



Whitsundays - golden years ahead



Andrew Barger - Director Industry Policy
Queensland Resources Council

Enterprise Whitsunday Breakfast, Airlie Beach, 15 July 2011



Who is the Queensland Resources Council?

- > The Queensland Resources Council (QRC) is a not-for-profit peak industry association representing the commercial developers of Queensland's minerals and energy resources
- > 89 full members – explorers, miners, mineral processors, site contractors, oil and gas producers, electricity generators
- > 129 service members - providers of goods or services to the sector

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| SPEND BY POSTCODE | LAND USE

WHAT ARE QUEENSLAND RESOURCES WORTH TO ME?

In 2009-10 the sector purchased **\$17.4 billion** worth of goods and services from **Queensland businesses**

www.queenslandeconomy.com.au



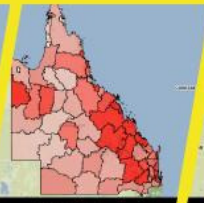
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SHOW ME
THE CONTRIBUTIONS

Enter a town or postcode to see what the Queensland resources sector delivers to your area, or select from the map below.



RESOURCES OPERATIONS



SPEND & JOBS BY AREA



ROYALTIES GENERATED



FUTURE INVESTMENTS



BRIAN MCBOW
FIFO mine employee - Lives on the Gold Coast, works for a mining company in Central Queensland



GLEND A BELL
Mine Employee - Lives in Emerald, works near Emerald



PHIL ABERNETHY
Managing Director - Absorb, Brisbane



What are Queensland's minerals and energy resources worth?

In 2009-10:

- > 21 percent of Queensland's economy – directly and indirectly
- > 13 percent of employment in Queensland – directly and indirectly

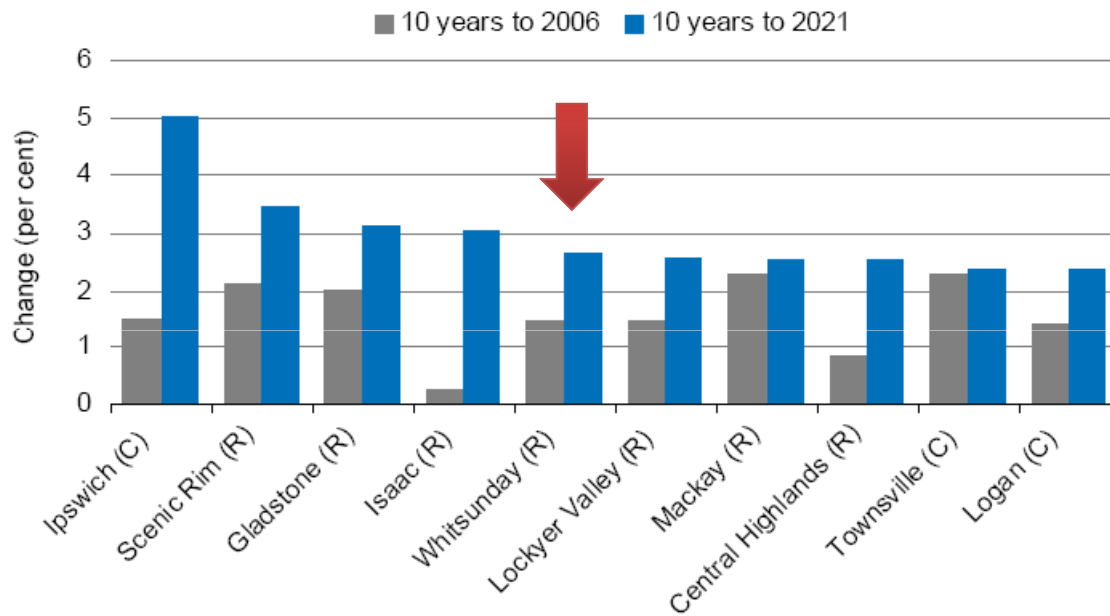
In Mackay statistical region, the resources sector:

- > Injected \$4 billion in wages; and buying goods & services
- > Directly and indirectly accounted for 42,000 jobs, (46% of all jobs)

In Whitsunday local Government area, the resources sector:

