CFMEU
Mining and Energy

QUEENSLAND resources COUNCIL

Resourcing Queensland's future

21 December 2018

Committee Secretary
Senate Standing Committees on Environment and Communications
Parliament House
Canberra ACT 2600
via email: ec.sen@aph.gov.au

Dear Committee Secretary

Thank you for the opportunity to provide a submission on the *Galilee Basin (Coal Prohibition) Bill 2018 (Cth)*, (the Bill), introduced as a Private Member's Bill by Senator Waters on 5 December 2018. This is a joint sunmission from the Mining & Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU) and the Queensland Resources Council (QRC).

The Construction, Forestry, Mining and Energy Union (CFMEU), a trade union registered under federal industrial law with over 120,000 members is one of the largest in Australia. CFMEU Mining and Energy represents over 20,000 workers, mainly in coal mining and also in metalliferous mining, coal ports, power stations, oil refineries and other parts of the oil and gas production chain. We are here to advocate and protect our members' wages and conditions. The health and safety of our members is a prime focus and an issue on which we will never compromise.

As you would be aware, the Queensland Resources Council (QRC) is the peak representative organisation of the Queensland minerals and energy sector. QRC's membership encompasses minerals and energy exploration, production and processing companies. QRC works on behalf of members to ensure Queensland's resources are developed profitability and competitively, in a socially and encironmental sustainable way.

QRC is a member of the peak national body, the Minerals Council of Australia (MCA) and fully supports the MCA's submission. QRC's submission is intended to provide some aditional Queensland context around the proposed Commonwealth Bill.

The *Galilee Basin (Coal Prohibition) Bill* 2018 (Cth) proposes to prohibit thermal coal mining in the Galilee Basin. As stated in the explanatory memoranda for the Bill, the effect of the legislation would be that Adani's Carmichael coal mine could not proceed, nor could any other thermal coal mine proposed for the Galilee Basin.

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QRC commends Senator Waters for her enthusiasm - her passion for the subject of climate change is very clear in her second reading speech. Her speech concludes that this Bill is one way to achieve the outcome of keeping coal in the ground. QRC's submission suggests that that the Bill is not the best way to achieve this goal because the Bill ignores all the public and regulatory scrutiny that has already been applied to projects in the Galilee Basin at the State and Commonwealth level.

QRC agrees with Senator Waters that climate change is a critical global challenge, which must be addressed by all parts of society. The resource industry is committed to being part of the global solution. While we respect and appreciate Senator Waters' intentions in introducing the Bill, such a blunt legislative fix is inappropraite and unlikely to achieve the Bill's ultimate aim. Senator Water's second reading speech provides some conjecture on the possible motivation of the Labor Party and the Government in not supporting the Bill. In turn, her explicitly political speculation about the motivation of her political opponents invites the Committee to consider her own political motivation in introducing a Bill that she seems happy to conceed will not be supported in either house of Parliament.

QRC does not support the Bill on three key grounds:

1. The Queensland Government has a thorough assessment and approval process for resource projects, which regulates thermal coal mining. The project assessment framework is put in place to ensure the responsible development of the State's resources.

2. The opportunity cost of prohibiting thermal coal development in the Galilee Basin would be significant to the community and Government.

3. Prohibiting coal mining in the Galilee is unlikely to affect the demand for thermal coal globally.

QRC recommends that the Committee does not support the passage of the Bill.

1. APPROVAL PROCESS

Queensland's resource industry contributes to the creation of jobs, supports local communities and businesses and provides significant royalty payments to the State through the environmentally responsible extraction of our commodities – metals, minerals and energy. While the resources sector uses only 0.1 percent of Queensland's land mass, these operations must be planned and undertaken in a way that minimises impacts to the environment, including to land, biodiversity, air quality, water and the Great Barrier Reef. QRC regards responsible environmental management as a core part of the sector's social license to operate.

The industry's regulatory framework is regularly upgraded and refreshed. On 14 November 2018, the Queensland Parliament passed the *Mineral and Energy Resources Financial Provisioning Act*. The new Act establishes not only a new Financial Provisioning Scheme, but also establishes a detailed, universal rehabilitation planning framework. The new scheme further protects taxpayers in the unlikely scenario a company fails to meet

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its rehabilitation commitments. The new laws will further strengthen the reputation of the Queensland resources industry's commitment to world-class rehabilitation.

