From: DLO QT [redacted]@treasury.qld.gov.au>
Sent: Friday, 14 October 2022 10:33 AM
To: Anton Lane
Cc: Executive Correspondence
Subject: 04287-2022 | TF/22/16167 - DPC request info on correspondence from Mr Ian Macfarlane, Queensland Resources Council and the impact on the coal royalty tax increase - due COB 19/10/22
Attachments: The Honourable Annastacia Palaszczuk MP_3.10.22.pdf; 20221013_UT_Approved_Request_for_information_-_Qld_Royalty_Increases QT ref 04287-2022.docx

Hi Anton

Please see the attached in response to your request below.

Please advise if you require any further information.

Kind regards

[redacted] s73(2)

Departmental Liaison Officer | Officer of the Under Treasurer

[redacted]
[redacted]@treasury.qld.gov.au
Queensland Treasury | Level 38, 1 William Street

QUEENSLAND TREASURY

www.treasury.qld.gov.au

From: Anton Lane
Sent: Tuesday, 4 October 2022 3:39 PM
To: DLO QT
Subject: [EXTERNAL] TF/22/16167 - Correspondence from Mr Ian Macfarlane, Queensland Resources Council - Coal Royalties

04287-2022

Hi [redacted]

We're kindly seeking QT's advice on:
- an appropriate response to the attached letter (by COB Wednesday 19 October 2022 if possible please)
- whether the Treasurer will also be responding?

Kind regards,

[redacted]
Principal Policy Officer, Economic Policy
The Cabinet Office
Department of the Premier and Cabinet

P 07 3003 9337 **M** [redacted]
Level 30, 1 William Street, Brisbane QLD 4000
PO Box 15185, City East, QLD 4002

From [redacted]@qrc.org.au>
Sent: Monday, October 3, 2022 2:01 PM
To: The Premier <The.Premier@premiers.qld.gov.au>
Cc: treasurer@ministerial.qld.gov.au; Resources <resources@ministerial.qld.gov.au>; Rachel Hunter <rachel.hunter@premiers.qld.gov.au>; Jim Murphy (Ministerial) <[redacted]@ministerial.qld.gov.au>; info@treasury.qld.gov.au; paul.keene@ministerial.qld.gov.au; [redacted]@qrc.org.au>; [redacted] <[redacted]@qrc.org.au>
Subject: TREASURY - Correspondence The Honourable Annastacia Palaszczuk MP

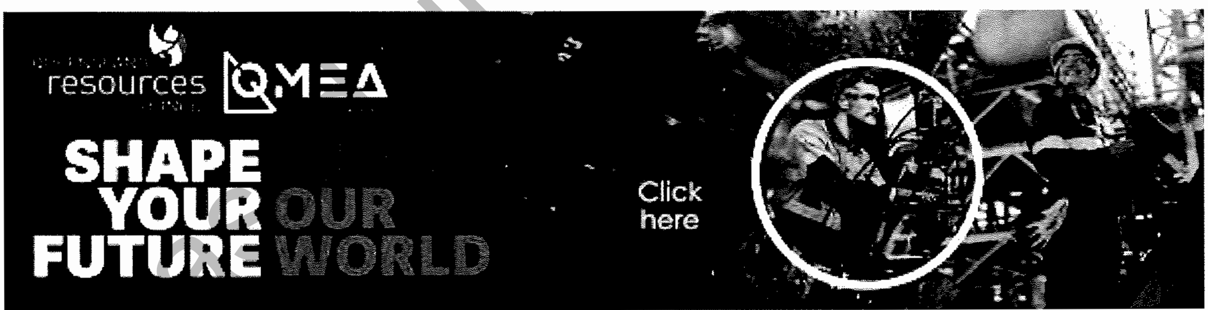
Dear Premier

Please find attached correspondence from Mr Ian Macfarlane, Chief Executive, Queensland Resources Council, for your attention.

Kind regards

[redacted]
Executive Assistant to Chief Executive
Queensland Resources Council
t: 07 3295 9560

Level 13, 133 Mary St. Brisbane Q 4000
PO Box 15221, City East Q 4002



QUEENSLAND
resources
COUNCIL

Resourcing Queensland's future

3 October 2022

The Honourable Annastacia Palaszczuk MP
Premier
Minister for the Olympics
Email thepremier@premiers.qld.gov.au

Dear Premier

I am writing to request a meeting with you as soon as possible to discuss the scale of the impact of the Queensland Government's coal royalty tax increase, which has created the world's highest coal royalty taxes.

