

30 September 2026

**To: Department of Natural Resources and Mines, Manufacturing and Regional and Rural Development**

**Re: Queensland's Financial Provisioning Scheme review**

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to the Financial Provisioning Scheme review.

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

IEEFA has the following recommendations that relate to both the adequacy of the Scheme's long-term financial viability, and governance and administration matters, brought to light by the recent Bluff coalmine abandonment.

The recommendations include:

**1. Financial viability risk**

- Manage the fund as a portfolio, not as a series of individual risks.
- Report annually the estimated rehabilitation cost (ERC), Scheme-backed ERC and contributions by sector, including by coal subsector – metallurgical and thermal.
- Stress-test and publish the Scheme fund's capacity to absorb concurrent failures of several mining companies across a sector.
- Set a sector concentration threshold that reflects the sector life-cycle and, if breached, triggers a review of contribution rates and/or surety requirements.
- Consider introducing progressive contribution rates to the Scheme during its build phase to mitigate risk during its accumulation phase.

**2. Improved transparency**

- The Queensland Government should disclose security deposit holdings by individual entity. The government does not disclose Financial Provisioning Scheme (FPS) contributions or surety holdings for individual responsible entities. In NSW, where security deposits are held against rehabilitation cost estimates (RCE), the individual values are disclosed, improving transparency and accountability.
- Reintroduce the mandatory three-yearly audit of PRCPs.

### 3. Risk Reassessment Trigger Events

- An Environmental Authority (EA) holder, or its parent entity, entering insolvency, administration or liquidation should automatically trigger an immediate Scheme risk reassessment and recalculation of surety to the full ERC.
- Placing a mine into care and maintenance should be a formal Scheme risk-reassessment trigger.
- Elsewhere, the public audited accounts of mining companies may contain audit notation of going concern issues. Similarly, the Scheme manager assessment of an entities increase in risk category (requiring higher levels of surety) should take effect within a maximum six-month notice period when an operator shows going concern issues.

### 4. Require surety for residual risks

- Climate change is likely to have a bearing on future estimated rehabilitation costs. Ensure ERC estimates contain adequate contingency for such events.
- Require upfront surety requirements to include an allowance for the newly formulated Residual Risk Assessment payments.

Thank you for the opportunity to make this submission. Please do not hesitate to contact me to discuss this submission in further detail.

Kind regards,

Andrew Gorringe, Energy Finance Analyst, Australian Coal

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## Background of the Scheme

In 2019, Queensland introduced the Financial Provisioning Scheme (Scheme), as described in the Mineral and Energy Resources (Financial Provisioning) Bill 2018. At the same time, mines were required to [progressively rehabilitate](#) mined lands – effectively to restore mining land “as it becomes available” – and this be outlined in an approved Progressive Rehabilitation Completion Plan (PRCP). The stages of mine rehabilitation and closure are shown in Figure 1 below.

**Figure 1: Stylised end stages of a coalmining project**



Source: Queensland Mine Rehabilitation Commissioner, DETSI ERC guideline, IEEFA

Each mine Environmental Authority (EA) holder must submit an Annual Return. On this return, it should indicate the status of the rehabilitation hectares commenced, completed and remaining disturbed area to be rehabilitated. It also contains an estimated rehabilitation cost (ERC), which represents the remaining cost to complete rehabilitation.

Queensland's total ERC was reported to be AU\$14.266 billion in the FY2025-26 Financial Provisioning Scheme Annual Report, with coalmining accounting for 70% of this, at AU\$9.9 billion. Some 38% of coal's liability is managed through the Scheme Fund, and 62% is allocated to surety.

According to the Queensland Mine Rehabilitation Commissioner (QMRC) 2026 Annual Report, the coalmining liability is spread across 178,788 hectares (ha) of remaining disturbed land, covering 60 metallurgical and 31 thermal coalmines, for 91 mines and related infrastructure requiring PRCPs. The average rate of progressive rehabilitation to the end of 2025 was 27% and ranged from a low-performing coal company of 7% to a high of 61%. Net disturbance at Queensland coalmines grew by about 2,700ha a year in the five years to 2025, as about 6,900ha of new disturbance a year outpaced about 4,200ha of rehabilitation.