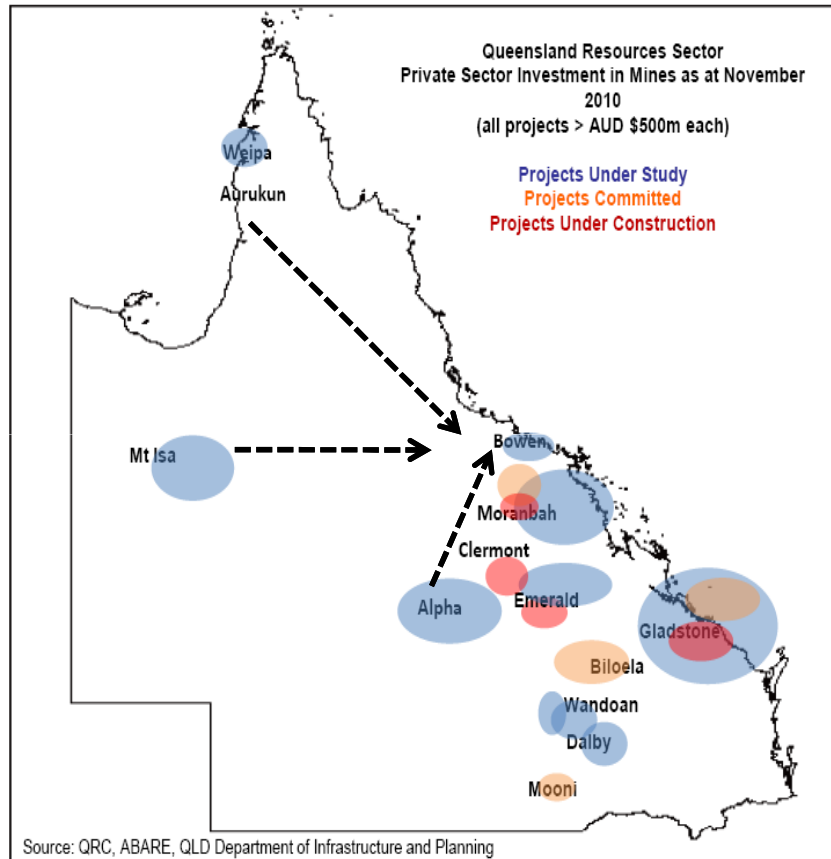
- > Injected \$126 million in wages; and buying goods & services
- > Directly and indirectly accounted for 1,600 jobs, (6.6% of all jobs)

Figure 3.3 Top 10 fastest growing local government areas in Queensland^(a), average annual change (rate) in the 10 years to June 2006 and 2021



(a) Ranked by projected average annual change (rate) over the 10 years to 2021

Source: ABS 3218.0; and 2011 edition *Queensland Government population projections* (medium series)



Golden years ahead:

