

# Not Adani Deal

## Queensland Government subsidies to Adani

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*The Queensland Labor Government has offered Adani a “beneficial” royalty deal that would loan hundreds of millions, on subsidised terms it is keeping secret, under a “transparent policy framework” that was a few dot points at the end of a press release. It has also offered Adani free road upgrades worth \$100 million, despite Adani’s promise to build the roads for their near exclusive use. The government has repeatedly blocked access to documents about these subsidies. They should be withdrawn.*

Discussion paper

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# Summary

The Queensland Government should immediately rule out two subsidies it has offered to Adani's coal project.

Adani recently claimed it will proceed without subsidies, with the company providing all finance.

The Queensland Government has said repeatedly it not provide taxpayer funds. Documents released under Right to Information (RTI) show in 2015 the Queensland Cabinet promised to use “non-financial” support to support new coal mines in the Galilee Basin, including through the Northern Australia Infrastructure Facility (NAIF).

While the Queensland Government has vetoed a \$1 billion subsidised loan from NAIF, it is still offering its own major financial subsidies: a free road worth \$100 million and a secret deal on royalties that could lend Adani hundreds of millions of dollars on a subsidised rate.

Documents released under Right to Information law have revealed the government is considering funding a road that Adani promised to build and has already said is for its near exclusive benefit.

The Queensland Government claims it is unclear whether the road is for Adani or for public benefit.

Adani has already promised to build the road. Adani's own Economic Impact Statement shows its project would increase traffic by over 100 times on the road, making its traffic almost all of the traffic on the road. The RTI documents even call this road the “Galilee Basin Access Road” and describe its purpose a “to facilitate development to the Galilee Basin”.

The royalty deal is effectively a subsidised loan facility just to give "beneficial" arrangements to mining companies.

The deal is exactly the same kind of subsidy as the \$1 billion loan the Queensland Government vetoed from the Northern Australia Infrastructure Facility (NAIF). It is a loan of money it owes Queenslanders, offered on a cheap rate.

No other industries can get this deal. Queenslanders can't get it for their mortgages.

Under this deal Adani could borrow hundreds of millions. Even for Adani's new smaller mine, the size of the loan could be from \$215 million to \$385 million.

The policy was rushed through for Adani's benefit and is just a few dot points at the end of a press release. Weeks after it was announced, public servants were still telling the Minister's office "there is not much beyond the press release".

Despite touting its "transparent policy framework", the Queensland government is refusing to release hundreds of pages of documents on the matter, partly because "the content and format of publicly available information is different to the version detailed in the document".

The internal documents therefore contradict the Government's claims that the deal will not impact the state budget.

Further, officials claim that the documents relate to budget processes, that is, "the estimation of government income and expenditure, and planning for allotment of government funds, or which are concerned with the amount of money available to the State, and how it is spent". This directly contradicts the public promises and the 2015 Cabinet commitment to provide non-financial support.

Queensland Treasury presentations released talk up "massive opportunities" in the Galilee Basin, and promises that offers of royalty deals will involve 'due diligence'. Yet in 2015 RTI documents revealed previous Treasury due diligence of the Adani project found it "unbankable", a "risk" because of Adani's corporate structure and use of offshore entities, "highly susceptible to price shocks" and "unlikely to stack up on a conventional project finance assessment".

Under the sparse terms of the royalty deferment framework, the loans are supposed to go to companies offering multiuser infrastructure. Adani has halved the length of its rail line to connect instead to Aurizon's existing network. Aurizon would need to expand to take further capacity. So even on the government's own terms, Adani may not be eligible for this subsidy.

Ultimately the Queensland Government should be working towards a moratorium on new coal mines. It certainly should not be subsidising their construction. These subsidies to Adani should be ruled out immediately.

# Queensland subsidies to Adani

It is expensive for state governments have coal mines open in their state, particularly when they subsidise them with public money.

In 2014 the Australia Institute found Queensland Governments spent \$9.5 billion over six years on mining related infrastructure like rail, roads and ports – more than any other state and mostly in support of the coal industry.<sup>1</sup> The Queensland Treasury is unequivocal on these costs:

spending on mining related infrastructure means less infrastructure spending in other areas ... such as hospitals and schools. ... The constraint placed by mining related projects on state budgets is significant.<sup>2</sup>

In recent years, the Queensland Labor Party has promised that Adani would not receive public funding for its controversial coal mine project in the Galilee Basin. In May 2017 Deputy Premier Jacqui Trad said

We've got a pre-election commitment in relation to any subsidisation of Adani, and we made that commitment very clearly at the last state election, that there would be no royalty holiday or subsidisation of taxpayer funds for Adani.<sup>3</sup>

Adani recently announced it would be downscaling its mine and rail projects, which it says it will fund itself, “without requiring a cent of Australian taxpayer dollars”.<sup>4</sup>

Adani has repeatedly stated it does not need subsidies, only to threaten to pull out if it does not get the subsidies.<sup>5</sup>

Despite these promises, the Queensland Labor Party continues the long Queensland tradition of publicly funding coal infrastructure.

