



Queensland Government Consultation Report

Financial Assurance Framework Reform

Discussion Paper

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Contents

Executive Summary	4
Financial Assurance Framework Reform Consultation Report.....	6
Purpose	6
Background	6
Review Findings	6
Objectives.....	7
Components of the scheme	7
Public consultation	8
Results of consultation and responses.....	8
Appendix 1: List of external stakeholder presentations and meetings.....	38



Executive Summary

On 4 May 2017 the Queensland government released the Financial Assurance Framework Reform discussion paper (financial assurance paper) for public consultation. The financial assurance paper was released simultaneously with the Better Mine Rehabilitation for Queensland discussion paper (rehabilitation paper).

The financial assurance paper presented a proposed pooled assurance framework. The paper was developed in response to the results of a recent review into the State's financial assurance system by Queensland Treasury Corporation (QTC), industry concerns about the cost of the current financial assurance system and community concerns about the legacy issues of abandoned mines.

Over the consultation period 477 submissions were received and the Financial Assurance Project Management Office (PMO) held over 30 external stakeholder consultation meetings. Attendees at stakeholder meetings included industry, environmental groups, local government and university representatives. Industry stakeholders including Queensland Resources Council (QRC), Australian Petroleum Production & Exploration Association (APPEA), Association of Mining and Exploration Companies (AMEC) and individual resource companies were also engaged by the PMO in one-on-one meetings.

The majority of stakeholders have generally supported the objectives of the reform package however many raised concerns on a number of parameters outlined in the framework proposed by QTC, known as the 'tailored solution'. As expected the concerns raised by industry and community stakeholders were diametrically opposed. The key concerns with the tailored solution from industry were the financial impacts, how the Government would assess joint ventures and other complex corporate structures and a request for a right to opt out where the provision of a surety was a cheaper option than a pool contribution. The main concern from community stakeholders was that the value of funds allocated to the abandoned mine program was insufficient.

These concerns have been considered in further refining the scheme and its effective implementation. The Queensland Government believes that the final form of the scheme will strike an appropriate balance between managing the State's financial interests, providing a more flexible financial assurance framework for industry and ensuring environmental and community values are protected through an emphasis on progressive rehabilitation and additional funding for the abandoned mines program.

In response to consultation feedback, some changes/clarifications have been made to the scheme proposed in the financial assurance paper. These include:

- Establishment of a statutory officer position to be the scheme manager with administrative support from Queensland Treasury. The scheme manager will be required to report annually on the scheme, including disclosure of the pool's aggregate revenues and expenditures as well as aggregate surety arrangements and interest on cash sureties.
- The risk assessment being based on the resource project not just the financial soundness of the environmental authority holder. This will allow the scheme manager to take other factors into consideration such as; available remaining resources and the extent of rehabilitation effort on site. An external advisor has been engaged to assist with the design of the process to determine overall soundness. A report on the process will be released shortly.
- The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.



- Increasing the threshold for assessment under the tailored solution, so only environmental authority holders whose total estimated cost of rehabilitation is at least \$100,000 are assessed, rather than \$50,000.
- Existing resource activities will be transitioned to the new framework over a three year period, with further negotiations to occur with individual companies regarding the transition for each resource project. In addition, holders of environmental authorities who move between scheme divisions will be given a 12 month notice period. These transitional arrangements will help reduce the financial and administrative impacts of the scheme.
- Implementation of the scheme is targeted for July 2018 and will coincide with the reform to the mined land rehabilitation framework. New resource activities will be brought into the new financial assurance framework from 1 July 2018 onwards.

Financial Assurance Framework Reform Consultation Report

Purpose

The purpose of this report is to summarise the results of public consultation on the Financial Assurance Framework Reform discussion paper (the financial assurance paper). This report outlines the key themes raised during consultation as well as specific issues/concerns raised and responses to each.

Background

Queensland's resources industry is an important contributor to the economy, for both the revenue and the jobs it generates both for the revenue and jobs it generates. Last year, the resources industry contributed over \$21 billion to the state's economy, and was responsible for the direct employment of 60 000 people and the indirect employment of many more in key supporting sectors.

However, resource activities can also pose challenges for governments and the communities in which activities occur. By its very nature, resource exploration and extraction disturbs and changes the land. Successful rehabilitation of that land is a legal obligation imposed on the resource company and is critical to the industry's social licence to operate.

The Queensland Government obtains financial assurance under the *Environmental Protection Act 1994* to protect the community from instances in which a resource company does not meet its rehabilitation or environmental management obligations. The amount of financial assurance provided by a resource company is based on an assessment of the likely cost for third parties to undertake the rehabilitation of existing and planned areas of disturbance.

Currently, there are over 220 000 hectares of disturbed land in Queensland, with an estimated rehabilitation cost of \$8.7 billion.

Industry and environmental groups have expressed concerns regarding the effectiveness of the current financial assurance framework requirements. These concerns cover a range of topics, including the impact of the current framework on investment in the industry and weaknesses within the current system following a number of recent financial assurance claims.

As a result, the Queensland Government commissioned a review of the financial assurance framework to better understand the advantages and disadvantages for stakeholders, and to examine options for improvements. The review was based on a range of factors and the implications for government that included evidence-based analysis and risk assessment; feedback from industry, government and other stakeholders; and experiences in Australia and overseas.

Review Findings

The review found that the Queensland Government relies heavily on the current financial assurance framework to protect the state against the cost of rehabilitation should a resource company not meet its rehabilitation and environmental obligations.

The review identified that the current arrangements could be improved to:

- better protect the state's financial interests
- reduce the financial burden for industry
- promote good environmental outcomes.



A redesigned financial assurance framework has been recommended.

In addition, a number of important and interrelated reforms were identified, which would also have positive environmental outcomes, improve rates of site rehabilitation and ultimately reduce the amount of rehabilitation required at the end of a resource operation's life.

In response to the findings and recommendations identified through the review of the financial assurance framework, the Queensland Government has provided in-principle approval for substantial reform to the framework, and for complementary reforms to improve resource site rehabilitation.

Queensland will have internationally-leading financial assurance and rehabilitation practices that contribute to the efficient and effective management of the State's minerals and energy resources and environment.

Objectives

- Deliver a high level of environmental performance
- Protect the state's financial interest
- Provide an incentive to invest in the resources sector
- Provide an outcome that satisfies community expectations

During the course of the review, a number of options were considered as alternatives to the current financial assurance framework. After in-depth analysis, financial modelling and risk assessment, a preferred solution was identified—referred to as the 'tailored solution'.

While still retaining individual surety where appropriate, the tailored solution allows financial assurance funds to be pooled for lower risk resource companies—reducing the financial risk to the Queensland Government in the event that unexpected rehabilitation requirements exceed the financial assurance guarantees held for individual mine sites.

In contrast to the existing financial assurance framework, the tailored solution strikes a better balance between the risk to the Queensland Government and the cost burden for industry.

Components of the scheme

Under the scheme each project will be considered by the scheme manager and allocated to one of 2 divisions within the scheme:

- The Rehabilitation Fund/Pool
- The Surety Division.

For most projects, the allocation decision will be based on a determination of the overall soundness of the project and its estimated rehabilitation cost.

Where an entity accounts for a significant percentage of the total of the rehabilitation cost estimates for all Queensland resources projects, different projects may be assigned to different divisions. This is to protect the pooled fund from large single claims. At present the 'significant percentage' is estimated to be 5% of Queensland's total estimated rehabilitation costs.

Where a resource project has an estimated rehabilitation cost of less than \$100,000, the project will not be determination of the overall soundness as the costs of doing so would be out of proportion to the project's estimated rehabilitation cost. Instead, these projects will continue with their current financial assurance arrangements pending further review.

This will ensure the amount used to determine a resource company's obligation is determined consistently across the sector and matches the estimated rehabilitation cost.

Public consultation

Public consultation on the financial assurance paper was held from 4 May 2017 to 15 June 2017. Some extensions for the lodging of written submissions were given on a case by case basis.

On release of the financial assurance paper, the PMO sent an email to a diverse range of stakeholders inviting submissions on the paper. Stakeholders included industry, environmental groups, law associations, commercial groups, regional councils and researchers.

A notice inviting written submissions on the paper was provided on the Queensland Government's Get Involved and Queensland Treasury's websites.

During the public consultation period, the PMO (in conjunction with the Department of Environment and Heritage Protection) invited a diverse range of stakeholders to presentations that were delivered in multiple key mining business centres: Brisbane, Cairns, Townsville, Mackay, Rockhampton and Emerald. Approximately 160 targeted stakeholders were invited and the sessions attracted approximately 30% of the invitees. One on one sessions with stakeholders were held upon request. A summary of external stakeholder consultation is summarised in Appendix 1.

Results of consultation and responses

Submissions were received from a total of 477 stakeholders: 54 submitted individual feedback and 423 submitted a standard form. A separate consultation report on the rehabilitation paper is available.

All submissions relating to the financial assurance paper were reviewed and their contents summarised and collated by themes as well as issues. Submissions relating to rehabilitation or requesting amendments to the rehabilitation paper were forwarded to the Department of Environment and Heritage Protection (EHP) and are not within the scope of this consultation report.

Table 1 provides a summary of the key themes identified in the submissions and presentations/ meetings for the financial assurance paper, and the Queensland Government's responses to each issue. Table 2 provides a more detailed grouping of specific issues and comments as raised in the written submissions, and the Queensland Government's specific response to these.

All relevant issues and suggestions have been or are continuing to be considered in the development of legislation, regulations and administrative processes for the scheme.



