

Chapter 2

Key issues

2.1 This chapter examines the evidence, both for and against the bill, received by the committee in submissions to this inquiry.

2.2 Submitters who supported the bill argued that a ban on coal mining in the Galilee Basin would have a number of positive effects for the environment locally, more broadly across Australia, and globally through mitigating climate change. These submitters also commented that proponents of mining projects in the Galilee Basin had overestimated the economic and employment benefits that could stem from new mines in the area.

2.3 In contrast, submitters who raised concerns with the bill argued that all proposed projects in the Galilee Basin, including the proposed Adani Carmichael mine, are subject to environmental and other assessment approval processes under Commonwealth and Queensland laws. Further, it was contended that the bill does not recognise the economic importance and the benefits that will accrue for local communities, Queensland, and Australia of thermal coal mining in the Galilee Basin.

Evidence supporting the bill

2.4 Much of the evidence provided in support of the bill pointed to positive effects for the environment and public health outcomes that would arise from the prohibition on coal mining in the Galilee Basin. This included that the bill would:

- make a positive contribution to addressing climate change, including assisting Australia to meet its commitment to the Paris Agreement;
- have a number of other positive environmental effects in the Galilee Basin, and more generally for the Great Arterial Basin, and for the Great Barrier Reef; and
- improve health outcomes for in Australia and internationally through reduced coal burning emissions and coal dust from transportation.

Mitigating climate change

2.5 A number of submissions suggested that the bill would mitigate the effects of climate change, particularly as it would reduce carbon emission levels from the burning of coal for energy production.¹

2.6 For example, Doctors for the Environment set out how reducing mining activity in Australia could contribute to global efforts to address climate change:

Calculations of Australia's fair share of the global carbon budget means that 90% of Australian coal reserves need to stay in the ground to limit climate change to below 2 degrees. In short, no carbon budget is left for new coal mines in Australia, and even existing ones will need to be retired before being fully exploited. As the Climate Council estimated, if all the coal from the Galilee Basin were burnt it would cumulatively emit an estimated 705 million tonnes of carbon dioxide (CO₂) every year. This equates to more than 1.3 times Australia's current annual emissions, and if a country in its own right, would rank amongst the top 15 greenhouse gas emitting countries.²

2.7 Some submitters noted that the Commonwealth has ratified the Paris Agreement targets to reduce greenhouse gas emissions to assist limiting global warming to 2°C, and argued that continued coal mining in Australia stands in direct contradiction to this commitment.³

Benefits for particular species or ecosystems

2.8 The committee received evidence that a ban on thermal coal mining would have positive effects on a number of ecosystems and species, both in the Galilee Basin and more broadly.

2.9 The Black-throated Finch Recovery Team submitted that the bill would ensure the preservation of Black-throated Finch in the Galilee Basin as mining operations present a direct threat to the finch's habitat. While approvals for the Adani

1 For example, see: Environment Council of Central Queensland Inc, *Submission 3*, p. 1; Australian Marine Conservation Society, *Submission 4*, p. 1; Protect the Bush Alliance, *Submission 5*, pp. 2–3; Doctors for the Environment, *Submission 12*, pp. 2–3; Lighter Footprints, *Submission 16*, pp. 1–2; Stop Adani Sydney, *Submission 17*, p. 2; Wynnum Manly Stop Adani, *Submission 19*, p. 2; Catchment to Coast Consultants, *Submission 20*, p. 1; Institute for Energy Economics and Financial Analysis, *Submission 35*, pp. 18–19.

2 Doctors for the Environment, *Submission 12*, p. 3.

3 For example, see: Ms Judith Manitzky, *Submission 10*, p. 1; Doctors for the Environment, *Submission 12*, p. 3; Lighter Footprints, *Submission 16*, p. 2; Institute for Energy Economics and Financial Analysis, *Submission 35*, pp. 18–19; Miss Karen Vegar, *Submission 39*, p. 1.