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<sup>1</sup> Peel, Denniss, Campbell, (2014) *Mining the Age of Entitlement* <http://www.tai.org.au/content/mining-age-entitlement>

<sup>2</sup> Queensland Treasury (2013) *Response to Terms of Reference for Commonwealth Grants Commission 2015 Methodology Review*, p15, p17  
[https://cgc.gov.au/index.php?option=com\\_attachments&task=download&id=1727](https://cgc.gov.au/index.php?option=com_attachments&task=download&id=1727)

<sup>3</sup> Layt (2017) *No royalty holiday for Adani: Jackie Trad*  
<https://www.smh.com.au/business/companies/no-royalty-holiday-for-adani-jackie-trad-20170522-gwa16d.html>

<sup>4</sup> Adani (2018) *Adani: we have finance and we are ready to start* <https://www.adaniaustralia.com/-/media/181129-MR-Adani%20ready%20to%20commence%20works-%20FINAL%20AUST>

<sup>5</sup> Swann (2017) *Redirecting Adani's NAIF loan into other industries*, p14  
<http://www.tai.org.au/sites/default/files/Swann%202017%20Adani%20NAIF%20veto%20FINAL.pdf>

The Queensland Labor Government has offered subsidies to Adani including

- a \$100 million road upgrade, which Adani previously promised to build and which Adani says is for its own use, and
- a secret royalty deal to Adani that would lend Adani up to \$725 million on subsidised terms.

The government's equivocation on this issue can be traced back to a 2015 Cabinet commitment, revealed through a Right to Information Request (see **Figure 1**).

**Figure 1 – Qld Cabinet in 2015 to “encourage early start-up of Galilee Coal Basin”**

Through Cabinet Decision No. 42 of 23 June 2015, Cabinet Budget Review Committee (CBRC) endorsed an approach to encourage common-use infrastructure and an early start-up of coal mining in the Galilee Coal Basin through the continued used of existing non-financial government support/facilitation activities and to explore the potential for Northern Australia Infrastructure Facility (NAIF) funding.

Source: Office of Information Commissioner RTI Decision letter 13 April 2018, highlight added

On 23 June 2015 Queensland Cabinet decided it would “encourage... an early start-up of coal mining in the Galilee Basin” through “non-financial government support” and funding from the NAIF.

The government now claims a free road and a subsidised loan to Adani are ‘non-financial’ and so not subsidies. Such claims are not credible and called into question by repeated refusals to release basic information about these measures.

# A free road for Adani?

Adani's Carmichael Coal Mine and Rail Project would increase traffic on roads leading to the project, especially during construction, requiring many upgrades to existing roads.

On 23 November 2017 it was reported that the Queensland Government was considering spending up to \$100 million on road upgrades associated with Adani's project.<sup>6</sup> Asked about her 'no subsidies' promise, Premier Palaszczuk refused to rule out funding Adani's road upgrades.<sup>7</sup>

Then on 6 June 2018 it was reported that the Queensland Government was still considering funding \$100 million worth of road upgrades for Adani.<sup>8</sup> This was based on a Right to Information (RTI) request. The RTI uncovered 1,400 pages of emails and 650 pages of technical drawings relating to potential state funding to upgrade Adani's roads. Narrowed down, the request captured 139 pages, nearly all of which were redacted. 67 of the redacted documents related to the Cabinet Budget Review Committee.<sup>9</sup>

The Mines Minister Anthony Lynham said "there are currently no proposals about roads and Adani being considered by the government."<sup>10</sup> The minister should explain why there are 1,400 emails relating to state funding for the road.

Asked about the 'no subsidies' promise, Deputy Premier Jackie Trad sat on the fence:

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<sup>6</sup> McKenna and Elks (2017) *Queensland Election: ALP's Secret \$500 million Adani Sweeteners*  
<https://www.theaustralian.com.au/national-affairs/queensland-election/queensland-election-alps-secret-500m-adani-sweeteners/news-story/55a3114348f6f84fa2ed69d2839788e3>

<sup>7</sup> O'Brien (2017) *Queensland election: Palaszczuk refuses to rule out Adani mine road upgrade funding*  
<http://www.abc.net.au/news/2017-11-23/qld-election-palaszczuk-refuses-rule-out-adani-mine-road-funding/9183796>

<sup>8</sup> Robertson (2018) Queensland Government considering funding \$100m road for Adani mine, documents show [http://www.abc.net.au/news/2018-06-06/adani-mine-qld-government-considering-funding-\\$100m-road/9837042](http://www.abc.net.au/news/2018-06-06/adani-mine-qld-government-considering-funding-$100m-road/9837042)

<sup>9</sup> ERI (2018) *Queensland Government Still Considering Subsidising Adani*  
<https://energyresourceinsights.com/research/queensland-government-still-considering-subsidising-adani/#fn6>

<sup>10</sup> Lynham (2018) *Statement from Mines Minister re: Adani infrastructure*  
<http://statements.qld.gov.au/Statement/2018/6/6/statement-from-mines-minister-re-adani-infrastructure>

If this is about accelerating infrastructure in order to accelerate Adani's interests then obviously it would be precluded because it would be inconsistent with the commitment that the premier made.

But if there is a legitimate reason why local communities need upgraded infrastructure, of course, we're always in discussions, particularly with local councils around assistance for that.<sup>11</sup>

The Deputy Premier appears unsure whether Adani is the main beneficiary of this road funding.

Adani has made clear the road upgrade is for its own benefit. That is why Adani previously promised to upgrade its own roads.

