E:** requires a payment of \$500 to be made to each eligible individual.
- **Section 859F:** sets out that this scheme will be **funded** by increased royalty rates for 2023.

Division 2 - Rates of petroleum royalty for the 2023 period

- **Section 859G:** sets out the **application** of this division:
 - to any petroleum royalty that becomes payable by a petroleum producer from 1 February 2023 to 31 January 2004 ('the 2023 period'); and
 - Despite any rate prescribed under section 590(1)(c).
- **Section 859H:** sets out that petroleum royalty rates will be tripled for the 2023 period:
 - For domestic gas, if the average sales price is more than \$8 per gigajoule: 46 cents per GJ plus 0.30 cents per GJ for each 1 cent per GJ more than \$8 per GH.
 - For supply gas, if the average sales price is more than \$8 per GJ: 65 cents per GH plus 0.375 cents per GJ for each 1 cent per GH more than \$8 per GJ.
 - For project gas:
 - if the average sales price is more than \$9, but not more than \$14, per GJ: 27 cents per GJ plus 0.27 cents per GJ for each 1 cent per GJ more than \$9 per GJ; and
 - if the average sales price is more than \$14 per GJ: 72 cents per GJ plus 0.375 cents per GJ for each 1 cent per GJ more than \$14 per GJ.

Clause 4 amends the Dictionary to provide for definitions of '2023 period' and 'scheme' as referred to in the clauses above.