COMMONWEALTH GRANTS COMMISSION 2025 METHODOLOGY REVIEW OF GST REVENUE SHARING RELATIVITIES

MINING REVENUE SUPPLEMENTARY CONSULATION PAPER

ACT Government Submission

ACT GOVERNMENT SUBMISSION
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Chief Minister, Treasury and Economic Development Directorate

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ABBREVIATIONS

Term	Definition
CGC	Commonwealth Grants Commission or Commission
DISR	Department of Industry, Science and Resources
2025 Review	2025 Methodology Review

EXECUTIVE SUMMARY

In April 2024, the Commonwealth Grants Commission (CGC) released a supplementary consultation paper mining revenue for the 2025 Methodology Review (2025 Review). The CGC is seeking state and territory views on a proposed method change to assess different capacities of states and territories to raise coal royalty revenue.

The ACT welcomes the opportunity to comment on the CGC's proposals and consultation questions.

The Submission outlines the ACT's responses to the supplementary consultation paper on mining revenue, addressing the CGC's consultation questions.

The ACT considers that the 2020 Review method of assessing mining revenue using a mineral-by-mineral approach provides an appropriate balance between 'what-states-do' and 'policy-neutrality' and would more accurately capture individual mining revenue capacity. However, this approach could be expanded to differentiate coal assessment based on price bands if sufficient and reliable data is available.

CONSULTATION PAPER

MINING REVENUE

Summary

In the supplementary consultation paper, the CGC suggests that the revenue raising capacities of the two major coal producing states may have materially diverged in a way that is not being captured by the 2020 Review method.[1]

The CGC proposes a differential assessment based on the price received by producers (i.e. an assessment by three price bands) to capture differences in state and territory capacities to raise coal revenue.

The CGC notes that the proposed price band approach might not be feasible due to data issues. In this case, the CGC may consider disaggregating the coal assessment by type of coal, that is separating metallurgical coal from thermal and brown coal.

The ACT considers that the 2020 Review method of assessing mining revenue using a mineral-by-mineral approach provides an appropriate balance between 'what-states-do' and 'policy-neutrality' and would more accurately capture individual mining revenue capacity. However, this approach could be expanded to differentiate coal assessment based on price bands if sufficient and reliable data is available.

CONSULTATION QUESTIONS

Question 1

Does the 2020 Review method adequately capture all material differences in state and territory capacities to raise coal revenue?

ACT Position

The ACT considers that the 2020 Review method of assessing mining revenue using a mineral-by-mineral approach better recognises the uneven distribution of minerals across states. This approach provides an appropriate balance between what-states-do and policy-neutrality and would more accurately capture individual mining revenue capacity.

Question 2

Do states and territories support a differential coal assessment based on price bands?

ACT Position

The ACT supports a differential coal assessment based on price bands if the coal producing states can provide sufficient and reliable data. This keeps coal being assessed as a single mineral but at different price

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[1] Queensland is predominantly metallurgical coal producer, while New South Wales is primarily a producer of thermal coal that generally attracts a lower commodity price.

thresholds. This may improve the assessment of revenue raising capacity due to divergence created by price differences between metallurgical and thermal coal.

Question 3

Are the proposed three price bands sufficient to appropriately capture differences in state and territory capacities to raise coal revenue?

ACT Position

The ACT recommends that the CGC analyse the appropriate number of price bands to capture differences in state and territory capacities to raise coal revenue, providing there is reliable data.

Question 4

If a price band approach is not feasible, do states and territories support an assessment based on the type of coal?

ACT Position

The ACT has concerns with an assessment based on the type of coal and notes that it may be unreliable due to data limitations.

The ACT notes that for this approach, the CGC intends to use volume data from the Department of Industry, Science and Resources (DISR) to estimate a disaggregation of coal by type. The CGC may also need to estimate coal prices if states are unable to provide the data. This level of estimation would increase complexity of the assessment and the result may not reflect the actual value of productions reported by the coal producing states.