As part of its Environmental Impact Statement (EIS), Adani committed to a range of upgrades. One key promise was to “Upgrade the existing Carmichael – Elgin Road to become a sealed, single lane carriageway so as to provide a trafficable road under most rain event conditions and minimise the risk of closure”.<sup>12</sup> Carmichael – Elgin Road is currently a dirt road.

As a condition of approval, the Queensland Coordinator-General recommended Adani “implement all necessary measures to mitigate adverse impacts on the safety, condition and efficiency of state-controlled and local roads for all stages of the project.”<sup>13</sup> That is, Adani should pay for its road, not Queensland taxpayers.

The reason for this is that Adani’s own Environmental Impact Statement (EIS) shows if the project goes ahead, Adani’s vehicles would be nearly all of the traffic on the road.

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<sup>11</sup> Kohlbacher (2018) *Qld govt denies breaking Adani promise*  
<https://www.theaustralian.com.au/news/latest-news/qld-govt-denies-breaking-adani-promise/news-story/ec97bbe69c69b3b7dfa813a6bd492fa9>

<sup>12</sup> Adani (2014) *Adani Mining Pty Ltd Carmichael Coal Mine and Rail Project SEIS Project Commitments Commitment R10.11*  
<http://eisdocs.dsdiqld.gov.au/Carmichael%20Coal%20Mine%20and%20Rail/AEIS/updated-commitment-register-042014.pdf>

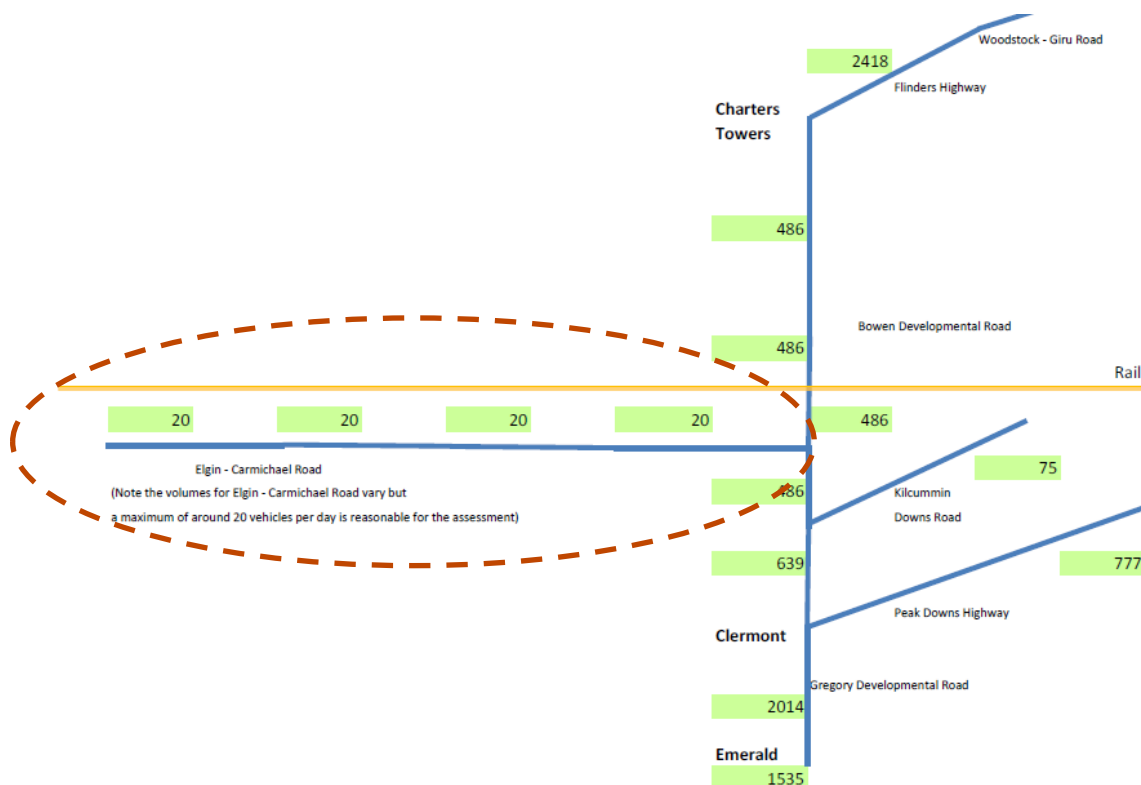
<sup>13</sup> Queensland Coordinator-General (2014) *Carmichael Coal Mine and Rail project: Coordinator-General’s evaluation report on the environmental impact statement*  
<http://www.statedevelopment.qld.gov.au/resources/project/carmichael/carmichael-coal-mine-and-rail-cg-report-may2014.pdf>



As part of the EIS, Adani submitted a Road Impact Assessment (RIA).<sup>14</sup> The RIA includes figures for return trips each day on each road in different scenarios.

The RIA “Base Network Volumes - Without development” scenario, based on state and local government reports of current traffic, takes “a maximum of around 20 vehicles per day” on the Carmichael – Elgin Road as “reasonable for the assessment” (Figure 2 below). That is less than one an hour.