Table 1: Summary of key themes raised during consultation period and Queensland Government's response

Issue	Issue description	Response
Implications for the petroleum and gas industry	<p>Petroleum and Gas sector representatives expressed concern that the scheme was largely designed around a mining rehabilitation profile. The industry observed that it would be difficult to maximise progressive rehabilitation for petroleum projects above current high levels and therefore they do not have the same capacity to progressively reduce their scheme costs. These stakeholders observed that cost increases arising from the scheme could contravene the aims of the Queensland Government's Gas Supply and Demand Action Plan to reduce the regulatory cost burden on gas projects.</p>	<p>Currently the greatest exposure to government, in relation to rehabilitation defaults sits with the resources sector. While the government acknowledges the petroleum and gas industry operates differently to the mining industry, it still poses a significant financial exposure for the government. The rehabilitation exposure reflects the quantum of disturbed land and costs for government to undertake that rehabilitation. The measurement of this exposure incorporates a number of components which are tailored for the petroleum industry.</p> <p>The proposed assessment process will reflect the risk to government associated with the resource project. An external advisor has been engaged to assist with the design of the process to determine overall soundness. All relevant factors will be considered including any that apply specifically or generally to the petroleum industry. A public report on the process will be released shortly.</p>
Penalising low risk operators	<p>Some companies that had concluded, through a self-assessment, they would fall within the selected partner arrangement believed that the very concept of the selected partner arrangement fund set a bad theoretical principle. They were concerned that low-risk, high-performing companies would be the ones to provide funds for historic remediation of poor performers.</p>	<p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p>
Financial impact to industry	<p>There was significant concern by industry submitters that the scheme would not reduce the financial impact to industry of the provision of financial assurance. Certain individual companies made a range of claims about having higher costs under the proposed reform.</p>	<p>There is no specific intention to increase costs for industry through the reform, however neither was there a commitment that all holders of environmental authorities would be better off. The scheme is designed to achieve a balance between the interests of government, community, industry and the environment.</p> <p>Once the public report on the process to determine overall soundness process has been released, holders of environmental authorities will be able to make a more accurate judgement as to where they are likely to be placed within the scheme.</p>

Issue	Issue description	Response
Covering risk to the State and environment	Community stakeholders raised concerns that the amounts proposed to be levied are too low to adequately cover the risk to the State and the environment.	The pooling of funds for financial assurance does not remove the obligation of holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i> . There are various enforcement tools under the <i>Environmental Protection Act 1994</i> .
Request for an opt out a right	A number of industry proponents, while supporting the concept of the tailored solution, nonetheless sought the right to opt out of a pooled fund and instead continue to provide surety.	A pooled model only works where participants represent a mix of acceptable risk profiles. An a right to opt out would potentially skew the risk profile of the pool and make it inefficient.
Third-party risk assessment	There was significant concern and assessment process would involve. This included concerns that the processes would be cumbersome and/or add high levels of cost to the scheme. A range of alternative/ additional factors were proposed for consideration in the risk assessment.	An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process to determine overall soundness. The factors identified by stakeholders as part of the consultation process are being considered.
Alternative values	There was a number of proposals for alternative thresholds, rates and ceilings.	An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process to determine overall soundness. The factors identified by stakeholders as part of the consultation process are being considered.
Removal of discounts and use of industry calculators	There was some generic industry concern that removal of discounts and industry calculators raised costs, though their removal was supported by environmental organisations and many individual submissions from members of the public.	Where discounts were provided, the government did not hold sufficient financial assurance to undertake the rehabilitation if the responsibility ended up with the State. An external advisor has been engaged to assist with the design of the process to determine overall soundness. A number of factors are being considered for inclusion in this process to determine overall soundness, including those that were used to determine discounts. A public report will be released shortly which outlines the process. A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation. Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.



Issue	Issue description	Response
Existing abandoned mines (legacy sites)	Community stakeholders raised concerns that the amounts proposed to be levied are too low to adequately fund the necessary works by the Abandoned Mine Lands Unit.	The pooling of funds for financial assurance does not remove the obligation of holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i> . Abandoned mines in Queensland have accumulated over a lengthy period of time and will take time and significant funds to rehabilitate. A discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will be released later this year.
Joint ventures and complex corporate structures	There was significant uncertainty about how joint ventures and complex corporate structures would be assessed in terms of scheme inclusion. Some companies without a current credit rating were unsure of the scheme's impact on them or how they would be assessed.	Government is working with legal and accounting advisors and industry members to ensure complexities such as joint venture arrangements are appropriately taken into account. The public report on the risk assessment process which will be released shortly, will provide further information about the assessment of joint venture, complex corporate structures and entities without a public credit rating.
New operators	There was a concern that new entrants to Queensland be assessed in such a way as to not penalise them.	New entrants and their projects will be considered under the same process for allocation to the scheme as existing projects. The process to determine overall soundness will take into account a range of financial and rehabilitation performance factors with a public report to be released shortly.
Review of scheme	There were calls for processes to review contribution rates downwards as rehabilitation fund pool increases and if calls on the fund were overstated. There were also calls for orderly and clear review mechanisms.	The scheme will have periodic actuarial assessment of the pool which will include a review of the rates. As a result of the three year transitional period, the legislation will provide for an initial review after five years and then further reviews every three years.
Confidentiality	There were concerns that the rating applied by the scheme manager and information provided to the scheme manager to determine the rating should remain confidential.	Government acknowledges the financially sensitive nature of commercial information and is incorporating legislative amendments to maintain the privacy of this information where possible.

Table 2: All issues and comments raised in public submissions

Issue description (as raised by submitter)	Response
GENERAL	
<p>Agreement in principle with QTC’s review findings, but policy approach needs further refinement.</p>	<p>Based on the results of consultation and in considering legislative requirements, the design of the scheme has been refined compared to that provided in the discussion paper. A number of the refinements are outlined in this paper. The Office of the Queensland Parliamentary Counsel is currently drafting the legislation and a brief consultation will be undertaken on the draft Bill once it has been prepared.</p>
<p>Supports development of a range of policy reforms to address the holes and uncertainties in the rehabilitation and financial assurance framework.</p>	<p>The Financial Assurance Reform is one aspect of a suite of reforms. Further discussion papers on <i>Better Mine Rehabilitation, Financial Assurance Review – Providing Surety, Residual Risk, Achieving Improved Rehabilitation for Queensland – Addressing the State’s Abandoned Mines Legacy and Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released over the remainder of 2017.</p>
<p>Notes that proposed fund combines petroleum and mining but excludes other industries. Suggests that if only risk relevant to financial assurance is risk of financial failure, then financial assurance should extend to all industries and activities that cause damage to land.</p>	<p>Currently the greatest exposure to government, in relation to rehabilitation defaults sits with the resources sector. The government also imposes financial assurance on a number of other Environmentally Relevant Activities (ERA). A number of prescribed (non resources) ERA are likely to require financial assurance if a new environmental authority is issued. These include dredging and extractive industries, metal smelting and refining, and waste activities.</p> <p>The reforms currently being progressed are therefore focussing on the resources sector and the Queensland Government may consider extending the application of the scheme to other activities in future.</p> <p>While the risk of financial failure is a significant consideration in the scheme design and allocation of holders of environmental authorities within the scheme, it is not the only risk factor that will be considered. Based on consultation feedback, other elements including resource quality and rehabilitation performance will also be taken into account.</p> <p>An external advisor has been engaged to assist with the design of the process to determine overall soundness and a public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to predict with reasonable certainty where they are likely to sit in the scheme.</p>
<p>Congratulates the government for introducing the financial assurance concept for mine sites and consider the concept has wider application in other development where public land may be damaged and abandoned at public expense, such as commercial users of national parks.</p>	<p>Currently the greatest exposure to government, in relation to rehabilitation defaults sits with the resources sector. The government also imposes financial assurance on a number of other Environmentally Relevant Activities (ERA). A number of prescribed (non resources) ERA are likely to require financial assurance if a new environmental authority is issued. These include dredging and extractive industries, metal smelting and refining, and waste activities.</p> <p>The reforms currently being progressed are therefore focussing on the resources sector and the Queensland Government may consider extending the application of the scheme to other activities in future.</p>



Issue description (as raised by submitter)	Response
<p>Need for an overall co-existence plan, which includes rehabilitation of mines and gas fields, that will allow balanced development, coupled with the long-term well-being of our environment and community.</p>	<p>The revised financial assurance framework is supported by complementary measures, including measures relating to better mine rehabilitation. <i>The Better Mine Rehabilitation for Queensland</i> discussion paper suggests a policy approach that when preparing the proposed life-of-mine plan, “the mining company will identify suitable future land uses having regard to the community views and any desired use expressed in local and regional planning strategies”.</p>
<p>SCHEME DESIGN (TAILORED SOLUTION)</p>	
<p>Supports/commends the general approach of the tailored solution, to the extent it recognises the complex and heterogeneous nature of Queensland resources industry.</p>	<p>Noted</p>
<p>Supports tailored solution over expanded status quo.</p>	<p>Noted</p>
<p>While support tailored solution are not convinced the proposed new Financial Assurance Framework will achieve the right balance between reducing mining companies’ financial burden, achieving improved environmental outcomes, reducing Queensland taxpayer’s exposure to financial risks and remediating the many abandoned mine across Queensland, eg increase contribution rates.</p>	<p>The scheme is designed to achieve a balance between the interests of government, community, industry and the environment. The ongoing scheme design and implementation process will reference the suggestions of stakeholders during the public consultation process while ensuring that balance in maintained.</p>
<p>Not support ‘tailored solution’ in its current form on the basis that it is inadequate to address legacy site issues and protect against serious default. Only support if:</p> <ul style="list-style-type: none"> • adjusted to raise \$1.75 billion from both tiers 1 and 2 over 5 years from which \$1.15bn is available for the abandoned mines programme, and if the number of entities included in tier 3 is expanded to cover more ‘at risk’ companies. • it is not implemented until the associated policy initiatives are complete and have been shown to be working, with evidence of progressive rehabilitation, mine closure planning and proper monitoring and enforcement. <p>Needs to also consider the impact of the Adani mine and structural decline of the thermal coal industry.</p>	<p>The scheme has not been designed as a new tax on industry to pay for past indiscretions. However where the government receives a source of funding for accepting the limited risks of some operations, the government intends to hypothecate the money within the resources sector.</p> <p>The scheme is designed to achieve a balance between the interests of government, community, industry and the environment.</p> <p>The ‘Tailored Solution’ will be implemented at the same time as the better mine rehabilitation for Queensland reforms. The importance of these reforms occurring concurrently is acknowledged and that is why the discussion papers were released at the same time. The timing associated with the other complementary measures is still to be determined with discussion papers to be released later this year. However, where such reforms can be adopted without legislative amendments they may be implemented at the same time as the ‘Tailored Solution’ and better mine rehabilitation for Queensland reforms.</p> <p>QTC considered a range of expected and unexpected market outcomes in its modelling and pricing of the scheme.</p>
<p>Supports the use of interest on the pooled fund to support management of legacy sites but the proposed contribution rates are too low to ensure adequate funding and should be increased.</p>	<p>The scheme is designed to achieve a balance between the interests of government, community, industry and the environment. The ongoing scheme design and implementation process will reference the suggestions of stakeholders during the public consultation process while ensuring that balance in maintained.</p>