I note your decision to scrap plans for changes to Queensland's land tax regime, which property analysts believed would increase cost of living pressures and drive-up rents.

The impact of the Queensland Government's coal royalty increase will be even more detrimental to Queensland resources communities and counterproductive to the long-term economic outlook for Queensland.

We believe Treasury's forecasts of an additional $1.2 billion to be collected from the new tiers over four years is a very significant underestimation.

Modelling from a range of sources including Westpac, the Office of the Chief Economist in Canberra and third-party analysts Commodity Insights shows the royalty tax increase will collect between $2.9 billion and $7.5 billion extra from the new tiers this year alone. That's additional billions of dollars that can't be invested in equipment, exploration, or local resources communities.

I know you are aware of the deep shock the royalty increase has caused in Japan, one of Queensland's largest and long-term trading partners, especially because the royalty increase was announced without consultation or discussion about the long-term impacts.

You will also be aware of reporting on some of Australia's biggest mining companies looking seriously at their investments in Queensland as a result of royalty changes. We believe other companies are also currently reviewing their long-term investment plans, putting Queensland jobs and regional businesses at risk.

These changes to the royalty regime are creating significant concern for investors in other commodities too, given the doubt it raises about the stability of investment conditions in Queensland. This includes investments in hydrogen, critical minerals and the energy infrastructure needed to meet the Government's renewable energy and emissions reductions goals.

ABN 59 050 486 952
Level 13 133 Mary St Brisbane Queensland 4000
T 07 3295 9560 F 07 3295 9570 **E** info@qrc.org.au
www.qrc.org.au

We are seeking a commitment from you to review the royalty increase and overturn the new royalty tiers introduced by the Treasurer in the June 2022 Budget before further damage is caused to Queensland investment and jobs of the future.

The resources industry has a track record of working closely and collaboratively with Government to deliver positive outcomes for Queensland communities, as was evident during the COVID-19 pandemic. The resources sector is ready to continue working with Government to the benefit of Queenslanders, through the development of polices where there is detailed consultation. I am available at any time to meet with you along with Queensland resources company executives to discuss this matter.

Yours sincerely

I. Macfarlane

Ian Macfarlane
Chief Executive

Cc: The Honourable Cameron Dick MP
Treasurer
Minister for Trade and Investment
Email treasurer@ministerial.qld.gov.au

The Honourable Scott Stewart MP
Minister for Resources
Email: resources@ministerial.qld.gov.au

Ms Rachel Hunter
Director-General
Department of Premier and Cabinet
Email: rachel.hunter@premiers.qld.gov.au

Mr Jim Murphy
Chief of Staff
Department of Premier and Cabinet
Email: jim.murphy@ministerial.qld.gov.au

Mr Leon Allen
Under Treasurer
Queensland Treasury
Email: info@treasury.qld.gov.au

Mr Paul Keene
Chief of Staff
Department of Resources
Email: paul.keene@ministerial.qld.gov.au

Queensland Government

Request for information

Queensland Treasury

QT Ref: 04287-2022
DPC Ref: TF/22/16167

SUBJECT: Queensland royalty increases

Key/contentious issues

- On 3 October 2022, the Queensland Resources Council (QRC) wrote to the Premier (cc to the Treasurer and the Minister for Resources) requesting a meeting to discuss the new progressive coal royalty tiers announced in the 2022–23 Queensland Budget.
- The letter notes the Premier's decision to defer plans for changes to Queensland's land tax regime to take account of properties held interstate and asserts the impact of the coal royalty increase will be relatively more detrimental.
- The letter reiterates analysis and statements previously released by the QRC. It does not present any new information.
- The QRC's letter makes reference to 'modelling from a range of sources', including Westpac, the Office of the Chief Economist (OCE), and Commodity Insights. QRC and Commodity Insights (engaged by QRC) used price forecasts published by Westpac and OCE to derive an estimate of the additional revenue raised by the new tiers.
- Supported by the very high coal prices seen in recent times, coal companies active in Queensland have been reporting extremely strong financial results across their coal assets, including several companies reporting record revenues and profits.

