

5 February 2020

The Honourable Jackie Trad MP
Deputy Premier, Treasurer and
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Dear Deputy Premier

Jackie

QRC's 2020-21 State Budget submission

As you know, the resources industry is one of the foundations of the Queensland economy and the mainstay of the lives and livelihoods for generations of Queenslanders across our State.

Indeed, the Queensland Treasury website states:

"Mining activity made up 11.8% (\$38.8 billion) of our economy in 2017-18 (latest available). Queensland's coal and bauxite reserves are among the largest in the world and are of high grade making them a sought-after product overseas. Overseas exports of coal, LNG and minerals accounted for around 83% of the nominal value of Queensland's overseas merchandise exports in 2018-19."¹.

As the peak representative body for coal, mineral and petroleum exploration and production companies, service and supply companies, the Queensland Resource Council (QRC) advocates for predictable public policy informed by broad consultation and complementary government programs to support the sustainable development of our resource commodities.

Through this commitment to policy and program certainty, the resources sector can continue to contribute – based on the QRC-commissioned economic contribution for 2018-19 – one in seven Queensland jobs, one in every five dollars in the Queensland economy, supporting more than 14,400 Queensland businesses and 1,395 community organisations through the operations on less than 0.1% of Queensland's land area².

¹ See link <https://www.qrc.org.au/wp-content/uploads/2019/12/Economic-Impact-of-Resources-Sector-on-Qld-Economy-2018-19-Final.pdf>

² See link <https://www.qrc.org.au/wp-content/uploads/2019/12/Economic-Impact-of-Resources-Sector-on-Qld-Economy-2018-19-Final.pdf>

Significantly, this policy certainty will also allow the resource sector to play an even more significant role as:

- The largest source of Queensland's merchandise exports, with almost \$70 billion last financial year;
- The only industry in Queensland to have achieved a representative share of jobs going to Aboriginal and Torres Strait Islanders, with more than 4% the industry's employment going to Queensland's First Nations people;
- The foundation as Queensland's energy leadership, with the Government's ownership of coal and gas-fired generation underpinning the State's energy security; and
- A major driver for the transition to the low emission economy, as well as strengthening the State's ambitions for hydrogen, value adding and advanced manufacturing.

Recommendations

QRC recommends the Government consider in the preparation of its 2020-21 State Budget to:

1. Extend the current three-year royalty freeze on coal and minerals to ten-years – until 2029-30 - to maximise investment and employment certainty across Queensland.
2. Continue Jay Weatherill's consultation with QRC and APPEA members on design of the new gas royalty scheme. Once a workable position has been agreed, the Government stabilise those settings to align to a ten-year freeze for coal and mineral commodities.
3. Build upon the Government's commitment to exploration in the North West Minerals Province by adopting the Queensland Exploration Council's (QEC) \$4 million, six-part Advancing Queensland Mineral Exploration Initiative over the next four years.
4. Establish a \$5 million Gateway Industries Schools' Fund to support the continued delivery and future growth and outreach of programs, such as Queensland Minerals and Energy Academy (QMEA), over the next four years.
5. Extend eligibility of the free TAFE, apprenticeship and traineeship initiatives to include additional resource sector qualifications.
6. Ensure the proposed regulator model for Resource Health and Safety Queensland, with all its components are fully costed, and demonstrate through a cost benefit analysis and Regulatory Impact Statement, that the additional cost is justified by expected improvements to safety and health.
7. Re-engage with AgForce and the Queensland Farmers' Federation on landholder support through a joint resource industry/agricultural sector/government-funded initiative to address ongoing land access issues across all commodities.

Yours sincerely



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Background

1. Royalty stability for coal and minerals

QRC welcomed the Queensland Government's decision, announced ahead of the 2019-20 State Budget, to freeze the rate and thresholds of royalties applied to coal and mineral production in Queensland for three-years.

Prior to the Budget the Government also announced a three-year \$100 million Resources Community Infrastructure Fund (RCIF). The Government announced the three-year RCIF would include a \$30 million contribution from the Government and \$70 million in voluntary contributions from resource companies.

QRC, on behalf of its coal and mineral members, encouraged:

- the Government to continue to work with QRC and its members on the RCIF's establishment and operation. QRC repeated this offer on 22 July 2019 and followed-up on 21 November 2019 with a position paper to support the design of the RCIF. A constructive meeting between Queensland Treasury officials and members of the QRC Technical Royalties Working Group was held on 31 January and further engagement has been foreshadowed; and
- the Government to adopt a bi-partisan position and match the initial public commitment of the State Opposition for a four-year royalty freeze. In its Budget-in-Reply, this commitment was extended for all resource commodities to ten-years.

RECOMMENDATION: In preparing its 2020-21 State Budget, QRC recommends the Government extend the current three-year royalty freeze on coal and minerals to ten-years – until 2029-30 - to maximise investment and employment certainty across Queensland.

2. Petroleum royalty rates and new scheme

QRC was disappointed with the Government's decision, announced with the 2019-20 State Budget, to increase the wellhead royalty rate for petroleum by 25% (from a rate of 10% to 12.5%).