**Figure 2 – Two way trips per day in “Base Network Volumes - Without development”**



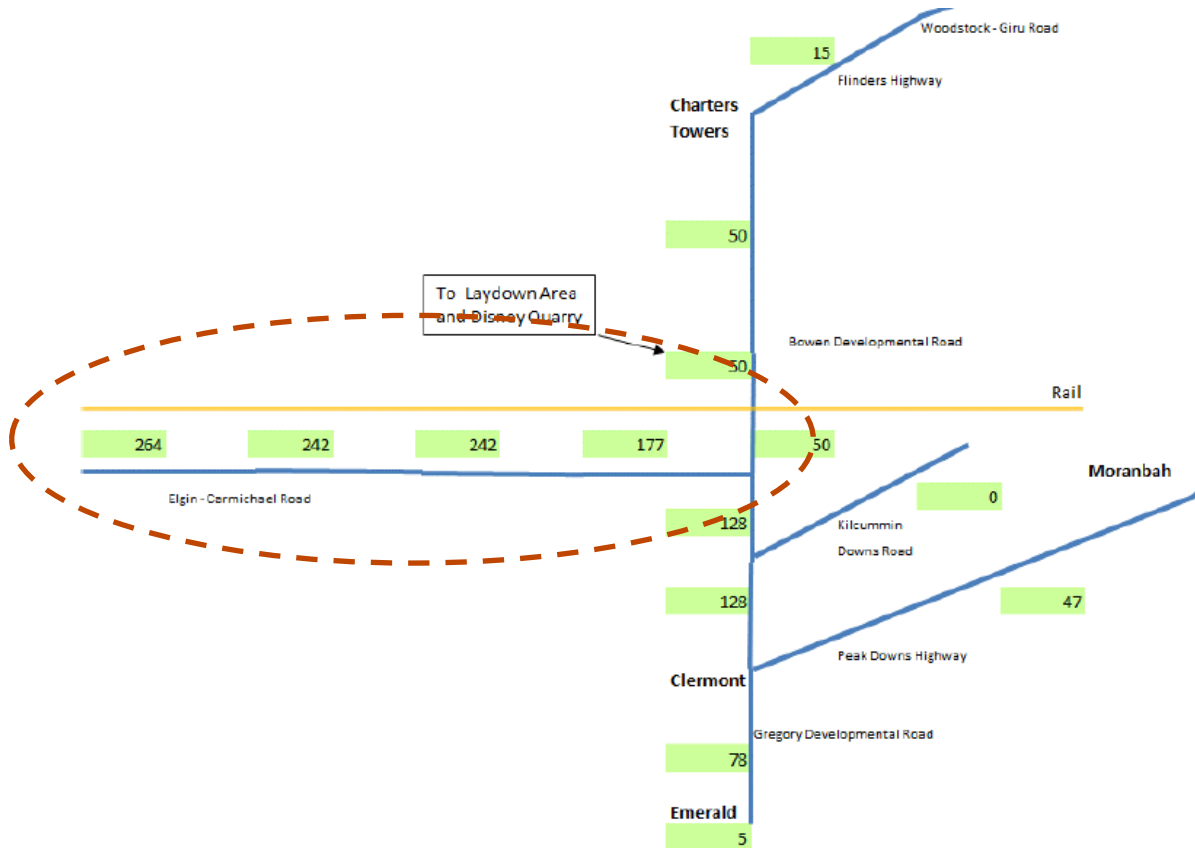
Source: Adani RIA, p96, highlight added

However, during peak construction, traffic on this road increases to between 177 to 264 vehicles a day in different places along its length (Figure 3). Adani’s project would increase traffic by up to 1100%. Even in the 2024 scenario, after much of the

<sup>14</sup> Brown (2014) *Carmichael Coal Mine and Rail Project Road Impact Assessment* p96, <http://eisdocs.dsdp.qld.gov.au/Carmichael%20Coal%20Mine%20and%20Rail/AEIS/road-impact-assessment-28022014.pdf>

construction has finished and the mine is operating, Adani’s vehicles increase traffic on this road by up to 450%.<sup>15</sup>

**Figure 3 – Peak traffic simulation in Adani’s Road Impact Assessment**



Source: Adani RIA, page 46, highlight added

Notes: “2016 Estimated Daily Development Traffic Volumes (vehicles per day, total two-way) – Total of Mine and Rail Projects Figure 3.4:”

In other words, Adani says it will account for almost all vehicles on the road. The road upgrade Adani promised to build is clearly for the almost exclusive benefit of Adani.

The RTI documents even call this road the “Galilee Basin Access Road” and describe its purpose a “to facilitate development to the Galilee Basin”.<sup>16</sup> There is no suggestion of any other reason to upgrade it.

These roads do not appear to be a priority according to the Royal Automobile Club of Queensland (RACQ). RACQ maintains a list of “Priority Transport Projects”.<sup>17</sup> The Elgin-

<sup>15</sup> Brown (2014) *Carmichael Coal Mine and Rail Project Road Impact Assessment* p106

<sup>16</sup> ERI (2018) *Queensland Government Still Considering Subsidising Adani*

<https://energyresourceinsights.com/research/queensland-government-still-considering-subsidising-adani/#fn6>

Carmichael road is not contained in this list. Instead the Priority list includes upgrades to highways such as the Bruce Highway, the Kennedy Developmental Road and Highway, Gregory Developmental Road, and the Peak Downs Highway.<sup>18</sup>

If the government has advice that there are reasons to fund this road publicly other than helping Adani, they should release it. If there is no such advice, the government should say so and rule out funding it.