Carmichael mine provide for offsets, it was argued that these are inadequate with many on sites approved for future mining projects.⁴

2.10 Regarding the use of water by extractive industries, the committee received evidence that a ban on coal mining in the Galilee Basin could prevent potential negative effects on the water table, not only in the Galilee Basin itself but also the Great Artesian Basin.⁵

2.11 Submitters noted that the Great Artesian Basin supplies water to Queensland, the Northern Territory, New South Wales, and South Australia, and added that any damage from extractive industries could have widespread effects not only for local communities, but also for industries that require a supply of clean water, including agriculture and tourism.⁶

2.12 In this, some submissions suggested that the Queensland Government had insufficiently scrutinised the 60-year unlimited water use licence granted to Adani for their mining in the Basin area. It was also stated that the Commonwealth should maintain strict oversight to ensure that approval conditions are met, should these projects proceed.⁷

2.13 Regarding the Great Barrier Reef, some submitters argued that the bill would mitigate the negative effects of climate change on the Great Barrier Reef, noting that rising ocean temperatures were perhaps the most significant stressor on the health of the Reef. Others noted that the increased shipping needed to export the coal mined in the Galilee Basin would be accompanied by greater damage to the Reef, including from dredging, spillages, and increased pollution from transportation.⁸

Agriculture

2.14 Some evidence received by the committee argued that coal extraction in the Galilee Basin would have negative effects on the farming and agricultural sector. Farmers for Climate Action suggested that 'human induced climate change is already having a negative impact on the productivity of the agricultural sector', and that there

4 Black-throated Finch Recovery Team, *Submission 7*, p. 1. See also, BirdLife Australia, *Submission 27*, p. 1.

5 See, for example: Doctors for the Environment, *Submission 12*, p. 5; Lighter Footprints, *Submission 16*, pp. 2 and 5–6; Stop Adani Sydney, *Submission 17*, p. 2; Wynnum Manly Stop Adani, *Submission 19*, p. 5; Catchment to Coast Consultants, *Submission 20*, p. 1; Farmers for Climate Action, *Submission 21*, pp. 5–6.

6 See, for example: Stop Adani Sydney, *Submission 17*, p. 1.

7 See, for example: Lighter Footprints, *Submission 16*, pp. 5–6 and 9.

8 See, for example: Australian Marine Conservation Society, *Submission 4*, p. 1; Doctors for the Environment, *Submission 12*, p. 5; Australian Religious Response to Climate Change, *Submission 22*, p. 5; Bayside Climate Change Action Group, *Submission 24*, p. 1; Ms Kristyn Glanville, *Submission 33*, p. 1; Institute for Energy Economics and Financial Analysis, *Submission 35*, p. 18.

should be a transition towards a 'clean energy future' rather than the use of fossil fuels.⁹

2.15 Moreover, a number of submitters were concerned about potential damage to the water table from Galilee Basin mining.¹⁰ Farmers for Climate Action suggested recent research has shown 'the inadequacy of current understanding of risks posed to ground and surface water systems as a result of extractive industries in the Galilee Basin', and so argued:

...that the sustainability, profitability and integrity of Australia's food and fibre production systems must not be compromised in the name of short term extractive industry growth. This includes ensuring that there is no net decline to the quality or quantity of water available to the agricultural sector as a result of extractive activities, nor detrimental impacts to the global climate.

For these reasons, Farmers for Climate Action urges the Committee to address the growing disconnect between science and policy, and advance alternative, sustainable and resilient economic development opportunities for the Galilee Basin and surrounds.¹¹

Human health

2.16 Submitters contended that the proposed prohibition on thermal coal mining in the Galilee Basin will result in improve air quality: not only will coal dust be reduced in areas through which coal is transported but also coal burning emissions in countries that would import Galilee Basin coal.¹² Doctors for the Environment stated:

In India, where coal from the Adani mine is destined to be burnt, coal fired power stations contribute to the air pollution that that leads to the premature death of an estimated 1.1 million people per/year and affects many more with minor or serious illnesses.¹³

2.17 The Australia Institute submitted that assessments of the economic effects of coal production in Australia usually omit consideration of 'its substantial impacts on human health', including the healthcare costs that come from air pollution and its effects on water resources.¹⁴

9 Farmers for Climate Action, *Submission 21*, pp. 2–3.

10 See, for example: 350 Canberra, *Submission 14*, p. 1; Stop Adani Sydney, *Submission 17*, p. 1; Australian Religious Response to Climate Change, *Submission 22*, p. 6; Institute for Energy Economics and Financial Analysis, *Submission 35*, p. 18.

11 Farmers for Climate Action, *Submission 21*, pp. 5 and 6–7.

12 See, for example: Wide Bay Burnett Environment Council, *Submission 1*, p. 1; Doctors for the Environment, *Submission 12*, p. 6; Lighter Footprints, *Submission 16*, p. 2.

13 Doctors for the Environment, *Submission 12*, p. 6.

14 The Australia Institute, *Submission 34*, Attachment 3 (*Never gonna dig you up! Modelling the economic impacts of a moratorium on new coal mines*), p. 15.

