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Queensland royalty hike threatens gas investment

Today's announcement by the Queensland Government of a 25 per cent increase in the petroleum royalty rate threatens ongoing investment in one of the very sectors which can underpin the Queensland Budget over the coming decades.

Treasurer Jackie Trad announced an across the board retrospective increase in the petroleum royalty rate from 10 per cent to 12.5 per cent, effective 1 July, on all gas produced in Queensland.

APPEA Chief Executive Andrew McConville said there was no justification for the arbitrary decision to penalise an industry that had invested over \$70 billion in Queensland, employs thousands of Queenslanders and has underpinned the state's domestic gas needs.

"The Treasurer has unfortunately determined to use the blunt instrument of tax increases rather than promoting investment and growth to increase long term revenues," Mr McConville said.

Today's budget confirms the growing economy-wide benefits associated with the Queensland natural gas industry. The budget papers forecast that the industry will deliver more than approximately \$2.5 billion in royalties to the people of Queensland over the next four years.

While the industry welcomes the decision to conduct a review of the operation of the present royalty regime, the announcement of a significant increase in the royalty was made without any consultation with industry.

"Increases in royalty rates, however structured, increase the cost of gas production and undermine the long-term stability that is needed to continue to attract investment in Queensland," Mr McConville said.

"An announcement with no consultation, as we have seen today, will be very carefully reviewed by current and prospective investors."

Mr McConville said production for the domestic market has been underwritten by the economies of scale inherent in establishing a liquefied natural gas industry, without which, much of Queensland's gas would remain in the ground.

"Increasing royalty rates will have a flow on effect in the domestic gas market, at a time when that market is already under pressure due to declining production from Bass Strait and political barriers to resource development in southern states," Mr McConville said.

Mr McConville said the industry would seek to work with the Queensland Government in what must be a genuinely independent policy and operational review of the existing royalty provisions.

Media contact: Brad Watts – 0447 793 444 – bwatts@appea.com.au