QUEENSLAND resources COUNCIL

Working together for a shared future

21 February 2012

Mr Warwick Anderson
General Manager—Network Regulation Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Via email (AERInquiry@aer.gov.au)

Dear Mr Anderson

Powerlink revised revenue proposal

Thank you for the opportunity to comment on the AER's draft decision and Powerlink's revised revenue proposal.

The Queensland Resources Council (QRC) is the peak representative organisation of the Queensland minerals and energy sector. The QRC's membership encompasses exploration, production, and processing companies, energy production and associated service companies. The QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

Underpinned by sound demand fundamentals in developing countries including China and India, the Queensland resources sector is set for an unprecedented expansion over the next 10 years. The magnitude of this expansion and the implications for skills, energy and water availability was recently outlined in a QRC study – *Queensland Resources Council, Queensland Resource Sector State Growth Outlook Study (GOS) (November 2011).*

This study demonstrates that there is approximately $150 billion in new resource projects either under study, committed or under construction in Queensland at present, consisting:

- Strong growth in the coal-seam gas to liquefied natural gas sector (CSG-LNG). Three CSG-LNG proponents (BG Group's QCLNG project, the Santos-led consortium's GLNG project and the Origin Energy-Conoco Philips-Sinopec APLNG project) have committed an initial combined investment of $45 billion. An Arrow Energy (Shell-Petrochina) project is in the EIS phase.
- Very strong growth in the thermal coal sector with significant new projects proposed for the Galilee, Surat and Bowen Basins reflecting energy demand growth.
- Predominantly in the Bowen Basin, very strong growth in the state's metallurgical coal sector reflecting steel demand growth.
- Moderate growth in base and precious metals, phosphate, bauxite and alumina in the North and North-West of the state.
- Plans to develop a range of innovative technologies (e.g. gas-to-liquids, coal-to-liquids) in response to emerging liquid fuel security concerns.
- Significant but currently policy-constrained potential for uranium and unconventional liquid fuels such as shale oil.

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The growth potential is forecast at Attachment 1. This table assumes that all projects identified in the GOS come to fruition (full growth scenario). To allow comparison, the 2020-21 and 1999-00 values of production are held at constant 2010-11 prices. In value of production terms, Queensland's resources sector could grow by as much as 243 percent to $141 billion over the next 10 years. This compares with the estimated 43 percent growth that has occurred over the past 10 years.

The GOS also estimated the additional demand for energy under a full growth scenario. It found that an additional 4,000 MW will be required to service the operational requirements of these operations. This figure does not include the additional energy requirements of workers and their families who will move to resource communities. Due to the high costs and impracticality of self-generation (especially for CSG compression activities), the QRC anticipates that there will be substantial resource loads connected to both the transmission and distribution networks which will result in the need to augment the transmission network.

The QRC requests that the AER appropriately countenance the sector's growth aspirations in its demand forecast and make the necessary adjustments to Powerlink's resulting capital expenditure allowance.

For any further information please feel free to contact QRC's David Rynne on (07) 3316 2522 or davidr@qrc.org.au

Yours sincerely

Michael Roche
Chief Executive

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Attachment 1

QLD Resources Sector Production and Value of Production (A$billion)	1999/00		2010/11		2020/21'	
	Production	Value ($b)*	Production	Value ($b)*	Production**^	Value ($b)*
Alumina (kt)	3,156	1.1	5,206	1.7	7,206	2.4
Aluminium (kt)	40	0.1	560	1.3	560	1.3
Bauxite (kt)	10,915	0.3	16,800	0.5	31,800	1.0
Black Coal (Thermal) (Mt)	45	4.4	70	6.9	412	40.4
Black Coal (Coking) (Mt)	67	15.1	87	19.6	302	68.0
Copper concentrate (kt)	350	3.1	331	2.9	166	1.5
Gold (t)	34	1.7	16	0.8	20	1.0
Lead (kt)	301	0.8	451	1.2	525	1.4
Silver (t)	1,073	0.9	1,483	1.3	1,520	1.3
Nickel (kt)	30	0.7	30	0.7	30	0.7
Uranium (lb)	-	-	-	-	12,000,000	0.7
Zinc (kt)	217	0.5	1,009	2.4	1,200	2.8
Magnetite (kt)	-	-	52	0.01	1,100	0.2
Phosphate (DAF/MAF/AIF) (kt)	-	-	600	0.2	600	0.2
Coal Seam Gas (PJ) (Domestic)	-	-	125	0.4	173	0.5
Crude Oil and Condensate (ML)	-	-	632	0.8	875	1.0
Synthetic Oil (Oil Shale) (Mbbls)	-	-	-	-	17	2.1
Synthetic fuel (ML)	-	-		-	940	1.1
Liquified Petroleum Gas (ML)	-	-	187	0.1	209	0.2
Liquified Natural Gas (Mt)	-	-	-	-	33	12.9
Processed Natural Gas (PJ)	-	-	105	0.3	148	0.4
Total		28.7		41.1		141.0
			43%		243%	

* at 2010/11 prices

** based on current investment plans as disclosed in QRC Growth Outlook Study

^ preliminary figure that could change significantly if/when mining optimization studies are concluded

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