QRC welcomed the appointment of The Honourable Jay Weatherill as independent Chair for the petroleum Review, which you said in your Budget Speech would be "fair for all and will get us the best outcome".

At the time of preparing this submission, QRC and the Australian Petroleum and Production Exploration (APPEA) are awaiting further advice and consultation on the various models being considered by the Government.

QRC's position has been that differing models should be revenue equivalent, allowing the selection of a new model to be based upon equitable application and certainty for companies on their obligations into the future.

RECOMMENDATION: In preparing its 2020-21 State Budget, QRC recommends the Government continue consultation with QRC and APPEA members on design of the new gas royalty scheme. Furthermore, once a consensus and workable position has been secured, the Government stabilise those settings to align to a ten-year freeze for coal and mineral commodities.

3. New discoveries encouraged

In November last year, QRC and the QEC welcomed the Government's \$13.8 million five-year package to encourage new discoveries of critical minerals to attract more overseas investment, drive more international trade and create more local jobs and economic prosperity.

This package recognised Queensland has globally-significant reserves of copper, nickel, zinc, graphite, and molybdenum and major deposits of cobalt, rhenium, scandium, tantalum, niobium, lithium, rare earths and vanadium.

As Premier and Minister for Trade, The Honourable Anastacia Palaszczuk MP, said of the package that:

"Global demand is set to soar for cobalt and rare earth minerals needed for wind turbines, generators and batteries and copper needed for electric cars and the North is rich in these new economy minerals. Our five-year package aims to encourage new exploration, re-investigate old mines and probe the geological information government holds already."

The funding includes \$9 million to unearth more and better geological information to help the industry identify new products and \$4.8 million to re-examine old mine tailing and core samples for these minerals. This package followed the Government's earlier commitment to capacity-expanding projects at the port, including construction of the \$48 million intermodal facility, \$193 million port channel upgrade and the completion of the \$40 million Berth 4 upgrade as well as upgrading the Townsville to Mount Isa rail line and commit \$80 million to subsidise commercial freight users on the Mount Isa line over four-years.

QRC and QEC urges the Government to consider building upon the package through a \$4 million Advancing Queensland Mineral Exploration Initiative, which is attached.

The six-part program includes:

- A strong and sustainable QEC;
- One vision for the North West;
- Vision 2020 Queensland Explorer Challenge;
- Partnering to de-risk risky business;
- Critical minerals – understanding a new supply chain; and
- Working with local government to stimulate exploration in the Wide Bay Burnett region.

The anticipated return on this investment is significant, translating into:

- More job creation in the North West Minerals Province and beyond;
- Life extension for existing projects and infrastructure; and
- A global focus on resolving geological challenges associated with the North West Minerals Province.

RECOMMENDATION: In preparing its 2020-21 State Budget, QRC recommends the Government adopt the Advancing Queensland Mineral Exploration Initiative proposal to encourage new discoveries, investment and jobs, particularly in the development of the State's world significant critical minerals reserves.

4. STEM promotion in our classrooms

Through the Government's Gateway Schools program, QRC and its member companies support the delivery of science, technology, engineering and mathematics (STEM) to young Queenslanders through QMEA.

Through the Government's investment of \$150,000 per annum and the levy across QRC members raising in excess of \$1 million per annum, QMEA has extended its activities to include 75 secondary schools across the State.

QMEA and our engagement with students, teachers and their parents has encouraged more young Queenslanders to consider a career in the resources sector.

In the 2018 Skills for Queensland Discussion Paper Queensland VET Strategy, QRC reported that:

"Over the thirteen-year life of the program, approximately 20 percent of QMEA school graduates have entered engineering and related technologies employment or study compared to 13 percent of students from non-QMEA schools. In 2017 alone, 9 percent of students participating in QMEA activity secured an apprenticeship or traineeship compared to 2 percent in the non-QMEA school population while 9.6 percent of female QMEA students entered a mining related apprenticeship compared with 0.6 percent from non-QMEA schools. QMEA clearly supports the goal of the Queensland Government to significantly boost engagement in STEM subjects and STEM-related careers. The success of this initiative lies in the level of industry support and engagement with more than 1000 industry employees directly involved in the program over the past ten-years."

Within two-years of that submission, QMEA enters 2020 as a record year with a record 75 participating schools and the QRC's ambition to extend to 100 schools by 2023.

QRC welcomed the Queensland Skills Plan's commitment to Gateway Schools program.

In its 2018 submission, QRC proposed the Government "establish a dedicated \$5 million Gateway Industries Schools' Fund that will match dollar-for-dollar investment by industry. This will demonstrate to all stakeholders the Queensland Government's genuine investment in schools/industry partnerships and the benefits it brings for local communities and the future workforce."

RECOMMENDATION: In preparing its 2020-21 State Budget, QRC recommends the Government establish a \$5 million Gateway Industries Schools' Fund to support the continued delivery and future growth and outreach of programs, such as QMEA, over the next four-years.