Issue description (as raised by submitter)	Response
<p>Suggests a reduced number of categories and types of risk ratings in the rehabilitation fund or selected partner arrangement.</p>	<p>The 'Tailored Solution' reflects the situation that different holders of environmental authorities and different resource projects present different risks for government. The initial modelling undertaken by QTC, with advice from the State Actuary, determined that three categories for the Rehabilitation Fund would be most appropriate. Going forward the scheme will be actuarially reviewed and it will be possible for those reviews to recommend a reduction or an increase to the number of categories.</p> <p>An external advisor will be engaged by the scheme manager to advise government on the allocation of holders of environmental authorities within the scheme.</p> <p>The design of the process to determine overall soundness will be released shortly in a public report with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>It might be preferable to include selected partner arrangement entities within the pool but give them discounted rates rather than having the State assume the full rehabilitation risk.</p>	<p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p>
<p>Only interest from rehabilitation fund should be used for rehabilitation of sites which are abandoned and returned to the state, as in Western Australia.</p>	<p>In relation to legacy sites, it is proposed that funds from the scheme will be made available to the abandoned mine lands unit subject to consultation with the industry advisory group.</p>
<p>EFFECT OF TAILORED SOLUTION ON VARIOUS SECTORS OF RESOURCE INDUSTRY</p>	
<p>Tailored solution and changes to rehabilitation framework should accommodate inherent differences between commodities and individual operations, e.g. limited capacity of metalliferous operations to undertake progressive rehabilitation.</p>	<p>The rehabilitation paper has considered these differences and the proposed progressive rehabilitation and closure planning document is to be developed on a mine specific basis so that it can reflect the specific circumstances that apply to the particular mine.</p>
<p>Proposed financial assurance reforms have the effect of penalising one large company because they do not properly take into account the strength of the company's financial position or demonstrated commitment to progressive rehabilitation.</p>	<p>The government is considering a process to determine overall soundness that will take into account a range of financial and other factors. An external advisor has been engaged to assist with determining this process. A public report on the process will be released shortly.</p>



Issue description (as raised by submitter)	Response
<p>Proposal will change the competitive landscape as the QTC report says selected partner arrangement operators and third party surety operators would continue to pay what they currently are whereas those in the rehabilitation fund will have a contribution rate prescribed.</p>	<p>The method for setting the contribution rates was the same for the Selected Partner Arrangement and the Rehabilitation Fund however the Selected Partner Arrangement has now been removed.</p> <p>An external advisor will be engaged by the scheme manager to advise government on the allocation of holders of environmental authorities within the scheme.</p> <p>A public report on the process to determine overall soundness will be released shortly.</p> <p>Holders of environmental authorities who are required to provide third party surety will need to provide surety that meets the specified requirement of the scheme for their entire rehabilitation exposure for each environmental authority. Discounts will no longer apply.</p>
<p>The fund introduces inequity through the sharing of financial and reputation risk within the rehabilitation fund whereas others outside this fund do not share this risk. This raises issues of moral hazard. Risk of adverse selection resulting in irresponsible operators subsidizing sustainable operators.</p>	<p>The pooling of funds for financial assurance does not remove the obligation of holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i>. There are various enforcement tools under the <i>Environmental Protection Act 1994</i>.</p>
<p>Concern that framework adds costs, drives investment away, increases project risk profiles and decreases regional employment opportunities.</p>	<p>There is no specific intention to increase costs for industry through the reform, however neither was there a commitment that all holders of environmental authorities would be better off. The scheme is designed to achieve a balance between the interests of government, community, industry and the environment.</p> <p>Once the public report on the process to determine overall soundness has been released, holders of environmental authorities will be able to make a more accurate judgement as to where they are likely to be placed within the scheme.</p>
<p>Concern that scheme does not sufficiently recognise differences between mining and petroleum sectors and that the latter is included in scheme largely designed to address risk arising from the mining industry.</p>	<p>Differences in commodities and operations are reflected in the calculations of rehabilitation costs relating to each particular environmental authority.</p> <p>Further, consideration is being given to the factors that will be included in the process to determine overall soundness and certain aspects of the individual operations are likely to be taken into account. An external advisor has been engaged to assist with determining this process. A public report on the will be released shortly.</p>
<p>Concern the selected partner arrangement contributions are just a levy to address previous unrelated failures targeted at a small group of responsible companies.</p>	<p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p>
<p>Believes selected partner arrangement if used to fund abandoned mines sets a negative precedent of using funds contributed by lower risk participants to fund failure of others.</p>	<p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p>

Issue description (as raised by submitter)	Response
Believes expected losses are overstated.	The expected losses were generated by QTC using a risk modelling approach and a probability distribution (a mathematical method for describing the uncertainty of a variable). Factors used in the calculation included the rehabilitation liability, the risk of company failure and the probability of a resource site not being sold if the company failed. The risk of company failure, one of the key drivers of expected loss, was based on S&P global corporate historical default rates over the last 35 years.
Tailored solution does not meet objective of providing an incentive to the resource sector.	The scheme aims to achieve a balance between the interests of government, community, industry and the environment. Once the public report on the process to determine overall soundness has been released, holders of environmental authorities will be able to make a more accurate judgement as to where they are likely to be placed within the scheme.
The additional securities under the <i>Mineral Resources Act 1989</i> ‘double up’ on financial assurance and this should be remedied.	It is not proposed to alter existing provisions in the <i>Mineral Resources Act 1989</i> .
RISKS TO STATE FROM POOLED ARRANGEMENTS	
There will be a multi-year risk to government until pooled funds are built up as a result of returned bank guarantees at a time when government is facing pressure to reduce debt.	Pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i> . The various enforcement tools under the <i>Environmental Protection Act 1994</i> will continue to apply. It is acknowledged that the Rehabilitation Fund will take a number of years to “build up” but it is also acknowledged that disbursement of the funds will also spread over a number of years reflecting the nature of rehabilitation operations.
Concern as to how the government would mitigate its risk during the initial period and recommended against using a requirement for operators to maintain full value of surety during this period.	For environmental authority holders within the rehabilitation pool, surety will be returned once pool payments have commenced. A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.
Ability of sureties to support entities with weak credit rating reduced by only placing such companies in surety category.	An increased range of sureties is being considered. See the <i>Financial Assurance Review – Providing Surety</i> discussion paper for further information once it is released later in the year.
INITIAL RISK RATING AND FACTORS AFFECTING CATEGORY ALLOCATION	
Process needs to be objective and consistent with guidance and controls on the assessment calculation especially if outsourced.	An external advisor has been engaged to assist with the design of the process to determine overall soundness and a public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme. An external advisor will be engaged by the scheme manager to advise government on the allocation of holders of environmental authorities within the scheme in accordance with the process to determine overall soundness specified in the public report.