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<sup>17</sup> RACQ (2018) *Pre Budget submission 2018-19* <https://www.racq.com.au/-/media/pdf/racq-pdfs/cars-and-driving/representing-qld-drivers/qld-state-pre-budget-submission-2018-2019.pdf>

<sup>18</sup> Some of these roads would also see small traffic increases under the scenarios outlined in Adani's EIS, but much smaller than the peak traffic on the "Galilee Basin Access Road" and a small proportion of overall traffic on these roads. There is a case that Adani should pay for its share of increased requirements on these roads as well.

# The secret royalty deal

In 2015 Queensland's cabinet committed to using the Northern Australia Infrastructure Facility (NAIF) to "encourage... early start-up of coal mining in the Galilee Coal basin".<sup>19</sup>

On 12 December 2017 the Queensland government used their formal veto power to stop the NAIF from giving Adani a subsidised loan of up to \$1 billion, arguing that this was in line with their commitment not to subsidise Adani.<sup>20</sup>

Yet the Queensland Government still offers Adani a subsidised loan of their own.

In May 2017 it was reported the government had offered Adani a \$320 million "royalty holiday".<sup>21</sup> This was equivalent to Adani being offered free coal.

Heated arguments in cabinet soon spilled into the media. On 22 May Adani 'postponed' its investment decision citing the need for 'clarity' over lower royalties.<sup>22</sup> On the very next day, Adani changed their story, now saying they did not need 'freebies'.<sup>23</sup> But within days Adani got its deal.

On 27 May the Queensland government announced a "transparent policy framework" on royalties.<sup>24</sup> Mining companies would be able to defer payment of some portion of their royalties if they built new infrastructure. Then on 30 May Adani was offered a royalty loan under this framework.<sup>25</sup>

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<sup>19</sup> OIC RTI Decision letter, 13 April 2018

<sup>20</sup> Caldwell (2017) *Queensland Premier writes to PM to veto \$1 billion Adani loan* <https://www.brisbanetimes.com.au/politics/queensland/queensland-premier-writes-to-pm-to-veto-1-billion-adani-loan-20171212-p4yxn4.html>

<sup>21</sup> O'Brien (2017) *Adani Carmichael mine \$320 million 'royalties holiday' proposal sparks Labor faction fight* <http://www.abc.net.au/news/2017-05-22/adani-no-royalty-holiday-jackie-trad/8546968>

<sup>22</sup> Not attributed (2017) *Adani indefinitely postpones final investment decision on Carmichael coal mine* <http://www.abc.net.au/news/2017-05-22/adani-indefinitely-postpones-final-carmichael-coal-mine-decision/8548164>

<sup>23</sup> McCarthy (2017) *We don't need royalties freebie: Adani* <https://www.themorningbulletin.com.au/news/adani-says-mine-is-viable-even-without-royalties/3181386/>

<sup>24</sup> Queensland Government (2017) *Queensland jobs, investment and royalties boost from new resource policy* <http://statements.qld.gov.au/Statement/2017/5/27/queensland-jobs-investment-and-royalties-boost-from-new-resource-policy>

<sup>25</sup> Premier (2017) *Palaszczuk Government welcomes royalties agreement with Adani* <http://statements.qld.gov.au/Statement/2017/5/31/palaszczuk-government-welcomes-royalties-agreement-with-adani>

## ADANI DEAL IS A SUBSIDY

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The government had set up a loans facility exclusively for mining infrastructure and used it to give Adani a subsidised loan.

While the government says any mining company can access these loans, so far it is a special deal for Adani only, and no other industry can access these loans. Households in Queensland cannot access low interest government loans to reduce mortgage costs.

Royalties are owed as payment for use of publicly owned resources. Deferring payment of something owed is equivalent to a loan. If Adani did not receive the royalty deferral deal, it would either have to pay more upfront, or access a loan on the commercial market.

Nearly all aspects of Adani's deal are secret. The government has refused to release the most basic details, including the loan's value, size, terms and conditions, length of repayment and type of security.

The only public detail is the interest rate, set at "the State bond rate".<sup>26</sup> By all standard definitions this is a subsidy – in the same way the NAIF loan was a subsidy.<sup>27</sup> Moreover, even if it were offered at commercial rates, the taxpayer takes the risk of 'stranded assets' as coal markets decline. If security is offered against coal infrastructure, for example a coal port, then security it is exposed to similar risks as the loan.

While the size of the loan is secret, estimates are possible using details from unnamed sources in media reports. The Australia Institute calculated this loan could be between \$370 million up to \$725 million, depending on coal prices and the scale of mining proposed at the time.<sup>28</sup>

It is unclear whether the deal will change now the mine has been downscaled, but we can use the same methods to estimate the loan for a mine of 10-15Mt per year.<sup>29</sup> Assuming 10Mt per year and a thermal coal price of \$100 per tonne, the loan would be

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<sup>26</sup> Queensland Government (2017) *Budget Paper* page 22  
<https://s3.budget.qld.gov.au/budget/papers/2/bp2-2017-18.pdf>

<sup>27</sup> See definitions from WTO, OECD and Productivity Commission outlined in Swann (2017) *It Boondoggles the Mind* <http://tai.org.au/content/it-boondoggles-mind>

<sup>28</sup> Swann (2017) *Palaszcuk's Promise*  
<http://www.tai.org.au/sites/default/files/Swann%202017%20Palaszcuk%20subsidies%20for%20Adani.pdf>

<sup>29</sup> See method as cited in Swann (2017) *Palaszcuk's Promise*  
<http://www.tai.org.au/sites/default/files/Swann%202017%20Palaszcuk%20subsidies%20for%20Adani.pdf>

at least \$215m. Assuming the average price over the last year of \$125/t,<sup>30</sup> with production ramping up to 15Mt per year, the loan would be \$385 million.