\$AU100 billion-plus investment

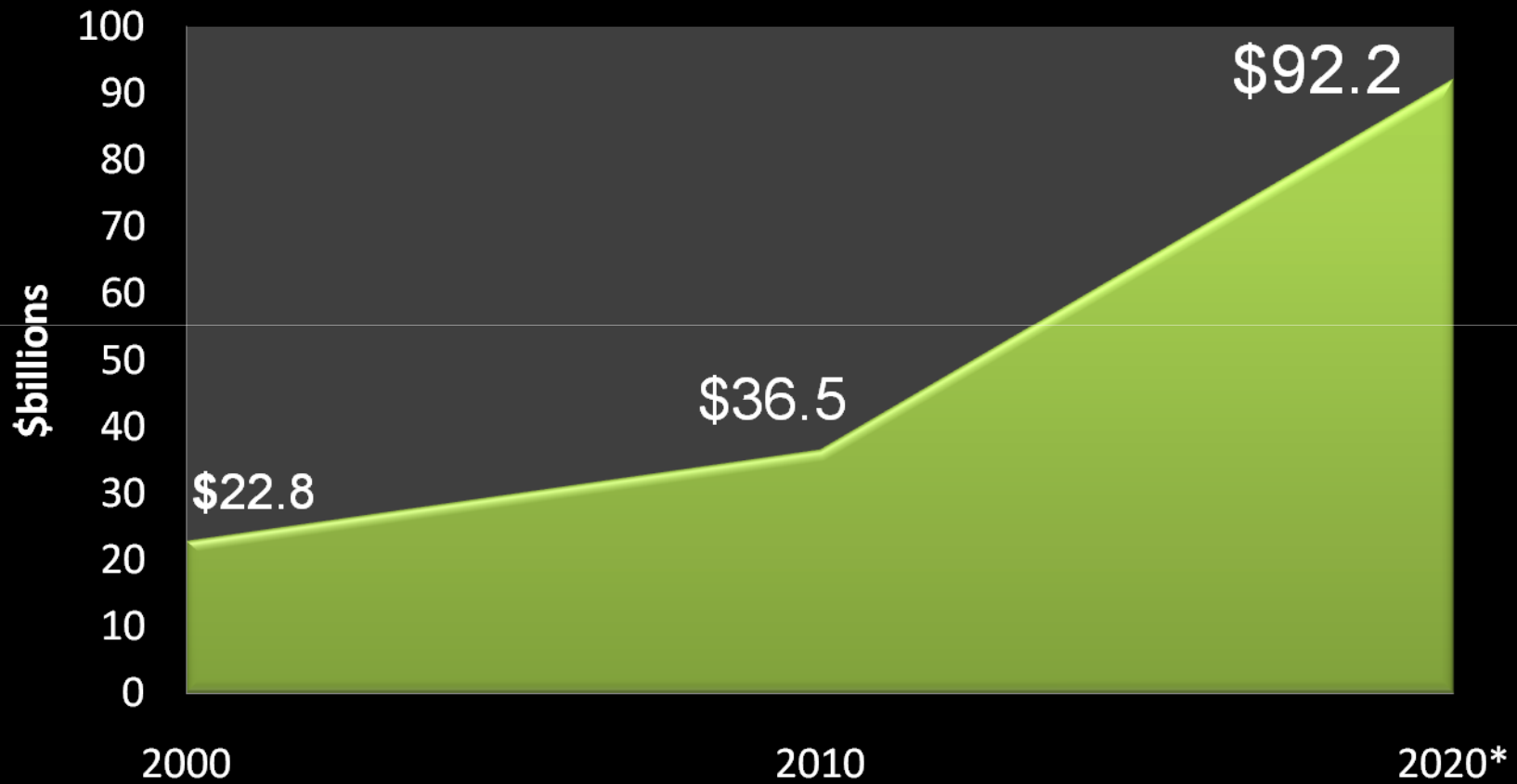
\$32 billion investment secured for CSG-LNG export industry; \$36 billion more on track

Coal expansion on equivalent value path

Metalliferous industries expanding in response to demand

Abbot Point will be a major focus of growth, hence the premium price paid on the lease.

Queensland resources sector value of production



| QLD Resources Sector Production and Value of Production (A\$billion) | | | | | | |
|--|------------|--------------|------------|-------------|-------------------------|--------------|
| | 1999/00 | | 2009/10 | | 2019/20 ^f | |
| | Production | Value (\$b)* | Production | Value (\$b) | Production** | Value (\$b)* |
| Alumina (kt) | 3,156 | 0.9 | 4,508 | 1.3 | 6,508 | 1.9 |
| Aluminium (kt) | 40 | 0.1 | 333 | 0.7 | 333 | 0.7 |
| Bauxite (kt) | 10,915 | 0.3 | 17,068 | 0.5 | 34,000 | 1.0 |
| Black Coal (Thermal) (Mt) | 45 | 4.0 | 77 | 6.8 | 237 | 20.9 |
| Black Coal (Coking) (Mt) | 67 | 10.0 | 116 | 17.3 | 207 | 30.9 |
| Copper content (kt) | 431 | 3.0 | 255 | 1.8 | 299 | 2.1 |
| Gold (t) | 34 | 1.4 | 15 | 0.6 | 23 | 0.9 |
| Lead (kt) | 301 | 0.7 | 436 | 1.0 | 510 | 1.2 |
| Silver (t) | 1,073 | 0.7 | 1,469 | 0.9 | 1,520 | 0.9 |
| Uranium (lb) | - | - | - | - | 12,000,000 [^] | 0.6 |
| Zinc (kt) | 217 | 0.5 | 857 | 1.9 | 933 | 2.1 |
| Coal Seam Gas (PJ) (Domestic) | na | na | 125 | 0.4 | 173 | 0.6 |
| Crude Oil and Condensate (ML) | na | na | 632 | 0.2 | 875 | 0.3 |
| Synthetic Oil (Oil Shale) (Mbbls) | - | - | - | - | 18 | 1.8 |
| Liquified Petroleum Gas (ML) | na | na | 187 | 0.1 | 209 | 0.1 |
| Liquified Natural Gas (Mt) | - | - | - | - | 30 | 22.5 |
| Processed Natural Gas (PJ) | na | na | 105 | 1.4 | 148 | 2.0 |
| Electricity (MWhr) (Domestic NEM) | 43,689,301 | 1.3 | 54,611,627 | 1.6 | 57,000,000 | 1.7 |
| Total | | 22.8 | | 36.5 | | 92.1 |