Under the Constitution, the Queensland Government owns the State's rich endowment of natural resources. The primary responsibility for regulating resource development sits with State and Territory governments and the Commonwealth Government's main role is to ensure compliance with Australia's international commitments and national leglisation, such as the *Environment Protection and Biodiversity Conservation Act (1999)*. It is true that major projects, including coal mines, have a number of impacts, both positive and negative, each of different scope and duration. This is why – despite the risk of duplication and overlap – that these projects are assessed and regulated by both State and Commonwealth governments.

Constitutional responsibility for the management of water resources rests with the States. Access and use of Australia's water resources by the minerals industry is subject to more regulation and oversight than most other economic activities in the country. Importantly, industry often uses water not suitable for other purposes, including saline and hypersaline water.

Large coal mining projects require approval under the Commonwealth's *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) relating to water impacts. Through this process, the Commonwealth Department of the Environment must request advice from the Independent Expert Scientific Committee (IESC). As a result the Commonwealth can provide comment, request information and set conditions as part of the project approval.

A recent independent review of this Commonwealth water trigger found additional regulatory costs associated with water trigger borne by industry were significant – estimated at $47 million annually. The review concluded this was 'acceptable' despite being unable to ascertain whether the water trigger had achieved any of its aims of improved environmental outcomes or enhanced community confidence.

In Queensland, priority agricultural areas (strategic cropping land) and also strategic environmental areas are each further protected under the *Regional Planning Interests Act 2014* (Qld). A coal mining proponent must apply for a Regional Interest Development Approval under which potential impacts on strategic agricultural areas are assessed. Separately, the *Water Act 2000* (Qld) was recently amended to expand the powers of the Office of Groundwater Impact Assessment (OGIA) to declare a cumulative impact area and conduct a Groundwater Impact Assessment for all resource projects in that area.

QRC requests that the Committee note that no other water user in the Galilee Basin will be subject to these nested and multiple regulatory assessments. Further, the proposed Bill appears not to have adequately considered these pre-existing multiple assessment points for a coal mine in the Galilee. As such, it would be difficult to see the proposed Bill standing up to the scrutiny of a regulatory impact assessment.

In summary, all Queensland resource projects undergo a rigourous assessment process, the purpose of which is to ensure an appropriate balance between economic,

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environmental and social impacts on a community's wellbeing.[1] This process can take years to complete, and is undertaken by credible and unbiased experts in the public service. This assessment process agrees on the scope of the issues to be assessed and a considerable weight of scientific evidence is assembled and presented as a key input into these assessment processes. The proposed Bill effectively undermines existing Government processes and procedures which have been put in place to ensure the responsible development of the State's resources. This is poor legislative practice.

2. THE BENEFITS FORGONE

Coal mining in the Galilee Basin can provide a major source of economic benefit, particularly for regional Queensland. The Productivity Commission's Inquiry Report into Major Project Development Assessment Processes outlines that 'major projects are a vital source of Australia's future prosperity. They lift national income, create employment opportunities, raise productivity and generate revenue for governments through royalties and taxation, thereby helping to fund government programs.'[2]

At a time when Queensland's unemployment rate is the highest in the nation,[3] the development of the Galilee Basin can provide a welcome increase to the employment opportunities for Queensland's regional labour force. According to the Office of the Chief Economist, if they were to all proceed as currently configured, the six major coal projects in the Galilee Basin would have a combined cost estimate of $48.4 billion and would support 18,275 jobs during construction.[4] The jobs created in mining are typically highly skilled, high-tech, high-paying jobs that support local communities across Queensland.

The economic benefits aren't limited to regional Queensland. The royalty payoff from developing the Galilee Basin will support Queensland Government services. Even if only one quarter of the coal capacity in the Galilee (as identified by the Office of the Chief Economist) is developed, QRC estimates the royalties paid to the Queensland Government would reach approximately $290 million each year. At today's rates, that could pay the annual salaries of over 4,000 teachers, police constables or registered nurses.

3. DEMAND FOR THERMAL COAL TO CONTINUE

In Senator Waters' introductory speech for the Bill, the Senator articulates that the Bill seeks to "keep coal in the ground", due to significant concerns about the carbon emissions caused by burning thermal coal for power. The QRC believes that banning coal mining in one basin, in one country is unlikely to reduce global emissions. This is because the Bill is unlikely to materially affect thermal coal market demand.