5. Skills development for our workforce

The Government's initiative for free TAFE and apprenticeships is a significant investment in young Queenslanders joining the workforce. For the resources sector, the Government's commitment to the Resource Centre of Excellence in Mackay will build the capability of Queensland's world class METS sector to continue innovating.

Under the Government's commitment, the Government will meet the cost of training for Queensland apprentices and trainees under 21 who commence or are

undertaking one of 139 priority apprenticeship or traineeship qualification from 1 July 2019 to 30 June 2023. Currently, only one of the 139 qualifications – Certificate III in Drilling Oil/Gas (On shore) Traineeship – is designated for the resources sector.

In its submission to the 2018 Skills for Queensland Discussion Paper Queensland VET Strategy, QRC successfully sought the inclusion of the Certificate II Underground Coal Mining course in the priority skills list.

Furthermore, QRC members also identified other priority skills gaps including:

- Geological surveying, which is subject to a current skills shortfall;
- Cultural heritage surveying skill set, which would provide support for Indigenous communities and improve consistency in the approach to this important work;
- Instrumentation skill set as currently there is no clear path for an electrician to gain this skill other than a full additional year of trade qualification;
- Risk awareness and safety management;
- Process planning and continuous improvement;
- Communication skill set;
- Digital literacy skill set; and
- Training that encompasses creative thinking, critical thinking, innovation, negotiation and emotional intelligence skills.

RECOMMENDATION: While other eligible traineeship qualifications are applicable to the resources sector, QRC would urge the Government to consider extending eligibility to include other courses such as the Certificate III Indigenous Cultural Heritage Assessment Training.

6. Funding base for Resource Safety and Health Queensland

The Government is establishing an independent statutory body called Resources Safety and Health Queensland (RSHQ) and creating an independent Commissioner for Resources Safety and Health with functions across all resources sectors and will replace the existing Commissioner for Mine Safety and Health position.

The enabling legislation, the *Resources Safety and Health Queensland Bill 2019*, was passed by Parliament on 4 February.

The QRC supported the Government's commitment in the 2019-20 Budget to provide \$2 million to establish an independent regulator for resources safety and health. However, the industry also anticipates an increase in the health and safety fee presently paid under the resource safety Acts. The discussion paper released by the Department of Natural Resources, Mines and Energy with the draft Bill that "*the government is separately progressing necessary adjustments to the safety and health fee in light of recommendations made by the PMO [Project Management Office]*".

QRC participated in the Parliamentary Committee inquiry into the Bill and on behalf of the industry, QRC recommended on the issue of fees that:

"For the coal and metalliferous sectors, fee increases associated with the new statutory entity should require a Regulatory Impact Statement (RIS) to implement, however for the Petroleum and Gas (P&G) sector all that might be required to recover the additional compliance costs associated with RSHQ is to adjust the "cost estimate" for each of the fee categories under Schedule 6 Part 3 of the Petroleum and Gas (Safety) Regulation 2018. That would be a particularly inequitable outcome for the P&G sector since they

were not involved in the respiratory health issues that were believed to have eroded confidence in the Regulator to the point that an entirely new regulatory model is now being proposed. Adding to this concern is the fact that the P&G sector has expressed a preference for being regulated by the Work Health and Safety Regulator as a step towards resolving some of the jurisdictional issues they face".

RECOMMENDATION: As QRC recommended to the Committee, QRC urges the Government to assess the proposed regulator model, with all its components fully costed, and demonstrate through a cost benefit analysis and Regulatory Impact Statement, that the additional cost is justified by expected improvements to safety and health.

7. Re-establish landholder support project

The AgForce Landholder Support Project was a very successful project in engaging landholders and providing them with the information and support they needed to negotiate conduct and compensation agreements with resource holders.

Prior to being defunded, the program benefited from AgForce's depth of membership and knowledge about rural businesses.

QRC believes the revival of this program would re-engage the agricultural sector in the land access space. The co-existence of these sectors is important to their contribution to the Queensland economy, particularly in terms of jobs, exports, investment and regional development.

QRC has continued to encourage the Queensland Government's initiatives to promote exploration through land releases and a commitment to the collaboration drilling initiative. As exploration continues to expand into new areas, community members must be engaged and educated about the resources life-cycle and the land access framework. The absence of effective engagement at the early stages of exploration risks community concern with the potential to undermine genuine coexistence.

Previously the project has focused on the petroleum industry, and that was reflected in the funding distribution. The increased focus on coal and mineral areas would need to be reflected in an increase in funding contribution from Government Departments and QRC.

RECOMMENDATION: Prior to the Budget, the Government re-engages with AgForce and the Queensland Farmers' Federation on landholder support through a joint resource industry/agricultural sector/government-funded initiative to address ongoing land access issues across all commodities.

Attachments

1. QRC Working Position on Resource Community Infrastructure Fund.
2. Queensland Exploration Council Budget submission, Advancing Queensland Mineral Exploration Initiative.