

30 March 2026

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
Via email: info@qca.org.au

Dear QCA Project Team

Re: GAWB Water Security Assets Price Monitoring Review 2026–30

The Queensland Resources Council (QRC) provides further comment on the Queensland Competition Authority's Draft Report on the Gladstone Area Water Board (GAWB) Water Security Assets for 2026–30.

QRC represents companies across the coal, natural gas, metals and critical minerals sectors—industries that are foundational to Queensland's regional economies, export performance, and state revenue. The sector is the powerhouse of the state's economy, and in 2024-25 contributed \$115.2 billion to the economy, and 1 in five jobs for Queenslanders.

Resources are the predominant sector and employer in GAWB's catchment, contributing 43% of the Gross Regional Product at \$10.6 billion, and 44% of total employment or 56,909 jobs for the region.

The proposed GAWB water security charge poses a serious and compounding cost burden on our sector at a time when producer resilience is already under unprecedented pressure.

The proposed water security price increases are unacceptable and unsustainable

The Draft Report confirms that the proposed water security asset charge will be \$1,384.29 per ML in 2026–27, with the cost rising to \$1,691.90 per ML (+22%) in the absence of Queensland Government grant funding.

For major industrial customers—coal producers, downstream gas operators, ports, terminal operators, and energy-intensive manufacturing—this represents a steep escalation in operational costs. Wiggins Island Coal Export Terminal (WICET) has demonstrated that its annual water charges would rise 225%, from approximately \$846,000 to \$2.751 million.

This level of cost escalation cannot be absorbed without consequences for production, employment, and competitiveness.

The Queensland coal sector has already absorbed a 29% increase in production costs since FY2021–22

Independent analysis commissioned by QRC (Commodity Insights, Sept 2025) confirms that average coal production costs (excluding royalties) have increased 29% since 2022.

Cost drivers include labour, energy, equipment inflation, compliance, ESG obligations and regulatory burden, outlined as follows:

- Compliance costs alone (e.g., Safeguard Mechanism, ESG reporting) have risen 95% over the same period.
- These rising costs have already pushed 28.5 Mt of Queensland coal production below breakeven, and sector employment has fallen 24% year on year to May 2025.

The coal sector's financial resilience has been significantly eroded. Introducing additional structural water related cost increases in Gladstone on top of a 29% cost surge places the industry in an untenable position—especially for operators already managing thin or negative margins. Any pass through of cost increases from ports or producers could impact their financial resilience further.

Energy security requires a certain regulatory and operating environment

Having regard to the matters in section 26 of the Queensland Competition Authority Act, the proposed increase in bulk water charges would materially affect LNG and gas producers in Gladstone by imposing a significant increase in fixed, non-cost-reflective input costs on long-life, export-exposed operations that already face policy and regulatory uncertainty with the National Gas market Reform.

The proposed pricing approach transfers utilisation and demand risk associated with the Fitzroy to Gladstone Pipeline onto incumbent producers irrespective of actual water use or incremental benefit, with potential consequences for allocative efficiency, investment signals and the competitiveness of existing industrial activity in the Gladstone region.

These cost pressures can undermine the international competitiveness of LNG exports at a time when global markets are highly price-sensitive, while also constraining investment certainty for gas assets that underpin Australia's trading position and regional employment. Where water infrastructure is primarily designed to support future industries, allocating costs to legacy gas and energy exporters risks eroding export margins without delivering commensurate reliability or productivity benefits.

From a domestic energy security perspective, compounding water and energy input costs can weaken the resilience of gas-fired generation that supports firming and peak supply in the National Electricity Market. If water security investments do not deliver demonstrable operational benefits to existing energy assets, higher charges may accelerate asset withdrawal or curtailment, reducing dispatchable capacity during periods of high demand or low renewable output. This creates flow-on risks for household and industrial energy affordability and reliability, particularly in regions dependent on gas for system stability.

Compounding effect of GAWB increases presents a critical threat to industry viability

Coal, gas and LNG producers operating in Central Queensland—including those in the GAWB catchment—are facing layered cost shocks:

- 29% cost inflation since 2022
- world highest royalty rates (up to 40%)
- fuel crisis increasing diesel and petroleum costs for coal, gas and metals producers
- policy uncertainty at the state and federal levels
- escalating compliance and decarbonisation costs, and
- now GAWB's proposed water security charge, representing another major structural cost increase.

These cumulative pressures are not sustainable for many Queensland coal operations, particularly marginal mines and mid-tier operators. Several mines have already closed or entered administration, and more than 1,000 job losses were announced in a single week in September 2025 due to converging cost pressures.

If implemented, GAWB's proposed increases would accelerate the decline of the sector either through direct increase in costs for water supply, or via pass through from port to producer as a result of the 225% increase. The increase also presents flow on effects for competitiveness, including:

- Economic output
- Port utilisation

- Rail and supply chain demand
- Regional jobs and incomes, and
- Gladstone's industrial base.

The pricing framework does not reflect genuine commercial negotiation

Resources companies and ports have not had the ability to reject GAWB pricing, nor any alternative bulk water supplier. The QCA's reliance on the theoretical "primacy of commercial negotiation" is inconsistent with the practical reality of an essential service monopoly. Meaningful negotiation is not possible where switching is impossible.

Furthermore, there is a perception that given the initial scope of the pipeline, insignificant engagement was undertaken with Gladstone's industrial base that includes resources and port operations. Pricing increases were not transparently communicated at the time of planning, and the increase communication has been limited to a formal QCA regulatory process.

QRC Request to the QCA

On behalf of Queensland's resource industries, QRC respectfully requests that the QCA:

1. Reject the proposed price increases for water security assets.
2. Reconsider the treatment of the FGP, including assessing it as a stranded or partially stranded asset until genuine additional demand materialises.
3. Require GAWB to bear a fair share of future utilisation risk, rather than shifting this risk to existing customers.
4. Conduct a deeper prudence and efficiency review of the FGP, including justification for project timing, scope, and capital structure.
5. Reexamine WACC settings, given the low risk nature of water infrastructure and extensive government capital support.
6. Consider regional economic and employment consequences, which the QCA must account for under s.26(1) of the QCA Act.

Failing to act risks compounding a rapid decline in Queensland's globally significant coal exports, regional jobs, and revenue streams.

Conclusion

The Queensland coal sector which underpins 16.9% of the state's entire Gross State Product is at a critical juncture. The added burden of GAWB's proposed water charges, on top of a surge in operating costs would place the Gladstone industrial region and Queensland's broader resource economy in an unsustainable and potentially irreversible position.

QRC urges the QCA to adopt a more equitable and economically rational approach in the Final Report.

Yours sincerely



Janette Hewson
Chief Executive Officer