Issue description (as raised by submitter)	Response
<p>Transparency of pooled fund, including consideration of independent review process and formal constitution of fund.</p>	<p>Agreed. Fund to be established and regulated by legislation. Actuarial review requirements and annual reporting will be specified in the legislation. The Government is committed to delivering a transparent scheme.</p>
<p>Seek clarity on how rating will be assessed, eg mine subsidiary, Australian parent, overseas parent, and how often re-rated.</p>	<p>Government is working with legal and accounting advisors and industry members to ensure complexities such as joint venture arrangements are appropriately taken into account.</p> <p>In addition, an external advisor has been engaged to assist with the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. Matters such as subsidiary/parent structures and international ownership are being considered in this design process.</p> <p>An assessment review will be undertaken on a yearly basis. There is a limited set of circumstances that would trigger an immediate review such as where there has been a change in ownership of the environmental authority, change in control of the company holding the environmental authority or where an environmental authority holder applies to amend its plan of operations progressive rehabilitation and closure plan to significantly increase the expected area of land disturbed by resource activities.</p> <p>Where changes in circumstances since the previous review are minimal, the annual review would be fairly streamlined.</p>
<p>Concern that ratings agency may overrate companies as occurred in American subprime mortgage crisis in 2007-08. The Government should consider implementing a secondary form of financial scrutiny of mining companies independent of the ratings agencies.</p>	<p>An external advisor will be engaged by the scheme manager to advise on the allocation of resource projects within the scheme in accordance with the process to determine overall soundness specified in the public report. While public rating will be taken into account, other factors will also be considered.</p>
<p>Suggestion by many submitters that risk assessment include consideration of various environmental performance factors. Factors included:</p> <ul style="list-style-type: none"> • credit for demonstrated commitment to progressive rehabilitation • rehabilitation history • environmental performance • the receiving environment 	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. The factors identified by stakeholders as part of the consultation process are being considered.</p>
<p>Consideration should be given to ‘social investment’ by operators.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. The factors identified by stakeholders as part of the consultation process are being considered.</p>
<p>Strongly in favour of environmental and rehabilitation performance being part of the assessment process and suggested looking at the discount factors to provide guidance on this.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. The factors identified by stakeholders as part of the consultation process are being considered.</p>

Issue description (as raised by submitter)	Response
Project longevity, potential for asset sale and the operator's approach to, and budget for, rehabilitation be taken into account.	An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. The factors identified by stakeholders as part of the consultation process are being considered.
Concern about imposing credit rating on some companies that do not have or want one.	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p> <p>The government is working with legal, accounting and risk rating advisors and industry members to ensure complexities of environmental authority holders' financial structures are appropriately taken into account.</p> <p>The government acknowledges the financially sensitive nature of commercial information and is incorporating legislative amendments to maintain the privacy of this information where possible.</p>
Position unclear if do not have credit rating and unclear if rating of parent can be taken into consideration. Should also consider if project has co-ordinated project status under <i>State Development and Public Works Organisation Act 1971</i> as project already under considerable scrutiny.	An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process. The factors identified by stakeholders as part of the consultation process are being considered. Matters such as subsidiary/parent structures and international ownership are being considered in this design process.
Concern about the effect of not having a credit rating and concern that by default they would be allocated to pay 2.75%.	Holders of environmental authorities that do not hold a credit rating will not be allocated the 2.75% rate as a default. Each environmental authority holder will undergo a determination of overall soundness in relation to their environmental authority. An external advisor has been engaged to advise on the design of the process and a public report will be released shortly which outlines the process.
Concern that rating should be confidential.	Government acknowledges the financially sensitive nature of commercial information and is incorporating legislative amendments to maintain the privacy of this information where possible.
Government establish a different term for 'rating' of companies where they are currently non-rated and do not want or need to be so that this does not become a quasi-rating and publicly discoverable.	<p>The process to determine overall soundness will not create a credit rating as the process will consider broader issues.</p> <p>Appropriate terminology is currently being considered.</p> <p>Government acknowledges the financially sensitive nature of commercial information and is incorporating legislative amendments to maintain the privacy of this information where possible.</p>
Suggestion that multiple risk profiles for operators be developed to address the differences between conventional and unconventional producers and explorers.	An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.



Issue description (as raised by submitter)	Response
<p>In relation to financial matters that should be considered in the risk rating, suggestions by one submitter included, for the gas industry:</p> <ul style="list-style-type: none"> • Counterparty risk (gas sales arrangements) • Duration of gas sales agreements • Cash flow generation • Cash in bank • Reputation / valuation in capital markets • Breakeven price (responsiveness to commodity volatility) • Operational / regulatory compliance history • Extent of operations (percentage disturbed area vs tenement area) • Value of provision for rehabilitation vs future rehabilitation cost • Complexity of rehabilitation • History of environmental performance across jurisdictions • Rehabilitation activity history • Class of land for rehabilitation • Reputation 	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p> <p>The factors identified by stakeholders as part of the consultation process are being considered.</p>
<p>Suggests additional measures to identify financial stress (in addition to credit ratings) be considered.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>
<p>Lifecycle stage of mine or portfolio of mines should be factored into credit rating, rather than through contingency in calculator.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>
<p>Suggest that public listing status, published asset value, relevant commodity outlook be considered in determining financial risk and assigning a categorisation.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>
<p>Suggested factors which ratings agencies use eg, business risk, country risk, industry risk and competitive position, go beyond financial risk should not be included in the assessment.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>
<p>Concern at cost for small operators to provide information for assessment.</p>	<p>The threshold amount of \$100,000 will exclude many small holders of environmental authorities from assessment. For those who are assessed, the degree of assessment will be proportionate with the rehabilitation cost.</p>
<p>Various concerns were raised about fair treatment of new entrants, including those new to Queensland. Concerns included that new, low-risk entrants are not penalised by a lack of financial history resulting in a further impediment to reaching the required level of surety and reduction in working capital. Treating new entities differently would be counter-intuitive to attracting new investment.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>

Issue description (as raised by submitter)	Response
<p>Suggestion that for new entities government should assess the future potential of the project from a financial perspective as well as an evaluation of the operator’s proposed approach to rehabilitation, resources currently provided and budgeted for rehabilitation. This would be particularly suitable where an entity has taken on a site which has older rehabilitation and is proposing to bring it closer to modern standards. Can look forward eg as government proposes increased rehabilitation audits and can look to rehabilitation milestones.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p>
JOINT VENTURES AND PARENT COMPANIES	
<p>Criticism of lack of detail to date about how ‘joint ventures and parent company credit ratings affect the entity’s credit rating and resulting category in the financial assurance system’.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>Concern for uncertainty about assessing and managing joint ventures, including:</p> <ul style="list-style-type: none"> • how to assess unincorporated joint ventures with multiple parties who are holders of the same environmental authority (with various levels of ownership interest in the mine), • how different risk ratings within a joint venture may impact on a partner’s categorisation, • how minority joint venture participants may be treated, • how interest transfers between joint venture participants may impact on financial assurance, • how commercially sensitive information will be kept confidential as between joint venture partners, • when will the terms of a joint venture agreement require disclosure and affect categorisation and contribution of participants, • potential implications for joint venture participants and their executive officers or offshore continuous disclosure obligations. 	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>Suggestion that the risk of overall joint venture default is effectively no more than that of the lowest risk participant.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>Proposes joint venture itself establishes the most appropriate way to assess credit risk and apply the credit rating review – to be approved by government.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>



Issue description (as raised by submitter)	Response
<p>Develop a clear system for assigning ratings (categories) for resource company counter-parties having regard to joint ventures and appropriate line of sight through to parent entities, particularly if overseas.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>Concern how joint ventures dealt with in risk rating as well as provision of potentially independently sensitive information.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p> <p>Government acknowledges the financially sensitive nature of commercial information and is implementing legislative amendments to maintain the privacy of this information where possible.</p>
<p>Concern the complexity of looking into joint venture arrangements could result in an expensive and cumbersome scheme to administer.</p>	<p>An external advisor has been engaged to advise on the design of the process to determine overall soundness including on matters relating to joint ventures and parent company credit ratings. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>CONTRIBUTION RATES TO SELECTED PARTNER ARRANGEMENT AND REHABILITATION FUND</p>	
<p>Contribution rates are too high compared to current costs of bank guarantees. There were various concerns including:</p> <ul style="list-style-type: none"> • rates punishing companies with good environmental record and strong credit rating. • lowest rehabilitation fund rate should be comparable with best surety rate. • were a disincentive to overseas investment in Queensland. • rates involved cross-subsidizing competitors. • rates should be no higher than companies currently pay as surety. 	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> • the ‘insurance rate’ determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and • the cost of the current surety arrangement to Industry. <p>An external advisor has been engaged to advise on the design of the process to determine overall soundness and a public report will be released shortly which outlines the process.</p> <p>The views of stakeholders in relation to the rates proposed in the discussion paper are still being considered.</p>
<p>Criticism of proposed contribution rates as being too high and particularly critical of selected partner arrangement contribution rates, which it does not consider to be competitive.</p>	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> • the ‘insurance rate’ determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and • the cost of the current surety arrangement to Industry. <p>The views of stakeholders in relation to the rates proposed in the discussion paper are still being considered.</p> <p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA’s allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland’s total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p>

Issue description (as raised by submitter)	Response
Contribution rates should be reduced if strong history of rehabilitation	An external advisor has been engaged to advise on the design of the process to determine overall soundness. A number of factors are being considered for inclusion in this process. A public report will be released shortly which outlines the process.
Should be intermediate tiers in addition to three proposed.	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry.
Pooled funds must provide sufficient funds to address abandoned mines, current rates too low and need review.	<p>QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.</p> <p>The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.</p>
Support the use of interest on the pooled fund to support abandoned mines rehabilitation but the proposed contribution rates are too low to ensure adequate funding and should be increased.	QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.
Proposed contribution rates too low for certain resource entities. Rates must be increased to raise at least \$1.5 billion over the first 5 years.	The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.
<p>Increase the size of the financial contribution that eligible resource companies provide to ensure the Rehabilitation Fund generates a minimum of \$500m after 5 years.</p> <p>Increase the contribution rate for mining companies meeting the selected partner arrangement criteria to ensure that a minimum of \$500m is generated over 5 years.</p>	QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.
<p>Suggest contribution rates for selected partner arrangement should increase so selected partner arrangement members could generate a net income available for abandoned mines of \$750m over 5 years (\$50m per year per each of three proposed companies).</p> <p>Suggest contribution rates for rehabilitation fund should be increased with the aim of generating contributions of \$1bn over 5 years with 40% of the income including interest (\$400M) should be ear-marked specifically for the abandoned mines programme. The balance, \$600M is a more realistic amount to cover the default of companies in the pool.</p>	The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.