## GOVERNMENT KEEPING THE DEAL SECRET

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The government has not contested the earlier estimates and blocks access to its own figures.

The Australia Institute has lodged RTI requests for basic information about the Adani deal, including the processes for assessing loans and calculations of the value of the loan to Adani.

Despite touting its “transparent policy framework”, Treasury is refusing to release hundreds of pages of documents on the matter, and the Office of the Information Commissioner (OIC) has upheld this decision.

One reason is that the deal has not been finalised by Cabinet. The OIC says “any final rebate proposal must ... be approved by Cabinet” (see **Figure 4**). Note they describe the deal as a rebate.

### Figure 4 – Royalties deal still a consideration of cabinet

Insofar as relevant pages were prepared for briefing Cabinet, they comprise exempt information to which access may be refused, as information brought into existence for consideration of Cabinet. In view of the fact that a copy of this modelling has, as noted, been considered by Cabinet, and that any final rebate proposal must, as I understand, be approved by Cabinet, my preliminary view is that disclosure of the balance would reveal a consideration of Cabinet, or otherwise prejudice the confidentiality of Cabinet considerations or operations.<sup>12</sup>

Source: Office of Information Commissioner Decision letter 6 March 2018, highlight added

The Queensland Government says Adani has not accepted the deal, which would then need to go back to Cabinet.<sup>31</sup> Adani says negotiation has finished, and RTI documents show Adani has accepted it informally, but after a full year has not done so formally.<sup>32</sup>

Adani appears to be keeping its options open, possibly to increase its leverage for more subsidies.

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<sup>30</sup> Index Mundi <https://www.indexmundi.com/commodities/?commodity=coal-australian&months=60&currency=aud> to November 2018

<sup>31</sup> Ludlow (2018) *Adani yet to sign final royalty agreement for \$16.5b Carmichael mine* <http://www.afr.com/news/politics/adani-yet-to-sign-final-royalty-agreement-for-165b-carmichael-mine-20180312-h0xcdy>

<sup>32</sup> Ludlow (2018) *Adani yet to sign final royalty agreement for \$16.5b Carmichael mine*

There is no sign the deal will expire at any point or when the government would retract the deal if Adani does not take it.

Treasury and OIC refused access to the documents, claiming this would reveal Cabinet considerations, arguing the information about the value of the deal have not been released publicly, and in one case that “the content and format of publicly available information is different to the version detailed in the document”.<sup>33</sup>

This means the Government’s public claims, such as that the deal will have no impact on the budget, are not supported by the internal documents – either they show something else, or that such calculations were not done.

The Government must explain why the “publicly available” information about the impact of the deal is “different” to the information in those documents.

Finally, OIC claims that the documents relate to budget processes, that is, “the estimation of government income and expenditure, and planning for allotment of government funds, or which are concerned with the amount of money available to the State, and how it is spent” (**Figure 5**). Clearly then the royalty deal is financial support.

#### **Figure 5 - Royalty deal information relates to spending public money**

For the sake of completeness, I would also note schedule 3, section 2(1)(c) of the RTI Act, which operates to exempt from disclosure information brought into existence in the course of the State’s budgetary processes. This provision will apply to information created in connection with or as a part of<sup>13</sup> any systematic series of actions:<sup>14</sup>

- relating to the estimation of government income and expenditure, and planning for allotment of government funds,<sup>15</sup> or
- which are concerned with the amount of money available to the State, and how it is to be spent.<sup>16</sup>

Source: Office of Information Commissioner Decision letter 20 April 2018

If these documents relate to ‘government allotment of funds’, this directly contradicts the public promises and the 2015 Cabinet commitment to provide non-financial support. Yet Treasury seems to think this is non-financial support (see **Figure 6**)

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<sup>33</sup> OIC decision letter 13 April 2018, 20 April 2018, available on request.

## Figure 6 – Treasury thinks royalty loan is non-financial support

Through Cabinet Decision No. 42 of 23 June 2015, Cabinet Budget Review Committee (CBRC) endorsed an approach to encourage common-use infrastructure and an early start-up of coal mining in the Galilee Coal Basin through the continued use of existing non-financial government support/facilitation activities and to explore the potential for Northern Australia Infrastructure Facility (NAIF) funding.

In accordance with this commitment and Decision No. 42, QT was responsible for reporting to CBRC on the proposed Royalty Payment Scheme (RPS), not involving the expenditure of government funds directly into the project, which could be applied to Adani's Carmichael Coal Project Stage 1 (and potentially other projects) as well as for the development of other major resource projects and undeveloped resource basins in Queensland.

Source: Office of Information Commissioner Decision letter 13 April 2018

## POLICY RUSHED THROUGH FOR ADANI

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The government has defended the deal as part of a “transparent policy framework” available to any mining company. But it is clear that framework was released in a rush with barely any detail to give Adani a special deal.

Cabinet submissions on the proposal were made only days before it was announced.<sup>34</sup> Snippets in released documents show officials were asked to assess the benefits of the Adani deal *after* the framework was announced.<sup>35</sup> Weeks after it was announced, public servants were still telling the Minister’s office “there is not much beyond the press release” (see **Figure 7**).