CBRC

CBRC

Recent coal company profits

- Supported by the very high coal prices seen in recent times, companies active in Queensland coal have been reporting extremely strong financial results across their coal assets, including:
  - **BHP**: Reported its BHP Mitsubishi Alliance assets recorded an EBITDA of US$6.335 billion in 2021–22, an increase of US$5.768 billion on 2020–21.
  - **Coronado**: Reported record revenue of US$1.980 billion and record net income of US$561.9 million in the first half of 2022.
  - **Stanmore**: Reported revenue of US$1.1 billion in the first half of 2022, up from US$71.8 million in the first half of 2021.
  - **Yancoal**: Reported half-year records for revenue (A$4.8 billion), operating EBITDA (A$3.2 billion), and EBITDA margin (65 per cent) in 2022.
  - **Whitehaven Coal**: Reported revenue of A$4.9 billion, and a record EBITDA and net profit after tax of $3.1 billion and $2.0 billion respectively, across 2021–22.
- Royalties are also tax deductible, reducing the impact of the new tiers on producers after tax bottom line by 30 per cent (on basis that companies are showing a profit).
- Coal company investments are also based on expectations of longer run average prices. The unprecedented high prices seen in recent times, which the new tiers are designed to target, are likely to far exceed the standard price assumptions adopted by coal companies when they are assessing future investments.
- For example, Whitehaven Coal's Chief Executive Officer, when asked about the impact of the new royalty tiers on the company's proposed Winchester South coal mine in a call with investors on 18 July 2022, noted the company hadn't *"been using a price deck which contemplated the upper ends of the scale that they're taxing now, so in that sense, it's not a material effect on our proposition as far as Winchester South goes"*.

Investment in Queensland

- The Treasurer recently went to Japan and met with a number of investors, and it is clear Queensland remains a competitive destination for investment.
- Since bipartisan progressive coal royalties were introduced, there has been major ongoing investment into Queensland's future resources and energy economy:
  - Major Korean companies Hanwha, SK Group and Korea Zinc have proposed a $20 billion investment Queensland's green hydrogen industry
  - Idemitsu, one of Queensland's long-term partners in coal, increased its investment in Queensland's new economy minerals through the Critical Minerals Group.
- Queensland offers a range of competitive advantages with regard to coal production and export, particularly its unique position in terms of the high quality of its hard coking coal reserves and its advantageous geographic location to service the fast-growing Asian region.
- Queensland, as the world's largest seaborne exporter of metallurgical coal, offers an efficient and reliable supply chain, a highly skilled workforce, and a demonstrated track record of delivering the coal

sought by its trading partners. Other key factors that make Queensland an attractive destination for foreign investment include its well-established legal system and stable government.

- Reflecting these advantages, since the bipartisan progressive coal royalties were introduced, there continues to be strong investor interest in Queensland coal. For example:
  - In mid-August 2022, Stanmore Resources agreed to buy the remaining 20 per cent stake of South Walker Creek and Poitrel coal mines from Mitsui & Co. for US $380 million.
  - Whitehaven Coal has confirmed to the market it is continuing to pursue the Winchester South Development.
  - Peabody Energy has indicated its North Goonyella mine is still its best organic growth opportunity and a high priority among its list of projects.
- More broadly, share prices of the majority of key Queensland coal companies have increased since the release of the 2022–23 Budget (as at the end of September 2022). In annual terms, share prices of most companies have risen significantly at a time when the overall ASX All Ordinaries Index has declined by 7 per cent.

Reinvestment of royalty revenue in Queensland

- The returns Queensland derives from its natural resources are reinvested across Queensland's regions to provide essential services and the economic infrastructure needed in response to our growing population and to support investment in our regions.
- For instance, announced as part of the $62 billion Queensland Energy and Jobs Plan, the Government has increased the Queensland Renewable Energy and Hydrogen Jobs Fund to $4.5 billion, with a $2.5 billion injection from coal royalties. This investment was initially set aside in the 2022–23 Budget Update (i.e. prior to the announcement of the new tiers).
- The Queensland Government will continue to ensure the benefits of the progressive coal royalties, and more, will be invested back into regional Queensland.

Interstate land tax

- The decision to defer the reform of land tax was influenced by implementation issues related to a lack of support from other states and territories. In the case of coal royalties, there are no such implementation issues or reliance on support from other jurisdictions.

From: DLO QT <[redacted]@treasury.qld.gov.au>
Sent: Wednesday, 5 October 2022 12:34 PM
To: Anton Lane
Cc: Executive Correspondence; [redacted]
Subject: [QT 04234-2022 | TF/22/16167] - RE: DPC request - Correspondence from Mr Ian Macfarlane, Queensland Resources Council - Coal Royalties

OFFICIAL

Hi Anton

I confirm that the Treasurer and Under Treasurer will not be responding directly.

We will send you an update with information for your response today.