Issue description (as raised by submitter)	Response
<p>More variation in selected partner arrangement rates or ability to opt out of pool.</p>	<p>The Selected Partnership Arrangement division has been removed. EA holders identified as significant resource entities and who have been assessed as suitable for providing contributions to the rehabilitation fund/pool will have their EA's allocated to the rehabilitation fund/pool up to the threshold of 5% of Queensland's total estimated rehabilitation costs. Any additional EAs above the threshold amount will need to be covered by surety.</p> <p>A pooled model only works where participants represent a mix of acceptable risk profiles. An option to opt-out would potentially skew the risk profile of the pool and make it inefficient.</p>
<p>Pooled funds must provide sufficient funds to address abandoned mines, current rates too low and need review.</p>	<p>QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.</p> <p>The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.</p>
<p>Support the use of interest on the pooled fund to support abandoned mines rehabilitation but the proposed contribution rates are too low to ensure adequate funding and should be increased.</p>	<p>QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.</p>
<p>Proposed contribution rates too low for certain resource entities. Rates must be increased to raise at least \$1.5 billion over the first 5 years.</p>	<p>The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.</p>
<p>Increase the size of the financial contribution that eligible resource companies provide to ensure the Rehabilitation Fund generates a minimum of \$500m after 5 years.</p> <p>Increase the contribution rate for mining companies meeting the selected partner arrangement criteria to ensure that a minimum of \$500m is generated over 5 years.</p>	<p>QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.</p>
<p>Suggest contribution rates for selected partner arrangement should increase so selected partner arrangement members could generate a net income available for abandoned mines of \$750m over 5 years (\$50m per year per each of three proposed companies).</p> <p>Suggest contribution rates for rehabilitation fund should be increased with the aim of generating contributions of \$1bn over 5 years with 40% of the income including interest (\$400M) should be ear-marked specifically for the abandoned mines programme. The balance, \$600M is a more realistic amount to cover the default of companies in the pool.</p>	<p>The discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will provide further discussion about the priorities of this program when it is released later in 2017.</p>

Issue description (as raised by submitter)	Response
More variation in selected partner arrangement rates or ability to opt out of pool.	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry.
Selected partner arrangement contribution rates should be more competitive rather than simply being linked to rehabilitation pool contribution rates.	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry. <p>The views of stakeholders in relation to the rates proposed in the discussion paper are still being considered.</p>
Contribution rates should go down as pool not drawn down.	<p>A periodic actuarial assessment of the pool will be undertaken which will include a review of the rates. The first legislated review will occur five years after commencement (reflecting the need to allow for the three year transitional period to be completed) and then every three years subsequently.</p>
Concern that rehabilitation fund members may have to pay to top up shortfalls in surety for those under third party surety.	<p>Should there be any deficiencies in surety amounts they will not be recovered from the Rehabilitation Fund.</p>
Certainty around contribution rates and frequency/process for increases (e.g. locked for reasonable period or increases capped.)	<p>A periodic actuarial assessment of the pool will be undertaken which will include a review of the rates. The first legislated review will occur five years after commencement (reflecting the need to allow for the three year transitional period to be completed) and then every three years subsequently.</p>
Suggests contribution rates be 'truly comparable' to current rates paid for bank guarantees.	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry.
TRANSITIONING TO SCHEME	
Time should be allowed for companies to respond to assessment and arrange finance if necessary, especially if increased third party surety is required.	<p>A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.</p> <p>Once the scheme is operational there will be provisions to allow holders of environmental authorities to respond to their determination of overall soundness and any potential change in their determination over time. If the holders of the environmental authority are determined to be as newly requiring third party surety, a notice period (and a further determination during that period) of 12 months will apply to allow for time to arrange finance if necessary.</p>



Issue description (as raised by submitter)	Response
Resource companies which will lose discounts sought a staged phasing out of discounts.	A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.
If discounts removed, should be transitional period to incentivise operators to seek out successful progressive rehab outcomes to reduce costs.	A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.
Welcomed the government's commitment to a fair transitional timeframe.	Noted.
Implementation of new financial assurance arrangements should coincide with expiry of plans of operations to minimise cost and resource impact.	A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation. Transitional arrangement will also apply for the adoption of rehabilitation reforms. The government will align these where it is appropriate to do so.
Enough time must be allowed for transitioning to new system.	A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.
OPTING OUT OF SELECTED PARTNER ARRANGEMENT OR REHABILITATION FUND	
A number of participants sought the right to opt out of the selected partner arrangement or the rehabilitation fund in favour of surety. This was largely because the fund rates were said to be higher than that currently available through surety.	A pooled model only works where participants represent a mix of acceptable risk profiles. An option to opt-out would potentially skew the risk profile of the pool and make it inefficient.
Criticism of the apparent lack of government interest in accommodating an 'opt out' system.	A pooled model only works where participants represent a mix of acceptable risk profiles. An option to opt-out would potentially skew the risk profile of the pool and make it inefficient.
One company proposed mixed contributions to rehabilitation fund and surety, or surety alone, at company's option.	<p>There is the potential for mixed contributions, depending on the determination of overall soundness. For example, if a company has multiple resource projects (EAs) it is possible that some of the projects are determined as requiring a contribution to the Rehabilitation Fund and some are determined as requiring surety. However, this will be decided through the process for determining overall soundness undertaken by Government.</p> <p>A pooled model only works where participants represent a mix of acceptable risk profiles. An option to opt-out would potentially skew the risk profile of the pool and make it inefficient.</p>
One company suggested companies should be able to divide their rehabilitation liability risk between categories eg certain domains under rehabilitation fund and others under surety.	<p>There is the potential for mixed contributions, depending on the determination of overall soundness. For example, if a company has multiple resource projects (EAs) it is possible that some of the projects are determined as requiring a contribution to the Rehabilitation Fund and some are determined as requiring surety. However, this will be decided through the process for determining overall soundness undertaken by government.</p>

Issue description (as raised by submitter)	Response
RISK RATING REVIEWS AND TRANSFERS BETWEEN CATEGORIES AND TIERS	
Guidelines and processes for categorisation and assessment of annual contributions needed.	Guidelines will be developed once the structure of the financial assurance scheme has been finalised. A public report will be released shortly which outlines the process for determining overall risk with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.
Concern about unintended instability if company changes category over course of project, effect of going above 5% threshold. Needs a transitional mechanism.	There is the potential for mixed contributions, depending on the determination of overall soundness. For example, if a company has multiple resource projects (EAs) it is possible that some of the projects are determined as requiring a contribution to the Rehabilitation Fund and some are determined as requiring surety. However, this will be decided through the process for determining overall soundness undertaken by government.
Concern regarding transitioning between risk categories and if move from fund, whether contributions to be refunded.	Contributions to the Rehabilitation Fund will not be refunded in most cases.
Rules governing the movement of companies between the different 'tiers' need to be set and be transparent.	There will be provisions to allow holders of environmental authorities to respond to their determination and any potential change in their determination over time. If the holders of the environmental authority are determined to be as newly requiring third party surety (moving from the Rehabilitation Fund), a notice period (and a further determination during that period) of 12 months will apply to allow for time to arrange finance if necessary. where it is determined that a holder of an environmental authority is required to move from third party surety to the Rehabilitation fund, the contribution will be payable and the surety will be returned.
Concern regarding stability for company if category changes and there is a potential large increase in costs.	There will be provisions to allow holders of environmental authorities to respond to their determination and any potential change in their determination over time. If the holders of the environmental authority are determined to be as newly requiring third party surety (moving from the Rehabilitation Fund), a notice period (and a further determination during that period) of 12 months will apply to allow for time to arrange finance if necessary. This is designed to provide a degree of stability (should the company be able to recover its position over the course of the 12 months) or give sufficient notice to prepare for the change in circumstances.
Changes to credit rating resulting in need to arrange third party surety will need sufficient time – not less than 6 months.	There will be provisions to allow holders of environmental authorities to respond to their determination and any potential change in their determination over time. If the holders of the environmental authority are determined to be as newly requiring third party surety (moving from the Rehabilitation Fund), a notice period (and a further determination during that period) of 12 months will apply to allow for time to arrange finance if necessary. This is designed to provide a degree of stability (should the company be able to recover its position over the course of the 12 months) or give sufficient notice to prepare for the change in circumstances.



Issue description (as raised by submitter)	Response
<p>Concern if time lag between re-rating and change in category may create uncertainty for companies.</p>	<p>There will be provisions to allow holders of environmental authorities companies to respond to their assessment and any potential change in their assessment over time. If the holders of the environmental authority are assessed as newly requiring third party surety (moving from the Rehabilitation Fund), a notice period (and a further assessment during that period) of 12 months will apply to allow for time to arrange finance if necessary.</p> <p>This is designed to provide a degree of stability (should the company be able to recover its position over the course of the 12 months) or give sufficient notice to prepare for the change in circumstances.</p> <p>Risk assessments will be reviewed for all participants in the scheme on an annual basis.</p>
<p>Government should develop a consistent review period for the rehabilitation fund and selected partner arrangement credit ratings, for example, annually for the first few years, and then potentially less often after that.</p>	<p>For all environmental authorities above a \$100,000 threshold, reviews will be undertaken on a yearly basis. There is a limited set of circumstances that would trigger a review within this period such as where there has been a change in ownership of the environmental authority, change in control of the company holding the environmental authority or where an environmental authority holder applies to amend its plan of operations or Progressive Rehabilitation and Closure Plan to significantly increase the expected area of land disturbed by resource activities. Where changes in circumstances since the previous review are minimal, the annual review would be fairly streamlined.</p>
<p>Government prepare a simple application template for a company to have their categorisation and annual contribution rates reassessed and that this process be recognised in the legislation.</p>	<p>This is the government's intention and the legislation will support this and specify the annual reassessment. However, the template will not be included in the legislation.</p>
<p>Support annual transparent independent review of companies and financial assurance. Risk of structural decline of coal mining industry must be managed to ensure this is accounted for in framework.</p>	<p>The role of the external advisor will be to provide ongoing analysis advice to government of the environmental authority holder's present and future risks to government, as part of the annual review process.</p>
<p>Concern if a company's rating was downgraded it would have greater difficulty accessing funds or surety from credit suppliers at the same time that the government was seeking either a greater contribution or a new third party surety. If the surety needed to be cash backed, this would impact access to capital that may be needed for the continuation of the business.</p>	<p>There will be provisions to allow holders of environmental authorities to respond to their determination and any potential change in their determination over time. If the holders of the environmental authority are determined to be as newly requiring third party surety (moving from the Rehabilitation Fund), a notice period (and a further determination during that period) of 12 months will apply to allow for time to arrange finance if necessary.</p> <p>This is designed to provide a degree of stability (should the company be able to recover its position over the course of the 12 months) or give sufficient notice to prepare for the change in circumstances.</p>
<p>Re-rating could be triggered by significant change in credit risk as result of externally observable events, change of public credit rating, reassessment at company's request.</p>	<p>The role of the external advisor will be to provide an ongoing analysis of the company's present and future risks to government.</p>
<p>Some thought annual reviews of credit ratings for companies too cumbersome.</p>	<p>An annual review (align with the timing of the financial contribution to the Rehabilitation Fund) will apply as the best way for government to ensure its risk is appropriate measured and reflect in the scheme arrangements. However, where changes in circumstances since the previous review are minimal, the annual review would be fairly streamlined and simple for both the external advisor and the holder of the environmental authority.</p>

