FAIR SHARE PLAN

MAKING MINING CORPORATIONS PAY

Every Queenslander has the right to live a comfortable and enjoyable life with access to quality education, a fulfilling job, healthcare, and an affordable home. But if we want any of this we need massive mining corporations to pay their fair share.

greens.org.au/fairshareplan

THE GREENS

MAKING MINING CORPORATIONS PAY

In the last 10 years Labor and the LNP took over $14 million[1] in donations from mining corporations. So it's no surprise that Queensland has some of the lowest mining royalty rates in the world. Billions in profit have flowed offshore, as the big parties let mining companies off the hook and wasted the boom of a lifetime.

Every Queenslander has the right to live a comfortable and enjoyable life with access to quality education, a fulfilling job, healthcare, and an affordable home. But if we want any of this we need massive corporations to pay their fair share.

The Queensland Greens propose raising the royalty rates on coal and gas to ensure that Queenslanders don't miss out on the last years of coal and gas in Queensland. These resources belong to all Queenslanders - not the mining billionaires.

We need a jobs-first transition away from coal and gas. After making billions off the hard work of Queenslanders, we think mining billionaires should pay their fair share.

THE FAIR SHARE PLAN

The Queensland Greens believe that mining corporations should pay their fair share for selling our resources. We will raise $26 billion over five years by raising coal and gas royalties. This will raise an extra $19.7 billion above existing royalties and ensure we have the money to build a better future for all Queenslanders.

> **We will raise this extra money while still banning the expansion of coal and gas operations in Queensland.**
>
> **In comparison, Labor's plan relies on expansion of dangerous thermal coal and gas.**

The Queensland Greens will:

- Increase the coal royalty rate from the current 7% to 18.75%

  Establish the 18.75% rate as the flat rate regardless of the market price of coal
- Increase the gas royalty rate to 18.75%, levied via the netback method
- Announce a commission of inquiry into tax deductions available to gas producers and their use in evading tax.

  The commission will also investigate taxes for gas piped through Queensland, a carbon tax to be levied on emissions, and the development of a truly transparent market price.
- Ban all identifiable state subsidies to mining corporations and announce a commission of inquiry to identify and eliminate state-provided subsidies to the fossil fuel sector, which we estimate to be about $1.3 billion per year.

  The founding principle of the commission shall be that a fossil fuel company should pay the same costs for transport, power and infrastructure that the average citizen or business would pay.

  For those things that must be provided by the state, the commission will recommend a schedule of charges and duties. We will commit to implement the recommendations of this commission of inquiry.
- Ban the expansion of coal and gas in Queensland.

FURTHER DETAIL AND COSTINGS

Overall our plan would raise $26 billion over five years based on our conservative assumptions.

Crucially, our costings and estimates are based on banning all expansion of coal and gas in Queensland, while the Labor State Government revenue is dependent on an expansion of coal and gas.

In other words, our plan raises $26 billion over five years and leads to a reduction in coal and gas production. Labor's plan raises $6.3 billion and leads to an increase in dangerous coal and gas.

If we were to base our costings on Queensland Treasury's assumptions, our plan would raise $29 billion.

COAL

The current tax arrangement is a graduated tax rate, with coal worth less than $100 taxed at a 7% rate, with the rate increasing to 12.5% in the unlikely event the coal price increases in the future.

We desperately need to start planning for an orderly transition away from thermal coal, but we need to make sure these mining giants pay their fair share over the next few years.

In 2015/16, the state earned $1,705 billion. Earnings in 16/17 were revised up to $3,376 billion due to an increase in the coal price. Treasury estimates the take will ease to around $2.25 billion for the next four years. They estimate that the coking coal spot price will stabilise at $115 a tonne over the medium run due to increased production in China and some other market factors.

Treasury also estimates a coal production volume increase of 7.1%. The total value of Queensland's coal exports in 2016/17 was over $40 billion. For gas, it was $10 billion in 2015/16, and expected to double in 2016/17 (numbers are from the 15/16 budget).

> **The Queensland Greens assume that prices will drop to their 2015 levels after 2017/18, and that production will not increase.**
>
> **These assumptions are consistent with our long-standing policy to ban new coal mines and coal mine expansions.**

The Queensland Greens will increase the underlying royalty rate per tonne of coal from 7% to 18.75%. This would have increased revenue from $1.705 billion to $4 billion in 2015/16 and $3.3 billion to over $5 billion in 2016/17. This is based on US income from mining (a billion tonnes netting $6.7 billion at a 12.5% rate). Queensland produced 313 million tonnes in that year, and would be expected to earn $2.25 billion with the same rate. With the higher rate, **earnings would be equal to $4 billion** and $5 billion respectively.

Our five year estimate is that this higher coal royalty rate will earn $20 billion over five years (**$4 billion x 5 = $20 billion**). As explained above this is because of our ban on coal expansion and our conservative assumptions on the price of coal.

Treasury expects production to "grow moderately" over the forward estimates.[2] In 2016, coal prices fluctuated upwards, doubling income. Based on Treasury assumptions our policy would raise $29 billion over five years.

CUTTING SUBSIDIES

We will cut all subsidies throughout the broader mining sector. We estimate this to **save $1.3 billion a year, for a total of $6.5 billion**.

In a comprehensive report The Australia Institute found that between 2008/9 and 2013/14 the Queensland Government spent $9.5 billion on subsidies for the mining industry, largely eroding any money raised via royalties.