The scheme fund balance was AU\$516 million at 30 June 2026, reported in the [FPS Annual Report](#) against the aggregate ERC. Operators of an EA with an ERC below AU\$10 million must provide surety equal to the full amount; those at AU\$10 million or above are instead risk-assessed and can be required to provide less than full cover.

Risk-based contributions to the Scheme were updated in FY2024-25 to include a new risk category. In October 2025, the government sought to rebalance the risk contributions into the Scheme, by adding a “moderate-high” risk category at a 6.5% contribution rate, after a review found the “moderate” rate of 2.75% was insufficient.

**Table: Risk categorisation in the FPS and FY2025–26 Scheme Fund Allocations**

| Risk category              | Annual contribution rate | Number of holders | Contribution FY2025–26 AU\$M | ERC AU\$ billion |
|----------------------------|--------------------------|-------------------|------------------------------|------------------|
| <b>Very Low</b>            | 0.50%                    | 41                | 10.086                       | 1.929            |
| <b>Low</b>                 | 1.00%                    | 52                | 16.611                       | 1.687            |
| <b>Moderate</b>            | 2.25%                    | 17                | 34.991                       | 1.276            |
| <b>Moderate-high (new)</b> | 6.50%                    | 4                 | 32.747                       | 0.502            |
| <b>High</b>                | Surety only              | 74                | -                            | 2.029            |
| <b>Total</b>               |                          | <b>188</b>        | <b>94.435</b>                | <b>7.423</b>     |

Source: MERFP Regulation 2019 s 5; Mineral and Energy Resources (Financial Provisioning) Amendment Regulation 2025, explanatory note; FPS 2025-26 Annual Report, Table 3.1.

Note: the aggregate ERC of the EAs assessed in FY2025-26 was AU\$11.928 billion, including AU\$4.504 billion in the >AU\$450M threshold, across 20 entities. Annual contribution rates apply to ERC values in excess of any surety held.

The financial adequacy of the scheme is summarised by the Scheme actuary (EY). It projects Fund net assets will reach AU\$1.03 billion by June 2030, and will be sufficient to withstand a one-in-200 year loss by around June 2029. Until then, the Fund “is in the capital accumulation phase”.

## 1. Is the scheme financially sustainable in the long-term?

The Scheme has sound foundations for managing the risk that an individual mining company (EA holder) fails. But it does not yet measure or manage the risk that many holders fail together, which could exhaust the Fund. The Scheme is highly concentrated in one sector (coalmining accounts for about 70% of aggregate ERC), and that sector faces a structural, not cyclical, decline in demand. The principles bank and insurance regulators use to manage exactly this kind of risk are well established and could be adapted to the Scheme.

### What the Scheme does well

- **Scheme Solvency Standard.** The Scheme Manager has adopted APRA insurance principles: to be sustainable, the Fund should be able to withstand unexpected shocks. The FY2024-25 Audit found it would be able to withstand a one-in-200 year loss event and meet obligations to pay the claims by about 2029. This mirrors the capital standard for insurers to cover their liabilities, and is an appropriate benchmark.
- **Individual credit risk, through risk-weighted contributions.** Each eligible EA holder is allocated to a risk category based on the Scheme Manager-assessed financial strength of the EA holder and the characteristics of the resource project. Holders pay a contribution to the Fund priced to their category, or else provide surety for the full ERC. This is an