Issue description (as raised by submitter)	Response
APPEALS AND REVIEWS	
Reforms should include provision for third party merits reviews of the decision to apply a Financial Assurance.	Government acknowledges the legitimate concerns raised by all stakeholders and these will be taken into account in considering any appropriate review process.
A dispute resolution process is required on rehabilitation rates and costs.	Government acknowledges the legitimate concerns raised by all stakeholders and these will be taken into account in considering any appropriate review process.
Resource entities need appeal right on credit assessment.	Government acknowledges the legitimate concerns raised by all stakeholders and these will be taken into account in considering any appropriate review process.
GOVERNANCE	
Need to ensure funds do not go to other purposes than abandoned mines and matters mentioned in discussion paper (eg not go into consolidated fund)	The funds will be accounted for separately with the purposes for fund expenditure, including interest, as outlined in legislation/regulation. Annual special purpose reports will be made publically available.
Need to ensure funds operate transparently eg fees, outgoings, application of funds and interest earnings and justification of fees and implement strong financial governance process. Support fees going to rehabilitation rather than unnecessary consultants and administration fees.	The funds will be accounted for separately with the purposes for fund expenditure, including interest, as outlined in legislation/regulation. Annual special purpose reports will be made publically available. While certain administrative set up costs will be required, the scheme is being designed to limit administration costs as far as possible.
How will the government address the issue of being both a manager as well as a claimant of the rehabilitation fund?	Government procurement processes will ensure that rehabilitation work is competently costed. The fund is to be independently audited annually.
Robust governance procedures put in place to protect and manage the fund, including creation of industry expert advisory panel.	An independent advisory panel with industry, community and technical experts will provide advice which will assist the scheme manager on expenditure for abandoned mine lands program and research and development. The governance framework will be consistent with the requirements under the <i>Financial Accountability Act 2009</i> .
Need independent review of scheme to ensure against risk of stranded thermal coal assets due to structural decline of industry.	The scheme will have periodic actuarial assessment of the pool which will include a review of the rates. As a result of the three year transitional period, the legislation will provide for an initial review after five years and then further reviews every three years.
Some miners sought participation in an advisory board on how non-claim funds spent.	Government is considering the structure and membership of an advisory panel in relation to expenditure on the abandoned mine lands program and research and development.



Issue description (as raised by submitter)	Response
<p>Review of fund – questioning of how large the rehabilitation fund is expected to become and whether contribution may cease to be needed at some future point.</p>	<p>After the first five years of operation (due to the transition period) an actuarial review of the scheme will be undertaken to determine whether any adjustment (up or down) of contribution rates is required. After the initial review, further actuarial reviews will be undertaken every three years. As a result, if the fund is growing faster than expected, rates may be reduced on the basis of the actuarial review but they are unlikely to reach zero. There is no specific size that the fund needs to reach, as the risk to Government is likely to change over time.</p>
<p>COSTS OF ADMINISTRATION</p>	
<p>Concern regarding high administration costs of scheme and their transparency.</p>	<p>While certain administrative set up costs will be required, the scheme is being designed to limit administration costs as far as possible.</p> <p>After the first five years of operation (due to the transition period) an actuarial review of the scheme will be undertaken to determine whether any adjustment (up or down) of contribution rates is required. After the initial review, further actuarial reviews will be undertaken every three years. These reviews will take into account the actual cost of administering the scheme.</p> <p>The fund is to be independently audited annually.</p> <p>It is intended that annual reports will be made publically available.</p>
<p>Administration costs (selected partner arrangement 20% and rehabilitation fund 13% of contributions) are excessive, eg by comparison administration fees for investment funds are 0.5-1.5% including profit margin. There is nothing to manage other than qualification process. No justification for selected partner arrangement costs as there is nothing to manage other than limited to small number of low risk projects.</p>	<p>While certain administrative set up costs will be required, the scheme is being designed to limit administration costs as far as possible.</p> <p>After the first five years of operation (due to the transition period) an actuarial review of the scheme will be undertaken to determine whether any adjustment (up or down) of contribution rates is required. After the initial review, further actuarial reviews will be undertaken every three years. These reviews will take into account the actual cost of administering the scheme.</p> <p>The fund is to be independently audited annually.</p> <p>It is intended that annual reports will be made publically available.</p>
<p>\$48M administration fee is excessive compared to Western Australia (\$837,000). Further analysis of expected loss and administration fees should be undertaken.</p>	<p>While certain administrative set up costs will be required, the scheme is being designed to limit administration costs as far as possible.</p> <p>The scheme is not comparable to the Western Australian rehabilitation fund as the scheme has additional functions and responsibilities.</p> <p>After the first five years of operation (due to the transition period) an actuarial review of the scheme will be undertaken to determine whether any adjustment (up or down) of contribution rates is required. After the initial review, further actuarial reviews will be undertaken every three years. These reviews will take into account the actual cost of administering the scheme.</p> <p>QTC took a number of factors and a substantial amount of data into account when developing the rates including allowance for expected and unexpected losses.</p> <p>The fund is to be independently audited annually.</p> <p>It is intended that annual reports will be made publically available.</p>

Issue description (as raised by submitter)	Response
SPECIFIC PETROLEUM AND GAS INDUSTRY ISSUES	
<p>Petroleum industry should not be forced to participate in rehabilitation fund.</p>	<p>Currently the greatest exposure to government, in relation to rehabilitation defaults sits with the resources sector. While the government acknowledges the petroleum and gas industry operates differently to the mining industry, it still poses a significant financial risk to the government. The rehabilitation exposure reflects the quantum of disturbed land and costs for government to undertake that rehabilitation. The measurement of this exposure incorporates a number of components which are tailored for the petroleum industry.</p> <p>The proposed process for determining overall soundness will reflect the risk to government associated with the resource project. An external advisor has been engaged to assist with the design of the process. All relevant factors will be considered including any that apply specifically or generally to the petroleum industry. A public report on the process will be released shortly.</p>
<p>Currently spending discretionary funds on oil and gas exploration, and regulatory instability / uncertainty of the proposed framework acts as a disincentive for exploration and investment.</p>	<p>The government is taking into consideration concerns raised by small scale holders of environmental authorities or holders of environmental authorities with an environmental authority subject to standard conditions.</p>
<p>Disincentive for junior petroleum explorers/ operators.</p>	<p>The government is taking into consideration concerns raised by small scale holders of environmental authorities or holders of environmental authorities with an environmental authority subject to standard conditions.</p>
<p>Increased costs Proposal will increase costs 50 to 750%.</p>	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry. <p>The views of stakeholders in relation to the rates proposed in the discussion paper are still being considered.</p>
<p>P&G industry was concerned that increased costs from higher contribution rates, loss of discounts and industry calculators and increased administration costs will provide a disincentive to investment.</p> <p>Gas explorers were concerned that the scheme will increase the regulatory burden on gas exploration contrary to the objective of the Gas Supply and Demand Action Plan by increasing financial assurance costs and at a time when increased supply is needed.</p> <p>P&G explorers are unlikely to fall below the \$50,000 small holder line, meaning they will fall within the scheme.</p> <p>Proposal directly undermines the stated objective of the State and Commonwealth government energy policy to increase natural gas production and supply as part of moving toward an affordable, reliable and cleaner energy mix.</p> <p>Explorers in the pool (if they have to pay FA) should pay 1% only due to their low risk status.</p>	<p>The contribution rates in the QTC report were set following consideration of:</p> <ul style="list-style-type: none"> the 'insurance rate' determined using actuarial methods applied by insurers to cover average losses plus a return on the notional capital of risk, and the cost of the current surety arrangement to Industry. <p>The government is taking into consideration concerns raised by small scale holders of environmental authorities or holders of environmental authorities with an environmental authority subject to standard conditions.</p> <p>The rates modelled in the QTC report were designed to ensure sufficient revenue to protect against expected losses.</p> <p>An external advisor has been engaged to advise on the design of the process for determining overall soundness.</p> <p>Environmental authority holders below a \$100,000 threshold will continue to pay financial assurance, but will not be subject to the process to determine overall soundness under the scheme. To protect the state's interest, all holders of environmental authorities must pay either a contribution to a pool or financial assurance regardless of the rehabilitation cost.</p>