Kind regards

s73(2)
Departmental Liaison Officer | Officer of the Under Treasurer

[redacted]
[redacted]@treasury.qld.gov.au
Queensland Treasury | Level 38, 1 William Street

QUEENSLAND TREASURY

www.treasury.qld.gov.au

From: Anton Lane <[redacted]@premiers.qld.gov.au>
Sent: Tuesday, 4 October 2022 3:39 PM
To: DLO QT <[redacted]@treasury.qld.gov.au>
Subject: [EXTERNAL] TF/22/16167 - Correspondence from Mr Ian Macfarlane, Queensland Resources Council - Coal Royalties

Hi [redacted]

We're kindly seeking QT's advice on:
- an appropriate response to the attached letter (by COB Wednesday 19 October 2022 if possible please)
- whether the Treasurer will also be responding?

Kind regards,

R

Anton Lane
Principal Policy Officer, Economic Policy
The Cabinet Office
Department of the Premier and Cabinet

P 07 3003 9337 **M** s73(2)
Level 30, 1 William Street, Brisbane QLD 4000
PO Box 15185, City East, QLD 4002

Queensland Government

From [redacted]@qrc.org.au>
Sent: Monday, October 3, 2022 2:01 PM
To: The Premier <The.Premier@premiers.qld.gov.au>
Cc: treasurer@ministerial.qld.gov.au; Resources <resources@ministerial.qld.gov.au>; Rachel Hunter <rachel.hunter@premiers.qld.gov.au>; Jim Murphy (Ministerial) <jim.murphy@ministerial.qld.gov.au>; info@treasury.qld.gov.au; paul.keene@ministerial.qld.gov.au; [redacted]@qrc.org.au>; [redacted]@qrc.org.au>
Subject: TREASURY - Correspondence The Honourable Annastacia Palaszczuk MP

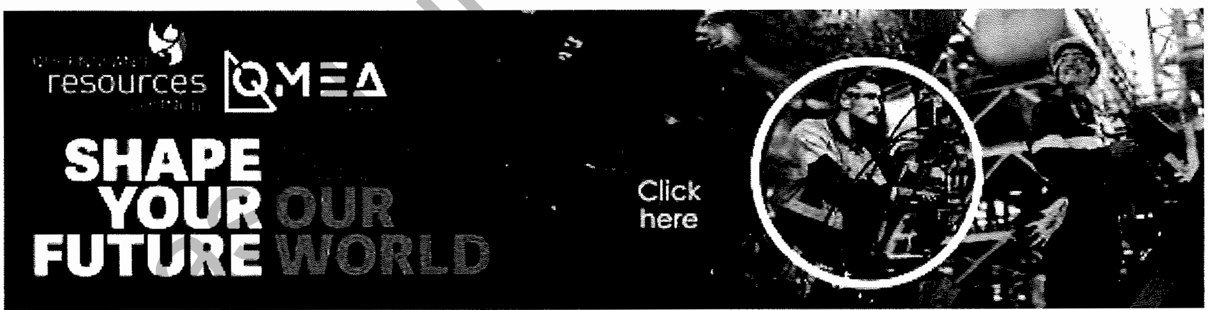
Dear Premier

Please find attached correspondence from Mr Ian Macfarlane, Chief Executive, Queensland Resources Council, for your attention.

Kind regards

[redacted]
Executive Assistant to Chief Executive
Queensland Resources Council
t: 07 3295 9560

Level 13, 133 Mary St. Brisbane Q 4000
PO Box 15221, City East Q 4002



From: Luana Maeyke
Sent: Friday, 23 September 2022 2:09 PM
To: [redacted]@treasury.qld.gov.au
Cc: Chris Chinn; Nicole Tabb; Anton Lane; Lisa Love
Subject: Queensland Treasury Election Commitment GEC1104
Attachments: Source document GEC1104 (In Queensland, 16 October 2020).PDF; Source document GEC1104 (The Courier Mail October 8, 2020).PDF

Good afternoon

Thank you for meeting with us this morning regarding the 2020 Government Election Commitment to 'A three-year royalty freeze at current levels for coal and metal royalties'. As discussed I have attached the source documents for the coal royalties commitment which is on page 6 of 7 and 3 of 4 respectively.

[redacted]

s73(2)

Please let me know if you need any further information prior to the meeting regarding Queensland Treasury's Government Commitments on Wednesday next week.

Kind regards

Queensland Government

Luana Maeyke
A/Principal Policy Officer, Performance Unit
Cabinet and Intergovernmental Relations
The Cabinet Office
Department of the Premier and Cabinet

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Pages 14 through 20 redacted for the following reasons:
- -
PPQ
s53(d) - Courier Mail