* at 2009/10 prices

** based on current investment plans

[^] preliminary figure that could change significantly if/when mining optimization studies are concluded

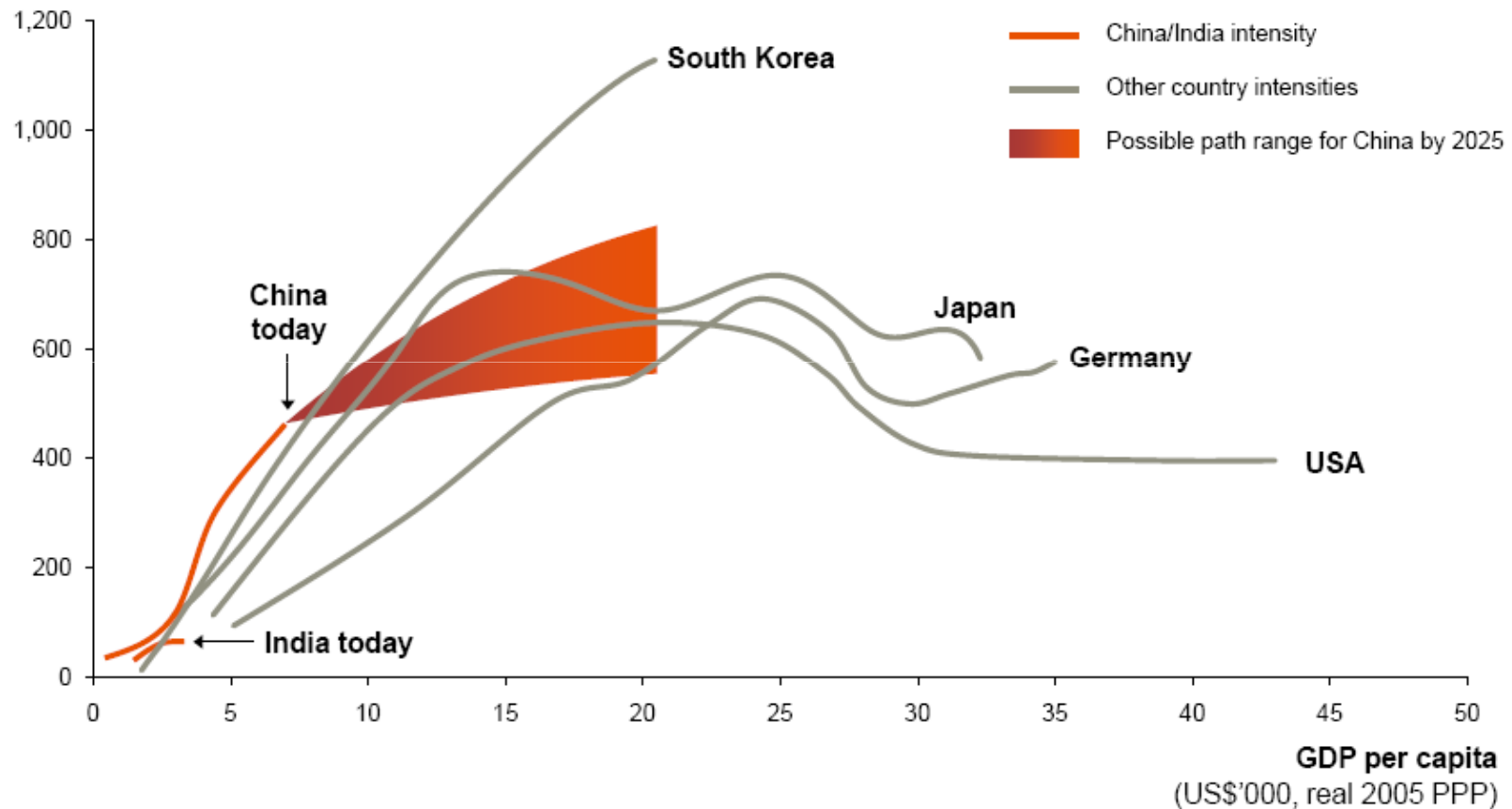
Source: Company reports, ABARE Australian Mineral Statistics and QME website

