



Queensland

# Resources Legislation Amendment Regulation (No. 1) 2011

## Explanatory Notes for SL 2011 No. 295

made under the

*Mineral Resources Act 1989*

*Petroleum and Gas (Production and Safety) Act 2004*

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## General outline

### Short title

*Resources Legislation Amendment Regulation (No. 1) 2011.*

### Authorising law

Sections 320 and 417 of the *Mineral Resources Act 1989*.

Sections 590 and 859 of the *Petroleum and Gas (Production and Safety) Act 2004*.

### Policy objectives and the reasons for them

#### *Monthly royalty payments*

The *Mineral Resources Act 1989* and the *Petroleum and Gas (Production and Safety) Act 2004* provide for the payment of royalties in the prescribed manner. Currently, the time for paying royalty is linked to the time for lodging a royalty return.

Under the *Mineral Resources Regulation 2003*, returns are required to be lodged annually unless, having regard to the size of the operation, the

Minister requires them to be lodged quarterly. Consequently, larger operators lodge returns and pay royalty quarterly. Under the *Petroleum and Gas (Production and Safety) Regulation 2004*, returns are required to be lodged, and payments made, quarterly.

The 2011–12 State Budget announced that royalties would be collected monthly from the bulk of producers from 1 January 2012. These amendments will allow a phased implementation of the monthly payment arrangements, with the larger operations initially being required to pay royalty monthly.

As part of the implementation arrangements, smaller operations initially will continue to pay quarterly under a quarterly payment notice issued by the Minister and may transition to monthly payments as required.

#### *Quarterly mineral returns*

Where returns are required to be lodged quarterly under the *Mineral Resources Regulation 2003*, the Minister may generally specify when the quarter begins. Although the majority of quarterly mineral returns are lodged for calendar quarters, a small number are lodged for non calendar quarters. There is currently no ability for a different return period to be specified to allow these operations to transition to calendar quarter returns. The *Mineral Resources Regulation 2003* is being amended to facilitate the transition process.

#### *Definition of hedge settlement rate*

Under the *Mineral Resources Regulation 2003* the hedge settlement rate is relevant for determining the royalty rate for certain minerals, including phosphate rock and processed oil shale. *Hedge settlement rate*, for a day, is currently defined as ‘the average spot USD/AUD exchange rate worked out by AAP–Reuters at 9.45a.m. on the day’ (AAP–Reuters rate).

The WM/Reuters Australian Fix 10.00am rate (WM/Reuters rate) has replaced the AAP Reuters rate as the methodology and timing for calculating an Australian dollar reference rate and industry has been using the WM/Reuters rate for royalty purposes since then. The definition of *hedge settlement rate* therefore requires amendment to reflect this change.

### **Achievement of policy objectives**

The Regulation amends the *Mineral Resources Regulation 2003* and the *Petroleum and Gas (Production and Safety) Regulation 2004* to give effect

to the 2011–12 State Budget announcement that royalty will be payable monthly from 1 January 2012, and amends the *Mineral Resources Regulation 2003* to allow alignment of the periods for lodging quarterly returns and to update the definition of *hedge settlement rate*.

### **Consistency with policy objectives of authorising law**

The amendments to the *Mineral Resources Regulation 2003* and the *Petroleum and Gas (Production and Safety) Regulation 2004* to implement the monthly payment of royalties are consistent with the policy objectives of the *Mineral Resources Act 1989* and the *Petroleum and Gas (Production and Safety) Act 2004*.

The amendments to the *Mineral Resources Regulation 2003* to allow alignment of the periods for lodging quarterly returns and to update a definition are consistent with the policy objectives of the *Mineral Resources Act 1989*.

### **Inconsistency with policy objectives of other legislation**

Not applicable.

### **Benefits and costs of implementation**

The cash flow benefit to the State from implementing the monthly payment of royalties was estimated in the 2011–12 State Budget to be \$14 million per annum.

There are no additional costs in implementing the remaining amendments in the Regulation.

### **Consistency with fundamental legislative principles**

The Regulation is consistent with fundamental legislative principles.

### **Consultation**

The Queensland Resources Council (QRC) and the Australian Petroleum Production and Exploration Association (APPEA) were consulted

regarding implementation arrangements for the monthly payment of royalties.

QRC and APPEA indicated support for the method for determining monthly royalty payments. QRC indicated a preference to defer the publicly announced start date of 1 January 2012 for monthly royalty payments.

The Queensland Office for Regulatory Efficiency (QORE) was consulted regarding compliance with the Regulatory Assessment Statement system. QORE advised that the amendments relating to monthly royalty payments are exempt from the Regulatory Assessment Statement system as they were announced as part of the 2011–12 State Budget. A Preliminary Impact Assessment is required for the other amendments.

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#### ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Treasury Department.

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