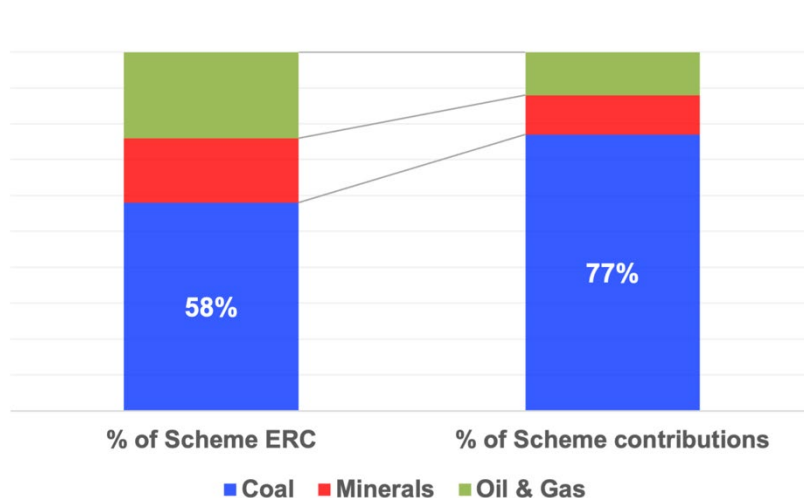
appropriate risk-allocation basis, and the FY2024-25 review recognises that the framework assessment is dynamic. Changes may have also been introduced in response to coalmining companies' inability to obtain traditional bank guarantees or insurance coverage due to fossil fuel lending policies.

- **Single entity exposure limit.** The fund threshold caps the ERC any one entity (and its corporate group) can place with the fund (AU\$450 million, or AU\$600 million for holders rated BBB+ or better). Entities must provide surety for values above this threshold. This maximum single-point risk exposure is akin to a bank's large exposures limits.
- **Climate scenario testing.** The Actuarial review tested the ability of the Scheme to withstand the one-in-200 year event impact under a range of climate change scenarios. Consideration should be given to providing a contingency reserve to ERCs for climate-related environmental risks, as done in [NSW](#) recently. The Queensland ERC calculation includes a 10% general project contingency but it is not sufficient nor specifically to cover climate change impacts. For example, provisioning for erosion-protection structures in open-cut mine critical drainage zones is high cost but may be necessary to mitigate major flooding risks. Similarly, rehabilitation vegetation success rates are [impacted](#) by increases in the frequency and intensity of heatwaves as well as higher evaporation and more variable rainfall, which will stretch the historical ERC cost basis.

#### Where the Scheme can improve

- **Systematic risk and sector concentration.** The risk-weighted contributions underpinning the Scheme price each holder's probability of default on its own. They implicitly assume defaults are independent. In a structural downturn in one sector they are not: credit ratings fall together, commodity-linked asset values (the collateral for any recovery) fall together.