60%

152%

What's driving the demand?

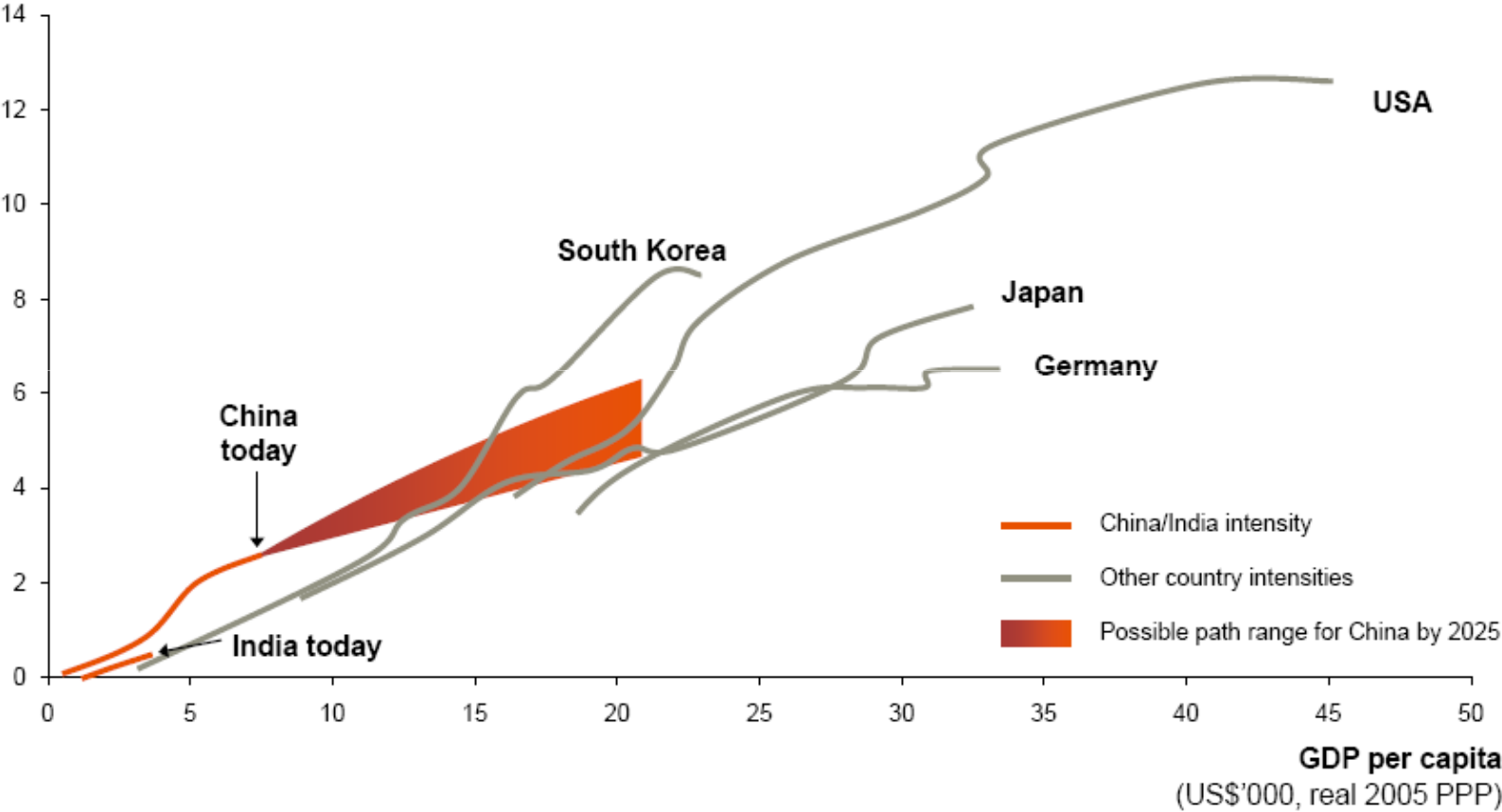
Industrial development & steel consumption¹
(kg per capita)



