

QUEENSLAND TREASURY

Scheme Manager Guideline 1

Forming the Scheme Manager's Opinion – Risk Category Allocation

1 October 2025

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Contents

1. About this guideline:	2
1.1 Background	2
1.2 Purpose of this Guideline	2
1.3 Definitions used in this Guideline	3
2. Forming the scheme manager's opinion	3
2.1 Financial Soundness	3
2.1.1 Which holder to consider?	3
2.1.2 Considering the financial soundness of a holder or parent corporation	4
2.2 Resource Project Characteristics	5
2.2.1 When to consider resource project characteristics	5
2.2.2 Characteristics for consideration	5
3. Date of effect	6
4. Appendix 1 – Eligibility	7
4.1 Election Notice	7

1. About this guideline:

1.1 Background

This guideline (Guideline) is made by the scheme manager under section 70 of the Mineral and Energy Resources (Financial Provisioning) Act 2018 (Act).

The Act establishes a Financial Provisioning Scheme (scheme) to manage the financial risk to the State if environmental authority holders for resource activities do not comply with their environmental management and rehabilitation obligations.

The scheme manager is required to undertake a risk category allocation for each eligible environmental authority and decide whether to allocate the authority to a risk category of very low, low, moderate, moderate-high or high (allocation decision).

The allocation decision is used to determine whether the authority holder is required to pay a contribution to the scheme fund or give a surety in the amount of the estimated rehabilitation cost (ERC) for the authority calculated under the Environmental Protection Act 1994 (EP Act).

This Guideline should be read in conjunction with the Act and, where relevant, other guidelines made under the Act.

Guidelines are available on the scheme manager's website together with additional information about the scheme.

Eligible environmental authority

The expression 'eligible environmental authority' is not a defined term in the Act. It is used in this Guideline, to refer to an authority:

- with an ERC that is at least \$10 million (the prescribed ERC); or
- with an ERC that is at least \$100,000 but not more than the prescribed ERC and in relation to which the scheme manager has given the holder an election notice (refer Appendix 1 for more information about election notices).

1.2 Purpose of this Guideline

This Guideline applies if the scheme manager is required to make an allocation decision for an eligible environmental authority.

The purpose of this Guideline is to provide guidance to the scheme manager in relation to forming an opinion about the probability, mentioned in section 27(2)(a)(i) of the Act, of the State incurring costs and expenses:

because the holder of an eligible environmental authority has not prevented or minimised environmental harm, or rehabilitated or restored the environment, in relation to a resource activity carried out under the authority; or to ensure compliance with the authority.

When making an allocation decision, the scheme manager must consider:

- the scheme manager's opinion;
- any submission made by the holder of the eligible environmental authority under sections 28, 34 or 39 (depending on when the allocation decision is made);
- this Guideline; and
- any other guideline made under section 70 of the Act.

Relevance of Guideline

In making an allocation decision under section 27(2)(b), 32(5)(b) and 38(5)(b) the scheme manager is required to have regard to this Guideline and can consider other matters they think appropriate.

1.3 Definitions used in this Guideline

Definitions in the dictionary in schedule 1 of the Act apply to this Guideline.

2. Forming the scheme manager's opinion

2.1 Financial Soundness

2.1.1 Which holder to consider?

In forming the opinion about the probability mentioned in section 27(2)(a)(i) of the Act, the scheme manager must consider the financial soundness of the holder of the eligible environmental authority.

If there is more than one holder, the scheme manager:

- may consider the financial soundness of any or all of the holders; but
- must assign the authority to 1 of the holders (the relevant holder).

Basic Rule where more than one holder

Where there are multiple holders, the scheme manager will typically consider the financial soundness of only one of them. The selected holder will typically be the operator of the resource project, or the holder that holds the largest share in the authority.

However, as stated above, the scheme manager can consider other matters they think appropriate, and in making an allocation decision, the scheme manager retains a discretion to select as the relevant holder for the eligible environmental authority a holder other than the operator or the largest shareholder of the authority. In doing so, the scheme manager can have regard to the ownership structure for the authority and the roles of the holders.

Notes:

1. If there is more than one holder of the eligible environmental authority, the holders may nominate one of them to be assessed for financial soundness. However, the scheme manager is not bound by the nomination.
2. In accordance with Scheme Manager Guideline 2: Assigning an Authority to a Relevant Holder, a holder may be the relevant holder for an authority if the holder's financial soundness:
 - has been considered by the scheme manager in forming the opinion about the probability mentioned in section 27(2)(a)(i); and
 - has informed the allocation decision.

Therefore, any change to the relevant holder arising from a submission made by the holder during the risk allocation decision process may require the scheme manager to reconsider the risk category allocation for the authority.

Despite there being a relevant holder for the authority, under the EP Act all holders remain responsible for the performance of obligations under the authority.

2.1.2 Considering the financial soundness of a holder or parent corporation

Relevance of parent corporation

In considering the financial soundness of the holder, the scheme manager may consider the financial soundness of a parent corporation of the holder. If there is more than one holder the scheme manager, in considering the financial soundness of any or all of the holders, may consider the financial soundness of a parent corporation of any or all of the holders (sections 27(5), 32(8) and 38(8)).

Basic Rule when considering the financial soundness of a parent corporation

The scheme manager should consider the financial soundness of a parent corporation that is an Australian company in priority to a parent corporation that is a foreign company.