**Figure 2: Scheme Fund ERCs vs contribution amounts by commodity**

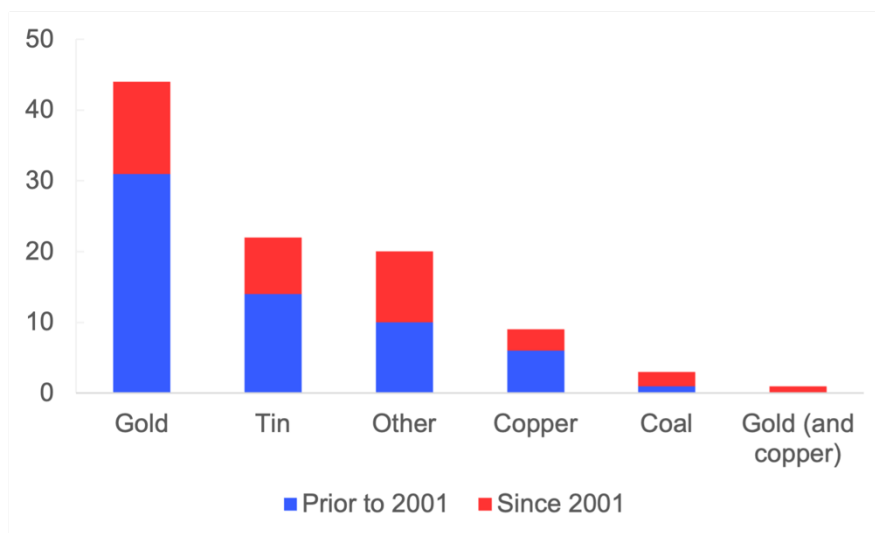


Source: FPS Annual Report 2025-26, Chart 3.8, IEEFA

- Figure 2 shows coalmining accounts for 58% of the ERCs covered under the Scheme, and yet accounts for 77% of Fund contributions. That means coal, on average, carried higher risk than the other commodities. Bank capital adequacy regulation recognises this systemic risk, and requires banks to report sector portfolio concentration exposures.
- Annual reports do not separate coal ERC into metallurgical and thermal coal, although the two face different end markets and different decline profiles. Coal differs from other mined commodities in that it faces a structural decline path rather than cyclical pathway.
- **No progressive contribution rates.** Scheme contribution rates are fixed percentages of ERC, regardless of the underlying commodity price cycle. Queensland has demonstrated success in introducing progressive royalty rates for coalminers that collect more when coal prices are high. Consideration should be given to a similar approach to higher contributions in high-price environments, especially during a building reserves phase (to FY2029–30) and considering that coal prices are currently elevated.

Queensland has seen what happens when a sector-specific mining boom ends without provision for rehabilitation. The state has about 15,000 known abandoned mine sites, mostly from the gold rushes of the late 1800s and early 1900s, and 99 larger abandoned mines, including from legacy and modern times (Figure 3).

**Figure 3: Composition of Queensland's abandoned mines (number)**



Source: Queensland Government, Abandoned Mines public map service (GeoResGlobe), layer Abandoned Mines, accessed 28 September 2026. Note: Other include tungsten, uranium, base metals, mineral sands, gems, kaolin etc.

Two-thirds of Queensland's 99 abandoned mine sites were gold (45) or tin (22) operations. Where dates can be established, the last year of production at Queensland's abandoned gold and tin mines clusters around commodity price crashes; formal abandonment often follows years or decades later, after extended care and maintenance. The lesson for the Scheme is that

abandonment risk concentrates by commodity and cycle. Today, coal accounts for about 70% of aggregate ERC.

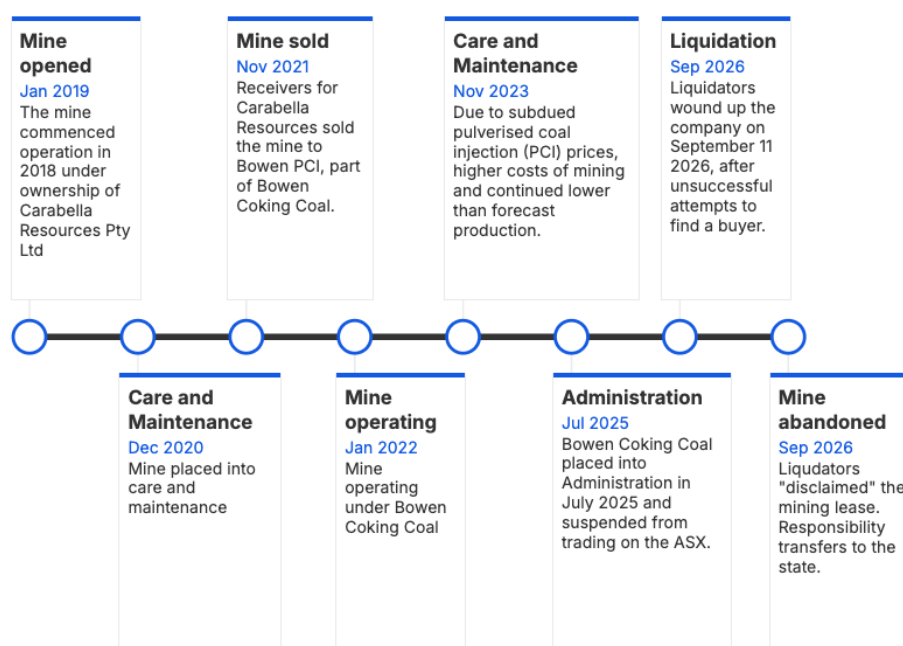
**Recommendation 1:** Manage the fund as a portfolio, not as a series of individual risks. Report annually the ERC, Scheme-backed ERC and Contributions by sector, including by coal subsector – metallurgical and thermal. Stress test and publish the Scheme fund’s capacity to absorb concurrent failures of several mining companies across a sector. Set a sector concentration threshold that reflects the sector life-cycle, and if breached, triggers a review of contribution rates or surety requirements. Consider introducing progressive contribution rates to the Scheme during its build phase to mitigate risk during its accumulation phase.