Source: CISA; worldsteel; Global Insight; JBS; BHP Billiton analysis.
1. Steel consumption on a crude steel equivalent basis.

What driving the demand?


Electricity consumption
(MWh per capita)



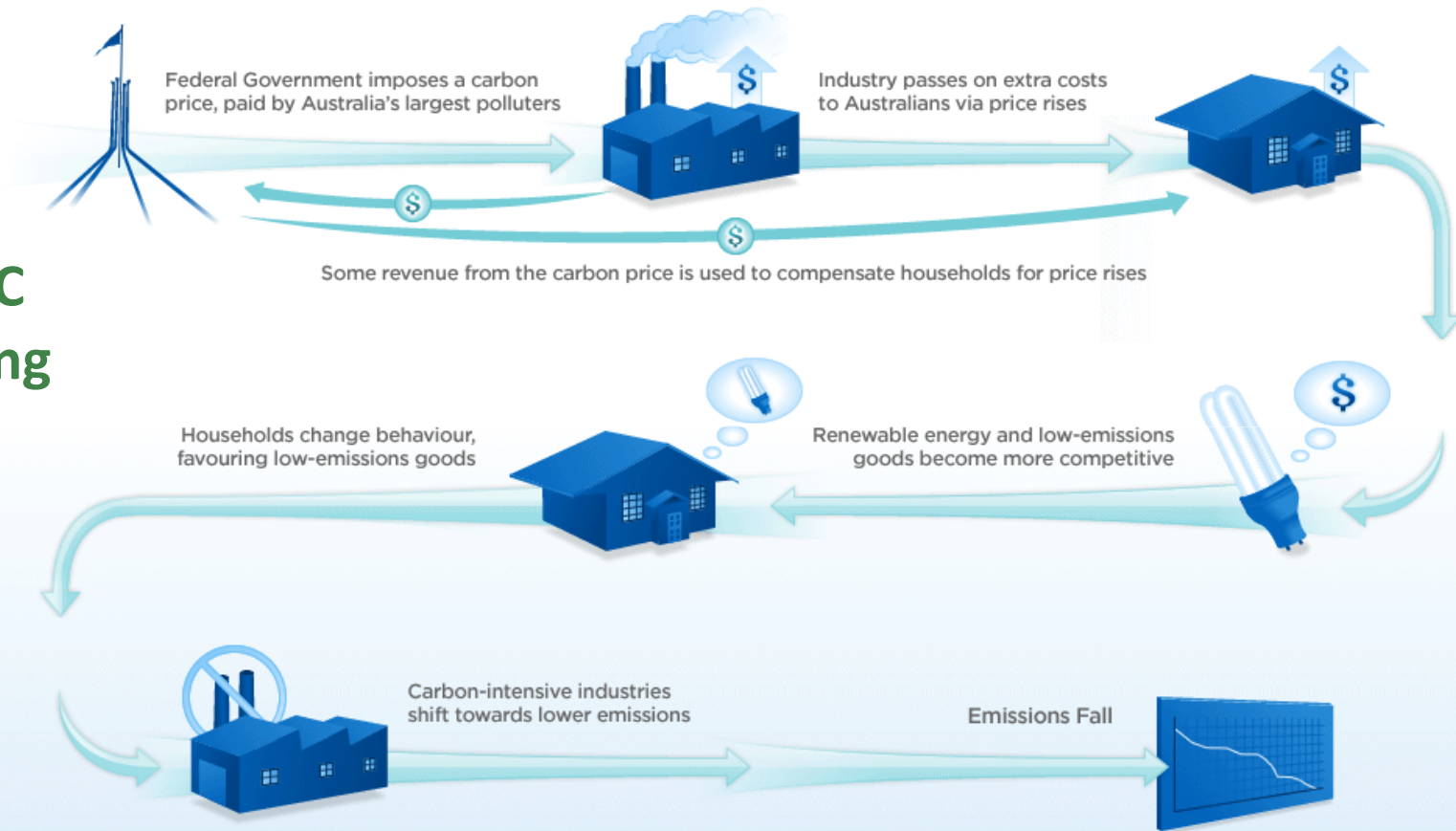
Source: Global Insight; IEA; BHP Billiton analysis.



