

Mineral and Energy Resources (Financial Provisioning) Act 2018

Financial Provisioning Scheme

FAQ: Fund Threshold

Objective

The fund threshold is the aggregate estimated rehabilitation costs (**ERC**) of all environmental authorities (**EAs**) which fall under an assessed entity to which the Financial Provisioning Scheme (**the scheme**) shall be exposed to, at a point in time. An assessed entity is more fully described in the Information Sheet 1 Risk Category Allocation but basically refers to an EA holder or their parent corporation that undergoes the risk assessment process for financial soundness.

The fund threshold acts to limit the exposure of the scheme to any one single entity of risk. Individual EAs that receive a risk category other than High require the EA holder to pay a contribution into the scheme fund for those EAs, up to the fund threshold, with surety required for any amount above this.

The fund threshold is currently \$450 million.

Commencement

From 1 October 2025, there will be a two-tiered fund threshold. The new fund threshold will be \$600 million for entities with a prescribed credit rating of BBB+ (S&P or equivalent) or better, and all other entities will remain at the current fund threshold of \$450 million.

How the fund threshold is determined

The prescribed rating for the fund threshold in section 11(4) of the Mineral and Energy Resources (Financial Provisioning) Act 2018 (**Act**) is defined in the Mineral and Energy Resources (Financial Provisioning) Regulation 2019 as follows:

- a long-term credit rating from Fitch Australia Pty Ltd ACN 081 339 184 of BBB+ or higher;
- a long-term credit rating from Moody's Investors Service Pty Limited ACN 003 399 657 of Baa1 or higher; and/or
- a long-term credit rating from S&P Global Ratings Australia Pty Ltd ACN 007 324 852 of BBB+ or higher.

Questions and answers

Q: What happens if my credit rating improves to S&P (or equivalent) BBB+ from a lower rating level?

At the next annual review we will work with you to select an EA that is currently covered by surety to start paying a contribution. Or if an EA exists which is only partly contributing (and partly providing surety due to its large size), to start paying an additional contribution up to the new Fund Threshold (also resulting in a reduction in surety being provided).

Q: What are the criteria for selecting the EA in the scenario above?

Generally, we will consider:

- *the size of the ERC for available EAs and how these fit within the larger fund threshold; and*
- *the risk category allocation for available EAs. That is, we will likely select an EA that has the lowest risk category allocation. This is mutually beneficial because the EA Holder will be paying a lower contribution rate and the EAs in the Scheme Fund will have a lower risk profile.*

Q: What happens if my credit rating moves from S&P (or equivalent) BBB+ to S&P (or equivalent) BBB flat (or below)?

Increased surety will be required up to the value of \$150 million (representing the difference between the \$600 million and \$450 million fund thresholds), to cover EAs which do not fit (fully or partially) within the \$450 million fund threshold. How this will be applied will be determined at the next annual review by either removing EAs with the equivalent value in ERC or, if an EA is partly contributing, by decreasing the amount they contribute and increasing the surety required for that individual EA.

Act References

Section 11: What is the fund threshold.

Section 49: Holder must pay contribution and give surety if estimated rehabilitation cost more than fund threshold.

Section 54: Scheme manager's decision about financial viability of scheme fund.

Section 57: When holder must give increased surety.