## 2. Scheme governance and administration

### Bluff: the Scheme’s first abandoned open-cut coalmine – a cautionary tale

The Bluff open-cut mine is not the first to close. But with the liquidator confirming no buyer, the liability for mine closure and environmental management shifts to the state – a first in Queensland history for open-cut coalmines.

 **Figure 4: Bluff has been in and out of care and maintenance twice in its short history**



Sources: Queensland government production data, company announcements, IEEFA.

Bluff disturbed 433ha of the southern Bowen Basin, on Gangulu country, and had rehabilitated none of it. According to its Annual Return on 31 March 2026, zero hectares were certified, zero completed and 61ha “commenced” (self-assessed by the mining company).

Bluff has been idle since 30 November 2023, when it entered care and maintenance for “an unforeseen duration” under its progressive rehabilitation and closure plan ([PRCP](#)), noting the PRCP defines 466.7ha of final landform to be rehabilitated. That status is not abandonment under

Queensland law, it is a long-term holding pattern. The [Mined Land Rehabilitation Policy](#) allows an operator up to 10 years in care and maintenance before the bulk of its disturbed land is legally deemed “available for rehabilitation” and the rehabilitation commencement clock starts. Bowen PCI used up that allowance.

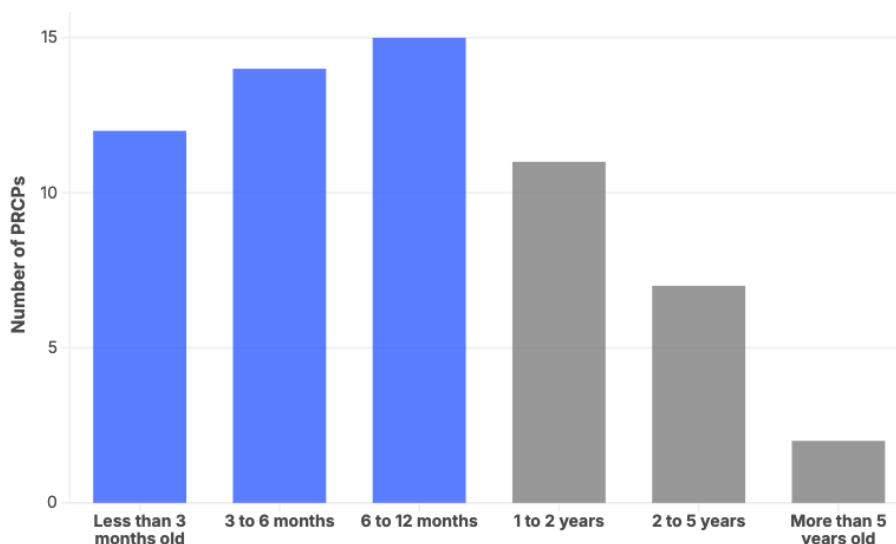
Bluff’s owner estimated that on recommencement of operations, it would have a remaining mine life of about two years to extract the remaining coal reserves. Then it would close and rehabilitate the mine, [scheduled](#) against milestones running out to 2060.

The Department approved that schedule on 12 June 2025. Six weeks later, on 30 July 2025, Bowen Coking Coal – Bowen PCI’s parent company – entered administration. In its August 2025 production report, the company described “high-grading” its remaining deposits: extracting coal at the lowest cost to generate maximum margins, on “the reasonable expectation that coal markets will improve later in the near-term”. Coal prices recovered in 2026. It was not enough. On 11 September 2026, the liquidator confirmed no buyer could be found for the mine.