Note: This rule reflects the difficulties that may arise in enforcing environmental obligations in a foreign jurisdiction. The scheme manager retains a discretion to consider the financial soundness of a foreign parent corporation.

Financial soundness consideration

For the purpose of this section, the entity refers to the entity being assessed for financial soundness.

Basic Rule where the entity has a credit rating

The scheme manager is not required to consider other financial information relating to an entity where the entity has a credit rating, from a credit rating agency that complies with 2004 International Organisation of Securities Commission (IOSCO) Code, that is:

- a long-term public credit rating [Note: Where the entity has multiple credit ratings in this category the scheme manager should use the weakest rating]
- a long-term private credit rating not more than 12 months old,

Basic Rule where entity does not have a credit rating

The scheme manager should consider the financial soundness of the entity having regard to:

- years of audited financial statements, financial and production forecasts, and financial metrics including, but not limited to, debt serviceability, balance sheet position, gearing / leverage, profitability
- the assessed entity's business profile and range of activities undertaken, relevant industry sector, business strategy, competitive advantages, asset quality and major supply and sales contracts
- the ownership structure, quality of management and the domicile of the entity
- consideration of other factors
- a management meeting may also be required.

If the entity does not provide the information required to undertake a financial soundness assessment, then, for the purposes of forming an opinion about the probability mentioned in section 27(2)(a)(i) of the Act, the scheme manager may draw an adverse inference in relation to the entity's financial soundness.

2.2 Resource Project Characteristics

In forming the opinion about the probability mentioned in section 27(2)(a)(i) of the Act, the scheme manager may consider the characteristics of the resource project to which the authority relates.

2.2.1 When to consider resource project characteristics

Basic rule for consideration of resource project characteristics

The scheme manager may consider the resource project characteristics outlined in part 2.2.2 for each allocation decision.

2.2.2 Characteristics for consideration

Basic Rule for which resource project characteristics to consider

The scheme manager should consider characteristics which the scheme manager considers may affect the likelihood of sale of the resource project in the event of a failure of the holder, including at least the following:

Matters that may affect saleability, such as:

- remaining economic life derived from proved and probable reserves and estimated average annual production, based on the authority's production outlook
- commodity outlook of long-term market and industry changes
- other site-specific factors such as expansion plans, regulatory approval constraints, long term supply agreements, and access to domestic and/or export markets
- a number of additional factors may also be considered including remaining resources and reserves base and opportunity for expansion, extraction or mining method, transport of product to market or port for export, product type and quality, product demand and strength of offtake position, synergistic benefits and overarching compliance, environmental or social risks and future development opportunities, and the size of the rehabilitation obligation/liability compared to sales revenue
- outstanding rehabilitation and site management obligations for the project
- Rehabilitation performance, the assessment of which considers land available for rehabilitation, progressive rehabilitation completed and changes in total disturbance when compared to when the authority was last assessed.

3. Date of effect

This information sheet takes effect from 1 October 2025.



Tim Michael

Scheme Manager

Information sheet updated

Version	Description	Date
V1	Initial information released	1 April 2019
V2	Updated for legislative changes	1 October 2025

4. Appendix 1 – Eligibility

For an environmental authority to be eligible to be assessed, it must have an ERC equal to or more than the prescribed ERC.

However, some environmental authorities may also be eligible to be assessed, even though their ERC is less than the prescribed ERC. In these cases, the eligibility depends on whether the scheme manager has given an election notice under section 45E of the Act.

4.1 Election Notice

Under section 45C of the Act, the scheme manager must give the ‘applicable holder’ of an environmental authority for which the ERC is between \$100,000 and the prescribed ERC a notice stating that the holder can elect to have the authority subject to risk category allocation

An applicable holder under section 45A is:

- a holder that already has an environmental authority with a risk category allocation of very low, low, moderate or moderate-high; or
- a changed holder that already has an environmental authority with a risk category allocation of very low, low, moderate or moderate-high.

The Scheme Manager must notify an applicable holder that it may elect for an authority to be subject to risk category allocation on:

- transition of existing authorities to the Act amendments commencing 1 October 2025
- granting of a new authority
- direct or indirect transfer of an authority.

The applicable holder has 20 business days to notify the Scheme Manager that it elects, or chooses not to make the election, for the authority to be the subject of an allocation decision.

If the applicable holder elects for the authority to be the subject of an allocation decision, the Scheme Manager must give the applicable holder an election notice under section 45E of the Act.

If no election is made by the holder, surety must be provided equal to the ERC for the authority and no further risk category allocations will be made.

At any stage, should the authority be allocated a risk category of high, then surety equal to the ERC will be required and the authority will be excluded from the risk assessment process going forward.

General Rule

Section 99 to 104 specify what is to occur if a risk assessment is underway at time of commencement and the ERC is equal to or more than \$100,000 and less than the prescribed ERC.

The following authorities are eligible under sections 45B and 105:

- An existing authority for which the ERC is equal to or more than \$100,000 and less than the prescribed ERC, and which has been allocated to a risk category other than high
- An existing authority for which the ERC is equal to or more than \$100,000 and less than the prescribed ERC, that is subject to a changed holder event as a result of which the changed holder holds another existing authority with an ERC which is equal to or more than \$100,000 and which is allocated to a risk category other than high
- A new authority for which the ERC is more than \$100,000 and less than the prescribed ERC, the holder which has another existing authority with an ERC which is equal to or more than \$100,000 and which is allocated to risk category other than high.