Challenges ahead

- > **Mineral Resource Rent Tax:** package from Federal Government acceptable (work through the detail)
 - > **Carbon pricing:** treatment of emissions intensive trade exposed, especially coal
 - > **Attracting and retaining sufficient skilled employees:** 62,000 mining jobs and over 40,000 resource project construction jobs to be filled by 2015;
 - > **Land access/land use conflict:** a strategic cropping land policy based on sound science, better industry engagement with communities to reduce fears
 - > **Royalties for resource regions:** communities that generate resource wealth expect to capture direct benefits. There should be enough golden egg for everyone
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The ABC of pricing carbon



Source: <http://www.abc.net.au/news/specials/climate-change/pricing-explained/>



Carbon tax – what's the price again?

Three years of fixed price – carbon tax

>2012 – \$23 / tonne

>2013 – \$23 + inflation + 2.5% (\$24.15)

>2014 – \$24 + inflation + 2.5% (\$25.36)

Three years of cap and floor.

>2015 – between \$15 (floor) and international price + \$20 (cap)


>2016 – between \$15.60 + inflation and international price + inflation + \$21

>2017 – between \$16.24 + inflation and international price + inflation + \$22

Three years of cap and trade

>Let the market rip for 2018, 2019 and 2020

>The 2020 target will be set on 30 June 2016, if Parliament can't agree then 5% reduction






Carbon tax – counting the cost

- > **Cost Queensland jobs:**
 - Directly: 2,700 coal mining jobs by 2018
 - Indirectly: 13,000 jobs by 2018


 - > **Cost of carbon** - \$18 billion in liabilities over the next decade for coal. Relief package offers just \$1.26 billion.

 - > **Cost of diesel** – increase 16%

 - > **Cost to public assets** - \$1.7 billion in lost asset value for Government owned electricity generators. We're all “big polluters”
- 




The Skills Challenge

- > **The big numbers:** 62,000 mining jobs and over 40,000 resource project construction jobs to be filled by 2015 (nationally)
 - > **Key skills shortages:** huge trades, engineer, geoscience shortfalls
 - > **Response to National Resource Sector Employment Taskforce:** adult apprenticeships, recognise role for fly-in fly-out, endorsement of QRC strategies (school/industry partnerships, women, indigenous).
 - > **Modern mine worker demanding choice:** live locally, drive-in drive-out, fly-in fly-out (FIFO)
- 



Queensland Treasury Bowen Basin Report

- > Non-resident workers were 15% of Bowen Basin population in June 2010 (12% in 2006)
 - > Resident population in Bowen Basin has increased every year since 2006 – up 7.4 per cent
 - > Non-resident much higher in Isaacs (25-30% range) throughout the 5 years – resident population growth +7.1% (in Moranbah +11.5%)
 - > Non-resident workers include construction workers (more typically short-term and hence focus on driving or flying in)
 - > Treasury report covered 16 Bowen Basin towns: three towns have experienced a decline in resident population since 2006 (Tieri -7.4%, Clermont -1.7%, Collinsville -5.2%)
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Strategic cropping land

- > **0.09%** - area of state disturbed by gas and mining
- > 2.2% - area of state under cropping
- > 4.3% - area covered by cropping 'trigger maps'
- > 86% - area of state available for grazing

Strategic cropping land policy must:

- > Focus on 'the very best' cropping land
- > Use effective, science-based soil criteria
- > Not be side-tracked by food security furphy
- > Be part of an environmental impact statement



Planned coal projects worth \$22 billion currently at risk



Whitsundays - golden years ahead



QUESTIONS ARE WELCOME