



**Parliament of Australia**  
**Parliamentary Budget Office**

**Phil Bowen PSM FCPA**  
**Parliamentary Budget Officer**

Senator Richard Di Natale  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *No new coal or gas mines* (letter of 27 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

28 June 2016



## Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	No new coal or gas mines
Summary of proposal:	<p>The proposal would:</p> <p>(a) prohibit the extraction of thermal coal for export from:</p> <ul style="list-style-type: none"><li>• new mines</li><li>• the expansion of existing mines</li></ul> <p>(b) prohibit the extraction of onshore coal seam gas, tight gas and shale gas from:</p> <ul style="list-style-type: none"><li>• wells that are not already operating or in construction</li><li>• any expansion of existing gas projects.</li></ul> <p>Currently operating permits to mine coal and extract coal seam gas (CSG) would continue, however contractual options to expand coal mining and CSG extraction into new areas or greater depths would not be able to be utilised.</p> <p>The proposal would have effect from 1 September 2016.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	28 April 2016 <a href="http://greens.org.au/sites/greens.org.au/files/20160428_Living%20Reefs-Dying%20Coal.pdf">http://greens.org.au/sites/greens.org.au/files/20160428_Living%20Reefs-Dying%20Coal.pdf</a>
Date costing request received:	27 June 2016
Date costing completed:	28 June 2016
Additional information received (including date):	On 28 June 2016, the office of Senator Di Natale advised that the proposal would commence from 1 September 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

## Costing overview

A prohibition on new or expanded thermal coal and CSG projects would be expected to decrease both the fiscal and underlying cash balances by \$380 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in tax revenue.

A breakdown of the estimated financial impact of this proposal is provided at [Attachment A](#).

This proposal would have a significant ongoing impact that would extend (and could increase) beyond the forward estimates period depending on developments in the global markets for coal and CSG.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of very low reliability. It is based on limited data about new mining projects, forecasts of expected future thermal coal and CSG prices and production volumes, and it is uncertain when these projects would be in a taxable position.

This proposal would also have broad economic impacts that extend beyond the coal and gas industry, particularly in the longer term, that have not been evaluated in this costing.

**Table 1: Financial implications (outturn prices)<sup>(a)(b)</sup>**

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	..	-50.0	-150.0	-180.0	<b>-380.0</b>
Underlying cash balance	..	-50.0	-150.0	-180.0	<b>-380.0</b>

(a) A positive number represents an increase in the relevant budget balance, a negative number a decrease.

(b) Figures may not sum to totals due to rounding.

.. Not zero, but rounded to zero.

## Key assumptions

The Parliamentary Budget Office has made the following assumptions regarding this costing:

- The prohibition on thermal coal and CSG for export would reduce the expected return from, and viability of, all thermal coal mining and CSG extraction activity, leading to no new facilities opening for domestic consumption in the short-term. Approximately 85 per cent of thermal coal produced in Australia is currently exported.
- The costing does not include any estimate of compensation that may be payable to individuals or companies affected by the prohibition on new thermal coal mining or CSG extraction.
- A proportion of companies affected by the proposal would be non-taxable due to tax losses.

## Methodology

Production of thermal coal and CSG from projects yet to commence mining was estimated using the most recent edition of the Department of Industry, Innovation and Science publication *Resource and Energy Major Projects*. Projects yet to commence were identified and assigned a probability of progressing to completion. The expected output from the projects was multiplied by the probability of completion to estimate the production volumes.

The estimated decrease in production volume as a result of the prohibition on new thermal coal mines and CSG projects, and thermal coal and CSG price estimates from the *2016 Pre-election Economic and Fiscal Outlook* were used to calculate the forgone company profits and company tax revenue.

Estimates have been rounded to the nearest \$10 million.

## Data sources

- Australian Taxation Office – Taxation Statistics 2013-14
- Australian Taxation Office – 2013-14 company tax return data
- Department of Industry, Innovation, and Science – *Resources and Energy Major Projects*
- Department of Industry, Innovation, and Science – *Resources and Energy Quarterly*
- 2016 Pre-election Economic and Fiscal Outlook

## Attachment A: No new coal or gas mines— financial implications

The following table provides a breakdown of the estimated impacts of a prohibition on new or expanded thermal coal and CSG projects over the 2016-17 Budget forward estimates period.

**Table A1: No new coal or gas mines—Financial implications (outturn prices)<sup>(a)(b)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
<b>Impact on fiscal and underlying cash balances</b>					
<b>No new or expanded thermal coal mining</b>					
<i>Revenue - Company Tax</i>	..	-20.0	-40.0	-60.0	<b>-120.0</b>
<b>No new or expanded onshore gas mining</b>					
<i>Revenue - Company Tax</i>	..	-30.0	-110.0	-120.0	<b>-260.0</b>
<b>Total</b>	..	<b>-50.0</b>	<b>-150.0</b>	<b>-180.0</b>	<b>-380.0</b>

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero, but rounded to zero.