Until recently, Queensland’s Environmental Protection Act had required a PRCP holder to commission an independent rehabilitation audit every three years – the only external check in the system on self-reported progress. Bluff’s schedule took effect in June 2025; its first audit was not due until 2028. But the Environmental Protection (Efficiency and Streamlining) and Other Legislation Amendment Bill 2025, introduced to Queensland Parliament on 20 November 2025, replaces that mandatory three-yearly audit with a discretionary audit “on notice” from the Department, and removes the public-interest evaluation step from PRCP assessments.

Little progressive rehabilitation has yet been tested across the state. Of the 61 approved coal PRCPs on the public register, most are less than a year old (Figure 5).

**Figure 5: Most coalmining PRCPs are recent and untested**



Source: Queensland PRCP Applications register, accessed 28 Sep 2026. Subset: Activities = Mining black coal, Status = Approved, Permit status = Granted.

Surely, with 64% of the plans less than a year old, removal of the three-yearly audit requirement was too hasty before the effectiveness of the PRCP process could be established.

On Bluff's 433ha total disturbed area, the AU\$12.3 million ERC amounts to about AU\$28,300 per hectare. Whether that is sufficient to rehabilitate the site and manage environmental compliance is untested. It sits below the median for open-cut coalmines in the state of about AU\$40,000 per hectare. In NSW, where security deposits are held against rehabilitation cost estimates (RCE), the assessed security deposit amount for large mines is about AU\$50,000 per hectare on average (NSW reports 48,000ha of remaining rehabilitation across its top 16 open-cut coalmines, and holds AU\$2.4 billion in security deposits). Bluff's actual rehabilitation bill could be significantly higher than its ERC, which highlights the potential for a cost overrun, which would magnify the impact on the FPS to cover the remaining non-surety component of the bill.

The Bluff case points to a recommended change: triggering an independent rehabilitation audit and a surety recalculation to the full estimated cost whenever a PRCP holder enters insolvency, administration or liquidation. That single amendment would have caught Bluff in July 2025, not after the fact.

Bluff is not the only mine that lacked a strong enough economic position to keep operating. Since 2025, other Queensland mines have gone into care and maintenance (Burton, Ellensfield, Saraji South, Vulcan and Cook Colliery). None have restarted, and no active coalmine operating in Queensland has previously been through care and maintenance.

A new requirement was introduced in 2026 for a miner (EA holder) to close the mine once rehabilitation is completed. This is a post-surrender management report (PSMR), which details potential further risks related to the management of rehabilitated lands and post-closure monitoring and environmental management. Separate to the FPS, this includes a mine closure payment aimed at reducing the cost borne by the state in managing post-mine land use. Unfortunately, it's too late to collect if mines such as Bluff are abandoned, which raises the question whether an allowance for this should form part of the upfront ERC and surety bond requirement.

A number of key recommendations arise from the Bluff mine case:

**Recommendation 2:** The Queensland Government should disclose individual entity security deposit holdings. The government does not disclose FPS contributions, provisioning or surety holdings for individual responsible entities. In NSW, where security deposits are held against rehabilitation cost estimates (RCE), the individual values are disclosed, improving transparency and accountability.

**Recommendation 3:** Implement going concern trigger events. An EA holder, or its parent entity, entering insolvency, administration or liquidation should automatically trigger an immediate Scheme risk reassessment and recalculation of surety to the full ERC. Similarly, entry into care and maintenance should be a formal Scheme risk-reassessment trigger. Elsewhere, the public audited accounts of mining companies may contain audit notation of going concern issues. Similarly, the Scheme Manager assessment of an entity's increase in risk category (requiring higher levels of surety) should take effect within a maximum of six-month period from when an operator shows going concern issues, despite annual review allocation day provisions that might extend lead-times up to a year.



**Recommendation 4:** Reintroduce the mandatory three-yearly audit of PRCPs.

**Recommendation 5:** While acknowledging that ERC calculation is not per-se included in this review, nonetheless there are factors that should be included, such as contingencies for climate-change-induced extreme weather events, where they become probable events, as is the case in NSW, and a provision for the newly introduced mine-closure risk-assessment payments should be made up front.