Economic effects

2.18 Some of the evidence received by the committee suggested that the economic effects of the bill would be minimal, particularly given the declining demand for coal internationally, Australia's already large coal production capacity, and the overstated economic benefits of the Adani project and the mining sector more broadly.

2.19 It was argued that the projected economic benefits of coal mining had been overstated. Submitters pointed to the declining demand for coal internationally due to developed and emerging economies turning to renewable sources of energy and stated that this had not been factor into projections for the Adani development.¹⁵ Others suggested that Galilee Basin coal was 'significantly lower quality than the benchmark Australian export coal', which meant that actual profits may not achieve forecasted estimates.¹⁶

2.20 Some submissions suggested that the employment estimates for the proposed new Adani mine, as well as the traditional mining sector more broadly, had been greatly overstated, meaning that benefits for local communities would not be as large as expected.¹⁷

2.21 Other evidence suggested that the number of jobs in the mining sector had been overestimated, and that the Commonwealth Government should increase efforts to grow the renewables sector. For example, the Environment Council of Central Queensland Inc. argued that:

Not only must we not allow any greenfields fossil fuel projects such as the Galilee Basin to proceed because of the effect on global temperatures, but we must also begin to train real people for real jobs to transition us away from existing fossil fuel industries. Governments consistently talk about jobs when talking about mining, but ABS figures show that while mining is a big earner, it employs very few people compared to other industries.¹⁸

2.22 Some submissions also contended that the environmental damage caused by emissions from burning coal could exacerbate the global effects of climate change, and subsequently threaten the large number of jobs in the Great Barrier Reef-related sector. Some estimates put the number of Reef industry jobs at approximately 69 000.¹⁹

15 For example, see: Ms Wendy Tubman, *Submission 15*, p. 2; Lighter Footprints, *Submission 16*, p. 3; Bayside Climate Change Action Group, *Submission 22*, p. 3; Ms Kristyn Glanville, *Submission 33*, p. 1; The Australia Institute, *Submission 34*, p. 10; Institute for Energy Economics and Financial Analysis, *Submission 35*, p. 1

16 Institute for Energy Economics and Financial Analysis, *Submission 35*, p. 14.

17 Ms Wendy Tubman, *Submission 15*, p. 2.

18 Environment Council of Central Queensland Inc, *Submission 3*, p. 2.

19 Doctors for the Environment, *Submission 12*, p. 5; Wynnum Manly Stop Adani, *Submission 19*, p. 3.

2.23 The Australia Institute submitted that the 'economic impact of the bill would be minimal'. Noting Australia already produces a large quantity of coal from existing mines, The Australia Institute estimated that a moratorium on all new coal mines would have the following impacts on the Australian economy:

- GDP is affected by just 0.6% in 2040 [when the economy is projected to total \$3 trillion, around twice the current GDP]
- Difference in employment peaks at 0.04% in 2030
- Reduction of export value of around 1% in 2040.²⁰

Evidence against the bill

2.24 Submitters who opposed the bill noted particularly that all resource industry proposals are subject to Commonwealth and state environmental evaluations processes, including all proposed mining projects in the Galilee Basin. Moreover, it was argued that the bill's ban on thermal coal mining in the Galilee Basin would:

- have damaging economic effects on local communities and the Australian economy more broadly, including through lost employment opportunities and tax revenues from mining;
- create regulatory uncertainty and sovereign risk for Australia, by creating uncertainty for potential foreign investors in our resource sector; and
- fail to make an effective contribution to Australian and international efforts to address climate change.

Commonwealth and Queensland Government approvals processes

2.25 The Queensland Resources Council and CFMEU Mining & Energy Division Queensland (QRC and CFMEU) submission argued that 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'.²¹

2.26 In this, the QRC and CFMEU noted that the Commonwealth and Queensland Governments had stringent regulatory standards that must be met by any proposed resources project, including those in the Galilee Basin:

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 legislation, 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

20 The Australia Institute, *Submission 34*, p. 1 and also at p. 7.

21 Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 2.

duplication and overlap—that these projects are assessed and regulated by both State and Commonwealth governments.²²

Strong international demand for quality Australian coal

2.27 It was also argued that the bill would not reduce the current international demand for thermal coal, as some supporters of the bill had put forward.²³ For example, the QRC and CFMEU drew on International Energy Agency figures that suggested:

