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Victorian response to CGC 2025 Review consultation

Supplementary consultation paper –
mining revenue

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Mining revenue

Victoria continues to support the current mineral by mineral approach to the mining assessment. Consistent with this, the assessment should be refined to allow for important differences in revenue raising capacities that result from the type of coal a state is endowed with.

Consultation for the 2024 Update and 2025 Review showed that materially different market prices have prevailed for different types of coal for some time. Given the implications this has for state revenue raising, Victoria considers that accounting for these differences will improve the achievement of HFE.

In addition to the issues raised in the consultation paper regarding coking and thermal black coal, the assessment methods should be revised to account for brown coal. Victoria considers the current methods likely overstate its revenue raising capacity from brown coal by effectively equating it to more valuable black coal.

CGC consultation questions and Victoria's positions

Q1. Does the 2020 Review method adequately capture all material differences in state capacities to raise coal revenue?

- Victoria considers the 2020 Review method does not adequately capture all material differences in state capacities to raise coal revenue.

Victoria supports updating the assessment of coal revenue to allow for these differences in value, as per the CGC's proposal. However, while the consultation paper emphasises price differences between thermal and coking coal, Victoria considers distinguishing between brown and black coal is also important in order to achieve HFE.

Victorian brown coal is considered inferior to black thermal coal due to its high moisture content rendering exportation uneconomic.¹ As such, it is not traded on markets, rather it is used for domestic electricity production which is usually an internal transfer within mining and generation entities.² Consequently, there is no market price available for brown coal and for the current assessment the CGC must estimate a value of production using black coal prices as a proxy.

The CGC's current method for estimating brown coal prices is flawed as it uses highly volatile, outdated assumptions and equates fundamentally different products. Victoria is concerned the current approach may overstate the value of brown coal.

The proposed price bands may compound these pre-existing issues, likely amplifying the already overstated value of brown coal. Given the limited time provided to respond to this consultation, Victoria requests that the CGC further consider how to account for brown coal in the mining assessment and report back to states in the review draft report.

¹ <https://resources.vic.gov.au/geology-exploration/geological-survey-victoria/150-years/coal-powering-victoria>

² https://resources.vic.gov.au/__data/assets/pdf_file/0003/1018191/Earth-Resources-Sector-Indicators-2021-22.pdf

Victoria generally supports the use of price bands as a mechanism to distinguish between coal types, provided further work is done to ensure brown coal can be appropriately accounted for. Any price band approach should also be able to adequately respond to changes in the market and band creep.

If a price band approach is not feasible, any assessment that is based on the type of coal should differentiate between black and brown thermal coal, not just metallurgical and non-metallurgical coal.

CGC consultation questions and Victoria's positions

Q2. Do states support a differential coal assessment based on price bands?

- Victoria supports the use of a price band assessment, provided further consideration is given to the method for estimating brown coal prices.

Q3. Are the proposed 3 price bands sufficient to appropriately capture differences in state capacities to raise coal revenue?

- Victoria requests the CGC undertake further work to ensure the proposed price bands appropriately capture brown coal and report back to states in the review draft report.

Q4. If a price band approach is not feasible, do states support an assessment based on the type of coal?

- Victoria would support the use of an assessment based on type of coal if it distinguishes between black and brown thermal coal and appropriately prices brown coal.