Issue description (as raised by submitter)	Response
<p>Joint Ventures</p> <p>Many projects operated through joint ventures meaning assessment process may be complex and expensive.</p>	<p>Government is working with legal and accounting advisors and industry members to ensure complexities such as joint venture arrangements are appropriately taken into account.</p>
<p>P&G sector different from mining</p> <p>P&G sector lower risk than mining.</p> <p>Statement that P&G industry is fundamentally different from mining and should not be covered by a single framework under which the P&G industry is required to subsidise the riskier existing mines as well as legacy mines.</p> <p>The discussion paper and the financial assurance reform process are heavily weighted towards managing the perception of impacts from the mining sector.</p>	<p>An external advisor has been engaged to advise on with the design of the process to determine overall risk including consideration of joint ventures. A key consideration in the design of the process is to ensure it is cost effective and as simple as possible to administer. A public report will be released shortly which outlines the process with the intention that holders of environmental authorities will be able to self assess and be reasonably confident in determining where they are likely to sit in the scheme.</p>
<p>Petroleum represents a low rehabilitation risk to the state because activities tend not to have a permanent environmental impact and to the extent that there are any environmental risks the sector is already undertaking progressive rehabilitation. Most financial assurance is related to infrastructure removal whereas mining is associated more with rehabilitation of disturbed land.</p> <p>Petroleum sector is subsidising mining sector. The State's risks in relation to petroleum and gas activities are adequately provided for under the existing regime and the status quo should be maintained.</p>	<p>Currently the greatest exposure to government, in relation to rehabilitation defaults sits with the resources sector.</p> <p>While the government acknowledges the petroleum and gas industry operates differently to the mining industry, it still poses a significant financial exposure for the government.</p>
<p>Petroleum exploration companies with a rehabilitation liability less than a specified limit should be exempt from financial assurance requirements.</p>	<p>Environmental authority holders below a \$100,000 (increased from \$50,000) threshold will continue to pay financial assurance, but will not be subject to a determination, under the scheme, of overall soundness. To protect the state's interest, all environmental authority holders must pay financial assurance regardless of the rehabilitation cost.</p>
<p>Chain of Responsibility Legislation</p> <p>The effect of the <i>Environmental Protection (Chain of Responsibility) Amendment Act 2016</i> in lowering government's rehabilitation exposure should be explicitly accounted for in the design of the financial assurance system.</p>	<p>The government acknowledges that pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i>. There are various enforcement tools, including chain of responsibility provisions under the <i>Environmental Protection Act 1994</i>.</p>
<p>Linkage between proposed financial assurance system and Chain of Responsibility legislation unclear.</p>	<p>The government acknowledges that pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i>. There are various enforcement tools, including chain of responsibility provisions under the <i>Environmental Protection Act 1994</i>.</p>
<p>Accuracy of government calculator</p> <p>Some gas explorers were concerned at accuracy of costs in the Department of Environment and Heritage Protection calculator.</p>	<p>Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.</p>

Issue description (as raised by submitter)	Response
SPECIFIC PETROLEUM AND GAS INDUSTRY ISSUES	
A mining geochemistry consultancy expressed concern about the accuracy of current financial assurance calculations and recommended Department of Environment and Heritage Protection seek input from technical experts.	Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.
Recommendation that the Department of Environment and Heritage Protection calculator be revised to better deal with issues arising for smaller petroleum operators	Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.
SMALL OPERATORS	
Preference for Western Australian model of 1% fee and no financial assurance required if liability is below \$50,000, unless it is high risk.	<p>The government is taking into consideration concerns raised by small scale operators or holders of environmental authorities subject to standard conditions.</p> <p>Environmental authority holders below a \$100,000 threshold will continue to pay financial assurance, but will not be subject to a determination of overall soundness under the scheme.</p>
\$50,000 ceiling amount could hinder the attractiveness of exploration. Threshold should be set at \$100,000.	<p>The government is taking into consideration concerns raised by small scale operators or holders of environmental authorities subject to standard conditions.</p> <p>On the basis on these submissions the government has decided to increase the threshold from \$50,000 to \$100,000. Environmental authority holders below a \$100,000 threshold will continue to pay financial assurance, but will not be subject to a determination of overall soundness under the scheme.</p>
Recommended having provisions to ensure financial assurance requirements not too onerous for smaller operators.	The government is taking into consideration concerns raised by small scale operators or operators with an environmental authority subject to standard conditions.
95% of operators will see no change or benefit from the review as are small to medium explorers or small miners and will remain in surety, albeit with possibly larger range of providers.	The government is taking into consideration concerns raised by small scale operators or operators with an environmental authority subject to standard conditions.
Recommend begin review of rehabilitation standards and financial assurance for small resource operators immediately.	A review has been scheduled to be undertaken separately by the Department of Environment and Heritage Protection in alignment with the financial assurance framework review project.
Believes 2.75% contribution rate will have significant impact on costs.	The government is taking into consideration concerns raised by small scale operators or operators with an environmental authority subject to standard conditions.
Low bonds from small operators presents a significant risk to the environment and taxpayer.	A review has been scheduled to be undertaken separately by the Department of Environment and Heritage Protection in alignment with the financial assurance framework review project.



Issue description (as raised by submitter)	Response
REMOVAL OF DISCOUNTS	
<p>Increases industry costs and removes incentive to progressive rehabilitation.</p> <p>P&G and miners generally against removal of discounts.</p> <p>Discount system was to recognise low-incidence of non-compliance, financial soundness, and sound environmental performance.</p> <p>If removed, alternative incentives should be considered.</p>	<p>Where discounts were provided, the government did not hold sufficient financial assurance to undertake the rehabilitation if the responsibility ended up with the State. An external advisor has been engaged to assist with the design of the process for determination of overall soundness. A number of factors are being considered for inclusion in this process, including those that were used to determine discounts. A public report will be released shortly which outlines the process. A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.</p>
<p>Environment groups and many individual submitters agreed with the removal of discounts.</p>	<p>Noted.</p>
<p>Penalty must be added for those companies with higher risk.</p>	<p>An external advisor has been engaged to assist with the design of the process for determination of overall soundness. A public report will be released shortly which outlines the process.</p>
<p>If discounts removed, should be transitional period to incentivise operators to seek out successful progressive rehab outcomes to reduce costs.</p>	<p>A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.</p>
<p>Acknowledgement that the government is proposing a fair transitional timeframe.</p>	<p>Noted.</p>
<p>What impact will increase in rehabilitation liability through removing discounts have on credit of individual operators?</p> <p>What impact will the loss of discounts have on the number of pending merger and acquisition transactions in Queensland?</p>	<p>A transition period of up to three years is provided for and the specific arrangements are currently being developed amid further consultation.</p>
REMOVAL OF INDUSTRY CALCULATORS	
<p>Increased cost to industry and provides more accurate estimate of costs than government calculator.</p> <p>Industry has considerable investment in developing their calculators.</p>	<p>Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.</p>
<p>Criticism of loss of industry calculators because mandated use of a State-wide calculator ignores regional cost differences; but acknowledged the disadvantages are mitigated to some extent by continued acceptance of third party quotes for Department of Environment and Heritage Protection calculator.</p>	<p>Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.</p>
<p>Introduction of new calculator which does not apply the going concern principles of the Corporations Act 2001 will no longer be suitable for the financial statement process and result in need for two separate calculators.</p>	<p>Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.</p>

Issue description (as raised by submitter)	Response
REMOVAL OF INDUSTRY CALCULATORS	
Environment groups and many individual submitters agreed with the removal of industry calculators.	Noted.
Third party quotes to be retained. Right to third party quotes to be in legislation.	Third party quotes are an integral component of the Department of Environment and Heritage Protection calculator and will continue to remain an option.
Concerned that inclusion of contingency in calculator will create further difference between plan of operations and rehabilitation provision under International Accounting Standards.	Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.
<p>Include a contingency allowance in financial assurance calculation.</p> <p>Ensure that on-going costs incurred by mining companies and government to administer and manage the rehabilitation of mine-sites are incorporated in financial assurance calculations. Ensure financial assurance calculations are publicly accessible.</p>	<p>Stakeholders are encouraged to provide feedback to the Department of Environment and Heritage Protection on the government calculator.</p> <p>Financial Assurance calculators are currently publicly available.</p>
Recommended having provisions to ensure financial assurance requirements not too onerous for smaller operators.	The government is taking into consideration concerns raised by small scale operators or operators with an environmental authority subject to standard conditions.
Calculations should take account of environmental offsets required for some projects.	Offsets are required for a different purpose under separate legislation and are dealt with separately from rehabilitation calculations.
ABANDONED MINES AND LEGACY ISSUES	
Support for potential use of selected partner arrangement funds for abandoned mines but cautions against ‘ any form of immediate use of the Rehabilitation Fund’s interest for additional contributions to the Abandoned Mine Lands Program until there is a self-sustaining amount held and there has been sufficient history of the fund to determine the level which should be maintained.’	An independent advisory panel with industry, community and technical experts will provide advice to the scheme manager on funds provided for the abandoned mine lands program and research and development. Reports on the fund will be provided publicly on an annual basis.
There should be further research to map and determine the full cost of restoring all abandoned mines in Queensland. There should be sufficient funds generated by the financial assurance reforms to ensure that all abandoned mines can be rehabilitated over a maximum 20 year time frame.	Abandoned mines in Queensland have accumulated over a lengthy period of time and will take time and significant funds to rehabilitate. A discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state’s abandoned mines legacy</i> will be released later this year.
Support pooled funds raised being spent on abandoned mines.	Noted.
Questioned ethics of using funds by current operators for abandoned mines.	The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the government and public interest in relation to this industry.