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.²⁴

2.28 The Minerals Council of Australia (MCA) stated that a reduction in the supply of high-quality Australian coal for international markets may have unintended adverse environmental outcomes as importers would switch to poorer-quality coal from other countries. The MCA added:

The proposed Bill will ensure that thermal coal is not extracted from the Galilee Basin. In this case, and given the strong demand for thermal coal, Asian markets will obtain thermal coal from other suppliers such as Indonesia which generally have lower grade of thermal coal than Australia. Therefore the proposed Bill may have the perverse outcome of encouraging the use of a less energy efficient and but more emissions intensive source of coal.²⁵

Poor economic outcomes for local, state and national economies

2.29 The committee received evidence that a ban of coal production in the Galilee Basin, as proposed by the bill, would have poor economic outcomes for local communities, the state of Queensland, and for Australia's economy more broadly.

2.30 Several submitters noted the profoundly negative outcomes that the bill would create through lost employment opportunities. It was argued that this would be most

22 Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 3.

23 See, for example: Minerals Council of Australia, *Submission 6*, pp. 4–5; Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 5; Townsville Enterprise Limited, *Submission 37*, p. 2.

24 Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 5. See also, Minerals Council of Australia, *Submission 6*, p. 4.

25 Minerals Council of Australia, *Submission 6*, p. 5.

pronounced in small regional areas in which job opportunities are limited, but would also effect employment levels across Queensland more generally²⁶

2.31 For example, Townsville Enterprise Limited outlined the benefits of mining for regions in Queensland where unemployment is high and opportunities for growth limited:

The recent announcement that the Adani Group would provide the finance for the Carmichael Mine and Rail Project after eight years of approvals was also welcomed by our local community. The project, to commence imminently, would deliver more than 1,500 direct jobs in the initial construction phase, a boost of confidence to the 11,000 people looking for work and to a private sector that remains cautious despite the level of Government investment committed. This generational project will be the first new coal basin opened in Australia in 50 years.

In addition, there are six mines that could proceed in the Galilee Basin potentially generating more than 15,000 direct jobs according to the Queensland Government's Co-ordinator-General. The Galilee Basin would generate more than \$40 billion in taxes, helping to fund more schools, hospitals and public services. The Adani project will be the catalyst to the realisation of all six mines.²⁷

2.32 The Resource Industry Network pointed to the significant flow-on benefits from resource sector projects, even outside mining areas:

The resource sector contributes \$3.4 billion in direct expenditure to the Mackay, Isaac, and Whitsunday businesses or community organisations and creates the flow-on benefit of an additional \$4.9 billion with expenditure from the supply chain and employee spending.

In particular, while the Mackay region doesn't have any coal mines in its local government area, it has the largest regional economic contribution from resources across the state, evidence that the flow-on effect from the industries that support mining is just as significant as the direct contributions.²⁸

2.33 The QRC and CFMEU noted that a successful resource sector not only benefited local communities through lifting employment rates, but also provided benefits throughout Queensland through mining royalties:

At a time when Queensland's unemployment rate is the highest in the nation, 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

26 For example, see: Rockhampton Regional Council, *Submission 36*, p. 1; Townsville Enterprise Limited, *Submission 37*, p. 2.

27 Townsville Enterprise Limited, *Submission 37*, p. 2.

28 Resource Industry Network and Greater Whitsunday Alliance, *Submission 38*, p. 3.

Basin would have a combined cost estimate of \$48.4 billion and would support 18,275 jobs during construction. 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.²⁹

2.34 This was supported by evidence from the Resource Industry Network and Greater Whitsunday Alliance, which informed the committee that:

With the Office of the Chief Economist estimating that Galilee projects will result in 14,533 direct jobs this could equate to the flow-on benefit of 72,000 additional full-time jobs. Nearly double what currently exists in our region at present, and provides job and economic security for regions in regards to existing mines that have an end of life in the next 20 years.

The significant indirect jobs that are attributed to mining will not only ensure the sustainability of the region with economic benefits from procurement and wages spend in the community, but with the predicted economic costs of Australia's aging population, the revenue benefits for governments in increased payroll and income tax are vital to ensure the country can continue with the standard of living we are currently experiencing for all.³⁰

2.35 It was also noted that there would be a significant opportunity cost from prohibiting coal mining in the Galilee Basin for the Commonwealth and our national economy. For example, the QRC and CFMEU cited the Productivity Commission's inquiry that found 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.³¹

2.36 Similarly, regional stakeholders pointed to the contribution of mining to the economy. For example, the Rockhampton Regional Council submitted:

29 Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 4. See also, Minerals Council of Australia, *Submission 6*, p. 6.