Since this report there has been no definitive or in-depth study into subsidies provided by the Queensland Government to the mining industry.

Without significant work and scrutiny it is difficult to determine exactly how much in subsidies are provided to the mining industry. However, many forms of subsidy remain, including transport subsidies, cheap electricity and more.

For instance many coal company employers are deemed exempted from paying payroll tax. In 2015/16 this cost a quarter of a billion dollars. Coal companies are also given concessional rates on freight transport. The Australia Institute estimates this costs the state around $300 million a year.

We estimate that the Queensland Government on average provide $1.3 billion a year in subsidies to the mining industry. We believe this a relatively conservative estimate given that in the period between 2008 and 2014 the average exceeded $1.5 billion.

GAS

The gas sector does not pay substantial royalties, does not employ a large number of people, does not make available our product to domestic business or consumers at the international market rate and causes enormous and unpredictable environmental damage.

There are many gas projects which will never pay federal tax - for this reason the state government holds an important position.

Australia is emerging as the largest gas exporter in the world, and yet the federal gas tax raised less than $2 billion last year.

This can be compared to the government of Qatar, which earned over $20 billion in the same year, albeit for a greater amount of gas. According to the McKell Institute, Australians receive in tax just 1.42% of the value of our gas, compared to Nigeria (3.35%), Indonesia (3.34%) or Qatar (4.80%).

Queensland pumped over 1000PJ of gas in 2015/16, which was almost entirely coal seam gas.

Treasury assumes that gas prices will increase, based on an expected increase in oil prices. They have reduced their production assumptions from the 15/16 budget, but still expect a substantial increase in production over the forward estimates.[3]

The Queensland Greens assume there will be no increase in production over the next five years.

For this reason we assume the rate won't exceed the 1000PJ of gas produced in 2015/16 with prices remaining static. These are deliberately conservative estimates and in line with our policy of banning all expansion of gas production in Queensland.

In 2015/16 the state earned $36 million through the Petroleum royalty (this is predominantly gas). It is estimated to earn just short of $100m in 2016/17. For the five years to 2020/21, the petroleum royalty is estimated to net **$1 billion**.

We estimate the Queensland Greens policy would earn $1 billion in 2017. This represents 4% of the value of our gas, which is comparable to the tax revenue take in Qatar and Indonesia.

It is also comparable to Treasury estimates of the value that could be captured with proposed changes to the tax arrangements ($450 million in 2015/16).

Our plan for gas would raise $5 billion over five years (**$1 billion x 5 = $5 billion**). **This is compared to Labor's plan, which would raise $1 billion over five years.**

THE NETBACK METHOD?

Gas producers routinely evade their royalty obligations by inflating deductions and through what is called "transfer pricing", where they value their gas at a different taxable rate to its sale price.

The Queensland government recently attempted to reduce this tax evasion by changing the way it calculates taxable income to a "netback" method.

The state government expects this to net around $450 million, though it is currently locked in a court battle with the gas industry over the regulatory change.

> *"The netback method identifies all the relevant costs incurred in the downstream operation, and then subtracts those costs, including an allowance for capital expenditure, from the total revenues realised from selling the liquefied product."* [4]

This is just one option for a new tax arrangement with gas producers.

Any arrangement should be public and universal, instead of being negotiated individually with gas producers as at present.

FAIR SHARE PLAN SUMMARY

In summary our plan would raise $26 billion over five years, with $20 billion coming from coal and $5 billion from gas or LNG revenue.

In comparing this plan with the status quo it is important to note that our costings are based on different assumptions.

The Queensland Greens predict no expansion in coal or gas production in Queensland. In contrast the state government predicts an expansion in both coal and gas.

Despite this disparity our plan still raises an extra $19.7 billion over five years.

The current State Labor Government would earn gross $12.8 billion over the same period while spending approximately $6.5 billion on subsidies to the mining industry, which the Queensland Greens would ban. For this reason they would earn $6.3 billion in revenue in this period.

QUEENSLAND GREENS' FAIR SHARE PLAN COMPARED TO QUEENSLAND GOVERNMENT POLICY

	2017/18	*2018/19*	*2019/20*	*2020/21*	*2021/22*
Queensland Government Plan					
Coal royalties	$2.75bn	$2.2bn	$2.2bn	$2.2bn	$2.2bn
Gas royalties	$0.147bn	$ 0.194bn	$0.248bn	$0.296bn	$0.296bn
Subsidies	(-$1.3bn)	(-$1.3bn)	(-$1.3bn)	(-$1.3bn)	(-$1.3bn)
Total	$2.1bn	$1.6bn	$1.7bn	$1.7bn	$1.7bn
Five-year net contribution to state budget: **$6.3bn**					
Greens' Fair Share Plan					
Coal royalties	$5bn	$4bn	$4bn	$4bn	$4bn
Gas royalties	$1bn	$1bn	$1bn	$1bn	$1bn
Total	$6bn	$5bn	$5bn	$5bn	$5bn
Five-year net contribution to state budget: **$26bn**					

Note: The Greens policy assumes both a drop in coal price and a drop in coal production when compared to Queensland Government's policies

This analysis is based on the recently released 2017/18 Budget
https://s3.budget.qld.gov.au/budget/papers/2/bp2-2017-18.pdf

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