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<sup>34</sup> Office of Information Commissioner Decision letter 13 April 2018, available by request.

<sup>35</sup> Slezak (2017) *Adani royalties deal: Queensland's 'transparent policy framework' kept secret* <https://www.theguardian.com/australia-news/2017/aug/02/adani-royalties-deal-queenslands-transparent-policy-framework-kept-secret/>



## Figure 7 – Policy on royalties rushed out in press release without any detail

**From:** Adrian Noon  
**Sent:** Tuesday, 13 June 2017 5:35 PM  
**To:** Michael.Schaumburg@dsd.qld.gov.au  
**Subject:** RE: Resource Policy  
**Attachments:** Sch.3(2)(1)(b) - Cabinet information

Cabinet-in-Confidence

Commercial-in-Confidence

Fiona / Michael

There is not much beyond the Press Release - Sch. 3(2)(1)(b) - Cabinet Information  
Sch. 3(2)(1)(b) - Cabinet Information

Pls keep tight

I am planning to do up a "public use" version of the powerpoint but haven't had a chance yet - Sch. 3(2)(1)(b) - Cabinet Information  
Sch. 3(2)(1)(b) - Cabinet Information

Adrian

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**From:** Fiona Toogood [mailto:Fiona.Toogood@dsd.qld.gov.au] **On Behalf Of** Michael Schaumburg  
**Sent:** Tuesday, 13 June 2017 5:28 PM  
**To:** Adrian Noon  
**Subject:** Resource Policy

Adrian

Paul Woodland from our Minister's office is chasing further detail in relation to the recently announced resources royalties policy. They are keen to get more detail on the policy and how it would be implemented and used in context of the North West.

Source: Treasury correspondence w DSD, Treasury RTI 766, Doc 682, highlight added

The most detailed document so far is the internal presentation referred to in **Figure 7**. This was released under external review by the OIC. But even this largely repeats the dot points in the press release as general "principles", without any detail.

The presentation says there are "massive opportunities" including in Galilee and Surat Coal Basins, and several gas basins (**Figure 8**).

Figure 8 - Treasury presentation on royalties framework<sup>36</sup>

## Massive opportunities in the resources sector

QUEENSLAND TREASURY

- Undeveloped or under-developed resource regions across Queensland:
  - Galilee Coal Basin
  - Surat Coal Basin
  - North West Minerals Province (Mt Isa – Copper and other minerals)
  - Several gas basins across the State



Source: Treasury presentation, Treasury RTI 766, external review 313542, Doc 682, highlight added

The presentation emphasises that “Proponents will be able to negotiate beneficial arrangements with the State that will incentivise new projects” (

<sup>36</sup> The Alpha Mine ‘test pit’ in the Galilee Basin pictured here was dug and mined by Hancock Coal, who exported 100,000 tonnes of coal, without federal environmental approval. Hancock Coal faced no penalties of consequences for this breach. It is surprising the Department would choose this as the prime example for the policy.

**Figure 9).**

**Figure 9 - Treasury presentation on royalties framework**

The resource development policy

QUEENSLAND TREASURY

- Proponents will be able to negotiate beneficial arrangements with the State that will incentivise new projects that will unlock these resource areas and deliver jobs for regional Queenslanders.
- The policy is designed to be applicable across worthy projects in different regions to enable widespread economic development and prosperity.
- Projects with completed approvals for comprehensive environmental impact assessments by State and Commonwealth agencies may be eligible to apply, providing acceptance of four key principles.



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Source: Treasury internal presentation, Treasury RTI 766, external review 313542, Doc 682, highlight added

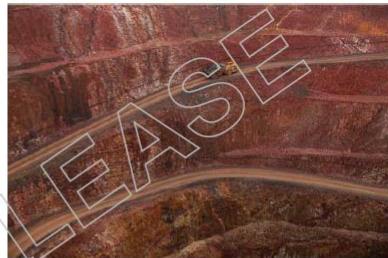
The presentation finishes by saying the Treasury does “full due diligence” on the project before offering the loan, but says nothing about how.

**Figure 10 - Treasury presentation on royalties framework**

Due Diligence requirements

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- Full Due Diligence by the State will be conducted on all projects under the policy
  - To ensure that the principles are fully met
  - To ensure that the predicted benefits of the project to Queensland are able to be fully realised



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Source: Treasury internal presentation, Treasury RTI 766, external review 313542, Doc 682

## ADANI NOT ELIGIBLE?

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The 'transparent' framework for royalties includes the government doing due diligence on the project, and requires mining companies to build multi-user infrastructure.

In 2015 RTI documents revealed previous Treasury due diligence found the Adani project was "unbankable", a "risk" because of Adani's corporate structure and use of offshore entities, "highly susceptible to price shocks" and "unlikely to stack up on a conventional project finance assessment".<sup>37</sup>

It is astonishing that Treasury could come to this view and then recommend lending the project public money.

While the government is refusing to release policy documents about how it conducts due diligence, the Office of the Information Commissioner has required Treasury to release its detailed processes about assessing NAIF loans. (The state government must have its own internal due diligence as it is ultimately legally responsible for NAIF loans).

The fact that the OIC thinks NAIF processes can be released while the royalty policies are cabinet-in-confidence shows there is little documentation about process for royalties deals, beyond the unresolved Adani deal.