30 Resource Industry Network and Greater Whitsunday Alliance, *Submission 38*, p. 3.

31 Productivity Commission, *Inquiry into Major Project Development Assessment Processes* (2013), cited in Queensland Resources Council and the CFMEU Mining and Energy Division Queensland, *Submission 8*, p. 4.

Mining of Australia's resources, including the mining of coal, is critical to our national economy and remains essential to securing the future prosperity for all Australians. The income raised directly and indirectly from the resources sector contributes strongly to the nation's capacity to provide a wide range of services which are of benefit to the entire population.³²

Regulatory uncertainty and sovereign risk

2.37 Some submissions noted that the bill would create regulatory uncertainty for projects in the resources sector, which would pose a significant sovereign risk for Australia. The MCA noted that the bill would set a 'poor precedent', as it:

...undermines the thorough approvals process at the state and Commonwealth level that major mining projects must adhere to. Additionally a blanket ban of mining in a region of Australia will have a significantly negative impact of investors' sentiment in Australia's broader resources sector.³³

2.38 Additionally, the MCA stated that the bill could potentially be unconstitutional, as it unfairly discriminated against Queensland:

The constitutionality of the Bill needs to be carefully considered, especially in relation to Section 99 of the Australian Constitution where 'The Commonwealth shall not, by any law or regulation of trade, commerce, or revenue, give preference to one State or any part thereof over another State or any part thereof'. In effect the Bill discriminates against Queensland and its regional communities which can cause undue economic harm to Queensland.³⁴

Committee view

2.39 The committee recognises that a properly managed and successful resources sector is a key part of the health and viability of our national economy. This sector provides a number of benefits to local communities, particularly by lifting the number of employment opportunities available for Australians, often in areas where these opportunities are limited.

2.40 More generally, the resources industry provides substantial revenues to Commonwealth and State and Territory Governments through royalty and tax regimes. This revenue contributes to ensuring the sustainability of the services Australians expect, including in health and aged care, education, policing and other essential social services.

32 Rockhampton Regional Council, *Submission 36*, p. 1.

33 Minerals Council of Australia, *Submission 6*, p. 3 and p. 7. See also, Resource Industry Network and Greater Whitsunday Alliance, *Submission 38*, p. 3.

34 Minerals Council of Australia, *Submission 6*, p. 8, citing *Commonwealth of Australia Constitution*, section 99.

2.41 The bill proposes that all mining of thermal coal in the Galilee Basin be prohibited, and suggests that this would create a number of positive outcomes for the environment, both in Australia and globally.

2.42 On environmental outcomes, the committee is assured that projects in the resource sector must meet all necessary environmental approvals from Commonwealth and jurisdictional governments before they can proceed. Mining projects proposed for the Galilee Basin are no different, and must meet the standards of the Commonwealth, including under the *Environment Protection and Biodiversity Conservation Act 1999*, as well as all relevant State Government environmental approvals.

2.43 Submitters supporting the bill also argued that the economic effects of the bill would be 'minimal', asserting that proponents of mining projects have overstated the benefits of Galilee Basin coal mining for local, Queensland and national communities. It was also suggested that proponents of new coal mining projects in the Galilee Basin had not fully taken into account a declining demand for coal internationally due to a shift to renewable sources of energy, which would make these mines less profitable than forecast.

2.44 The committee does not support the arguments that there will be minimal economic effects should coal mining in the Galilee Basin be prohibited. It was clearly articulated by some submitters that there would be substantial opportunity costs for Australia resulting from a ban on mining in the Galilee Basin. According to this evidence, no mining of thermal coal would mean no new jobs in communities that already struggle to access ample employment opportunities. No new projects also would mean wider economic losses across the state, in businesses that service the resources industry and its supply chains, and those directly providing goods and services to workers in the mining sector.

2.45 A move towards banning thermal coal mining would create regulatory uncertainty and a significant sovereign risk for Australia's economy well into the future, by making foreign investors more reluctant to support Australian projects. Further, the committee is concerned that the bill presents a constitutional risk. Namely, that the bill would lead to the expropriation, without just compensation, of property rights held by those currently developing the Galilee Basin. This could potentially leave the Australian Government liable for substitutional compensation payments, and in the view of the Committee, this is an unacceptable risk.

2.46 For all these reasons, the committee recommends that the bill not be passed.

Recommendation 1

2.47 The committee recommends that the Senate not pass the bill.

**Senator Jonathon Duniam
Chair**