Issue description (as raised by submitter)	Response
<p>Interest accrued from the pooled financial assurance funds be transferred daily to a separate holding account and the sole purpose of this account is to address the rehabilitation of the 15,000 currently abandoned mines. Interest should not remain in the financial assurance account to artificially inflate the value of the available pooled funds. Doing so might encourage risky operators to defer progressive rehabilitation.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the government and public interest in relation to this industry.</p> <p>The pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i>. There are various enforcement tools under the <i>Environmental Protection Act 1994</i>.</p>
<p>Congratulate the government for addressing the legacy mine sites, including acid leachate and discharge but want to see the government to address other obvious sources of acid discharge such as those along the GBRWHA coast.</p>	<p>Noted. This concern has been forwarded to Department of Environment and Heritage Protection for consideration.</p>
<p>Some low risk operators did not support funds being used for abandoned mines.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the government and public interest in relation to this industry.</p>
<p>Responsible mine operators should not have to be responsible for irresponsible operators of the past. Further concern that moral hazard of the rehabilitation fund and significant increase in financial exposure for the state under tailored solution could lead to an increasing abandoned mines program, hence lead to increases in contributions to the rehabilitation fund.</p> <p>Inequity as contributions of interest for abandoned mines are not shared amongst all participants. Suggests alternatives such as re-appropriation of current mining rents and royalty funds or modest increase in rents to provide a funding stream.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the Government and public interest in relation to this industry.</p>
<p>Commends government on proposing a mechanism to fund an increase for a revamped risk based abandoned mines program, however, tailored solution provides inadequate funds to address abandoned mines and protect in case of a serious default.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the Government and public interest in relation to this industry.</p>
<p>Want revamped abandoned mines program to focus on environmental remediation. Needs to be risk based and include clear goals designed to mitigate risk over reasonable period of time.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the Government and public interest in relation to this industry.</p>
<p>Treasury to commission an order of magnitude level study to assess the full extent of the State's financial exposure to the abandoned mines legacy, this to inform the level of the industry's contribution when the financial assurance mechanism is reviewed.</p>	<p>A discussion paper titled <i>Achieving improved rehabilitation for Queensland: addressing the state's abandoned mines legacy</i> will be released later this year.</p>
<p>Selected partner arrangement and rehabilitation fund contributions too low when compared to need to generate funds for abandoned mines.</p>	<p>The government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes aligned with protecting the government and public interest in relation to this industry.</p>

Issue description (as raised by submitter)	Response
<p>Support the proposed package of reforms subject to the ‘more funds to rehabilitate abandoned mines’ aspect of the reform package including a commitment to fund the reopening of the ‘Fireclay Caverns’ at Mount Morgan as an abandoned mine site tourist attraction by Christmas 2018.</p> <p>Response. The Government aims to create an equitable scheme where funds in the scheme can be used for a number of purposes including abandoned mines. A discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state’s abandoned mines legacy</i> will be released later this year.</p>	<p>A discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state’s abandoned mines legacy</i> will be released later this year.</p>
<p>The <i>Better Mines Rehabilitation</i> discussion paper does not outline how an appropriate post-mining land use should be determined for abandoned mines.</p>	<p>A discussion paper entitled <i>Achieving improved rehabilitation for Queensland: addressing the state’s abandoned mines legacy</i> will be released later this year.</p>
TRANSFERS OF LEASES AND ENVIRONMENTAL AUTHORITIES	
<p>New framework must not prevent arrangements where previous owners procured and committed to a large financial assurance bond for term of years enabling purchaser to apply its rehabilitation model.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
<p>Supports review of re-sale of mines.</p>	<p>Noted.</p>
<p>Supports review of re-sale of mines but expressed concern that any ‘change of control’ mechanism not disadvantage industry.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
<p>All asset transfers need to be subject to an independent and transparent assessment of the buyer’s technical and financial capacity to fulfil its rehabilitation obligations. Details of the assessment need to be made public.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
<p>Should be power for Department of Environment and Heritage Protection to review the environmental authority and financial assurance where there is a change of ownership through sale of shares or other material event affecting the entities ability to meet its conditions and obligations.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
INCREASED RANGE OF SURETIES	
<p>Support expansion of acceptable forms of surety beyond cash and bank guarantee. Welcomes broadening of what is an acceptable issuer of third party surety.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Surety bonds are now accepted in South Australia and New South Wales.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Introduction of surety bonds welcomed, however, only 31% of market could potentially benefit, and this would be limited to less than 5 operators in Queensland and would depend on their current level of cash collateralisation.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Not support provision of financial surety by overseas entities.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Support conditions on page 11 of discussion paper for assurance, bonds and other forms of surety.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>



<p>General support for broadening surety providers as increasing competition and reducing costs. Some were concerned that they only be provided by suitable entities eg one environmental organisation suggested that any new entities outside Australian regulated banking sector should be rated A+. Proposed categories included insurance bonds and surety bonds.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Appetite for rehabilitation bonds for Australian mine operators is strong.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Concern that by only placing into the third party surety pool entities which are perceived to be weaker credit, the ability of sureties to support such potential customers will be reduced.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Suggests small-medium enterprises will not have the balance sheet to support surety bonds and suggest bonds be backed by the State Government.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Not support an expansion of the ‘Third Party Surety’, and maintains that resource companies can only obtain surety from a bank or other financial institution regulated in Australia.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Global financial entities that provide Third Party Surety to resource companies in Queensland must be rated A+ by a major rating agency.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Objection to surety being provided by parent of mining company.</p>	<p>A discussion paper titled <i>Financial Assurance Review – Providing Surety</i> will be released later this year.</p>
<p>Unclear that key take outs from the introduction of a rehabilitation fund in Western Australia were considered. These included:</p> <ul style="list-style-type: none"> • Western Australian government handed back \$1.1b of bank Guarantees by 16 February 2016. • The levy charged raised around \$85M by June 2106. • Small cap and mid-tier mines were recipients of cash collateral released by various banks on return of the bonds. These funds were no longer set aside for rehabilitation as they have been utilised for working capital. • As at 22 March 2016, 4 mines entered receivership/liquidation since bonds released with combined liability of over \$63M. • A further 64 mines were put in care and maintenance. • Low tier, capital light miners in Western Australia apart from paying the annual levy, have no inclination to set up a sinking fund for rehabilitation because ‘they have paid the levy – it’s over to the government’...the rehabilitation fund concept could potentially lead to losses being socialised and profits privatised. 	<p>Pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the Environmental Protection Act 1994. There are various enforcement tools, including chain of responsibility provisions under the Environmental Protection Act 1994.</p> <p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
<p>Need appropriate regulation of greatest risk companies – Experience in Western Australia is these companies.</p>	<p>Pooling of funds does not remove the requirement for holders of environmental authorities to undertake their rehabilitation obligations under the <i>Environmental Protection Act 1994</i>. There are various enforcement tools, including chain of responsibility provisions under the <i>Environmental Protection Act 1994</i>.</p>
<p>CARE AND MAINTENANCE</p>	
<p>Supports improved management of sites in care and maintenance and the imposition of requirements to continue rehabilitation while in care and maintenance.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>
<p>Supports closing loophole allowing perpetual placement of sites in care and maintenance.</p>	<p>A discussion paper titled <i>Achieving Improved Rehabilitation for Queensland – other Associated Risks and Proposed Solutions</i> will be released later this year.</p>

Appendix 1: List of external stakeholder presentations and meetings

When	Who	Where
May 2017	Queensland Conservation Council, World Wildlife Foundation, Environmental Defender's Office, Mackay Conservation Group	Brisbane
10 May 2017	APPEA	Brisbane
11 May 2017	QRC	Brisbane
11 May 2017	APPEA	Brisbane
11 May 2017	APLNG	Brisbane
16 May 2017	KPMG	Brisbane
17 May 2017	Anglo American	Brisbane
17 May 2017	Peabody	Brisbane
17 May 2017	Glencore	Brisbane
18 May 2017	Rio Tinto	Brisbane
19 May 2017	QRC	Brisbane
22 May 2017	Santos	Brisbane
23 May 2017	Queensland Conservation Council, World Wildlife Foundation, Environmental Defender's Office, Mackay Conservation Group	Brisbane
23 May 2017	BHP	Brisbane
24 May 2017	Jellinbah	Brisbane
25 May 2017	AMEC	Brisbane
25 May 2017	Anglo American	Brisbane
29 May 2017	External Stakeholder Presentation	Townsville
30 May 2017	External Stakeholder Presentation	Cairns
31 May 2017	Senex	Brisbane
1 June 2017	External Stakeholder Presentation	Brisbane
1 June 2017	Idemitsu	Brisbane
1 June 2017	Sibelco	Brisbane
1 June 2017	Glencore	Brisbane
2 June 2017	External Stakeholder Presentation	Brisbane
5 June 2017	External Stakeholder Presentation	Mackay
5 June 2017	APLNG	Brisbane



5 June 2017	Rio Tinto	Brisbane
6 June 2017	External Stakeholder Presentation	Rockhampton
6 June 2017	Orica	Brisbane
6 June 2017	Gas Juniors (multiple petroleum and gas exploration stakeholders)	Brisbane
8 June 2017	External Stakeholder Presentation	Emerald
12 June 2017	Mitsui Coal, Idemitsu, Hitachi, Tokyo Gas, JFE Steel, Marubeni, Sojitz, Sumitomo	Brisbane
14 June 2017	Arrow	Brisbane
22 June 2017	BHP	Brisbane
25 June 2017	Arrow	Brisbane
29 June 2017	Adani	Brisbane
4 July 2017	AMEC	Brisbane
12 July 2017	APPEA	Brisbane
12 July 2017	Lock the Gate Environmental Defender's Office	Brisbane