There are also new doubts the new rail line should be considered multi-user, and so whether Adani is eligible for the subsidy.

Adani originally intended to build the *North Galilee Basin Rail Project* (NGBRP) from its mine to the Abbott Point coal terminal. Adani's *Economic Impact Statement* (EIS) for this project shows capacity ramping up over its first decade to 100 million tonnes per annum.<sup>38</sup>

Adani later announced a shorter line connecting to the existing Aurizon network.

Adani now says the new rail line will have a 'stage 1 capability' of 40mtpa, which it says was the same as the original rail line proposal in 'stage one', implying there is no

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<sup>37</sup> Cox (2015) *Adani's Carmichael Mine is Unbankable, says Queensland Treasury*  
<https://www.smh.com.au/business/companies/adanis-carmichael-mine-is-unbankable-says-queensland-treasury-20150630-gi1l37.html>

<sup>38</sup> Adani (2013) *North Galilee Basin Rail Project - Environmental Impact Statement, Chapter 2 Project Description* page "2-74" as marked, page 79 of document.  
<http://eisdocs.dsdip.qld.gov.au/North%20Galilee%20Basin%20Rail/EIS/Volume%201%20-%20Chapters/02%20Project%20description.pdf>

material difference.<sup>39</sup> Yet the NGBRP EIS gives no information about any other ‘stages’. Adani now states it will ramp up to 27.5mtpa in future years, greatly reducing available capacity for other users.

Adani Mining CEO Lucas Dow said

There is nothing particularly unique about this. Every time you get a new coal mine coming in and they need to attach their train loading you have a connection. Often they'll have a 10km or 20km connection to the mine. Ours is a little longer.<sup>40</sup>

Adani will need to connect to the existing Aurizon network, which currently has limited capacity. Providing access to other users is likely to require upgrades, including “addition of passing loops, duplications, deviations and operational changes.”<sup>41</sup>

So to provide ‘multi-user’ access, Aurizon will need to upgrade its rail line. Adani might also not pay for expansions to its line, which could be funded by other companies needing capacity.

The case for the royalty subsidy therefore seems even weaker than it was, even on the government’s own terms.

Some within the Queensland Government appear to agree. One anonymous Government source has been reported as saying

The deal that was struck was for ‘first movers’ and the concept was they would get to defer royalty payments as an incentive to build infrastructure that others could use. A rail spur line is not what we envisaged when the framework was signed.<sup>42</sup>

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<sup>39</sup> Adani (2018) *Adani announces rail design change for accelerated delivery*  
[https://issuu.com/adaniaustralia/docs/130918\\_-\\_factsheet\\_and\\_release\\_-\\_fo](https://issuu.com/adaniaustralia/docs/130918_-_factsheet_and_release_-_fo)

<sup>40</sup> Townsville Bulletin (2018) *I want Australia to get behind us* [themorningbulletin.com.au/news/i-want-australia-to-get-behind-us/3521979/](http://themorningbulletin.com.au/news/i-want-australia-to-get-behind-us/3521979/)

<sup>41</sup> Aurizon (2018) *Network Development Plan*  
[https://www.aurizon.com.au/~/\\_media/aurizon/files/what%20we%20do/network/network%20development%20plans/ndp/2018%20network%20development%20plan.pdf](https://www.aurizon.com.au/~/_media/aurizon/files/what%20we%20do/network/network%20development%20plans/ndp/2018%20network%20development%20plan.pdf)

<sup>42</sup> Smees (2018) *Adani yet to sign royalties deal despite claiming to be close to financing mine*  
<https://www.theguardian.com/environment/2018/nov/03/adani-yet-to-sign-royalties-deal-despite-claiming-to-be-close-to-financing-mine>

# Conclusion

The Queensland government has repeatedly said that the Adani project must stack up on its own, but since 2015, has committed to using government resources to support coal mines in the Galilee Basin.

Despite the government blocking access to internal documents, it is clear that Adani stands to benefit from substantial state financial subsidies.

Adani is being offered a free road worth up to \$100 million, which Adani says is for its own use and which it has promised to build. It is also being offered a secret royalties deal, under a new policy rushed through for Adani's benefit, providing a subsidised loan of hundreds of millions of dollars despite Adani saying it is not needed.

These are not the only forms of support on offer. The government has also given Adani unlimited access to groundwater.<sup>43</sup> And despite vetoing NAIF funding to Adani, recently the Premier confirmed she would consider NAIF funding for other coal mine infrastructure in the Galilee Basin.<sup>44</sup>

Adani has repeatedly claimed it did not need government support, only to threaten to pull out of the project if that support does not materialise. Contrary to widespread views that the project's dim economic prospects mean the project will soon 'go away', broken promises on subsidies are helping keep the project alive.

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<sup>43</sup> Hannam (2017) *'Barbaric': Adani's giant coal mine granted unlimited water licence for 60 years*  
<https://www.smh.com.au/environment/barbaric-adanis-giant-coal-mine-granted-unlimited-water-licence-for-60-years-20170404-gvd41y.html>

<sup>44</sup> Kohlbacher (2018) *Qld open to NAIF mining loans: Palaszcuk*  
<https://www.ntnews.com.au/news/breaking-news/qld-open-to-naif-mining-loans-palaszcuk/news-story/142a5d40d1a140eeaa9c16d50ae4f10b>