Some of Queensland's closest and largest trading partners are major purchasers of thermal coal. Several countries in the Asia Pacific have already made significant

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[1] Productivity Commission (2013) 'Inquiry into Major Project Development Assessment Processes). Accessed at http://www.pc.gov.au/inquiries/completed/major-projects/report/major-projects.pdf

[2] Ibid, p 3.

[3] Australian Bureau of Statistics, *Cat. No. 6202.0 Labour Force, Australia*, October 2018

[4] The projects are: Alpha Coal project, Carmichael Coal project, China First, China Stone, Kevin's Corner & South Galilee; Department of Industry, Innovation and Science (Office of the Chief Economist), Resources and Energy Quarterly, December 2017.

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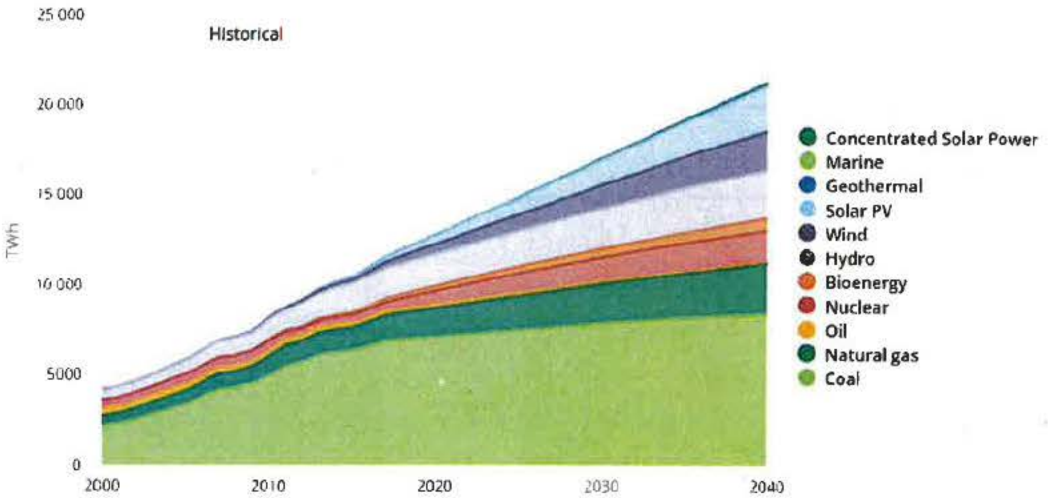
investments in coal-fired power generation. For example, as of March 2018, India had 65 gigawatts of coal fired generation capacity under construction— more than the entire generation capacity of Australia's National Electricity Market.[5] The International Energy Agency's *World Energy Outlook 2018* said the average age of coal-fired plant in Asia is less than 15 years, compared with around 40 years in advanced economies.

Thermal coal demand across the Asia Pacific is set to continue. The IEA, in its central scenario, forecasts India to nearly double its coal-fired power capacity by 2040. This investment will mean coal remains the dominant generation source for India in 2040 at around 50% of total generation. More widely across the Asia Pacific, coal is forecast to provide around 40% of total power generation by the year 2040 (see **Figure 1**).

Figure 1: Asia Pacific electricity generation by technology, new policies scenario



Given the current and forecast investment in coal-fired power generation, demand for thermal coal in the global market will remain, particularly in the Asia Pacific. If the Galilee Basin is not developed, the coal to fire these power stations will be sourced from elsewhere. Were it to be developed, the Galilee Basin would be only one of many thermal coal producing regions in Australia—and even then, around 80% of the world's thermal coal exports are supplied from outside of Australia.

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[5] IHS Market, *India Coal-Based Power Plant Database*, March 2018; AEMO, National Electricity Market Fact Sheet, URL: https://www.aemo.com.au/-/media/Files/Electricity/NEM/National-Electricity-Market-Fact-Sheet.pdf

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IN SUMMARY

For the reasons outlined, QRC does not support the proposed Bill.

QRC would welcome the opportunity to elaborate on any of the points made in this submission or for the opportunity to appear before the Committee to give evidence. QRC can confirm that the submission is not confidential, so the Committee is welcome to publish it on the Parliamentary website. The contact at the QRC is Kirby Anderson, Policy Director, Strategic and External Relations on or

Yours sincerely,

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Yours sincerely

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