



# Pennies for Your Wealth

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# OUTLINE

- Royalty – Means More Than Just the House of Windsor
- Coal Royalties in Alberta, B.C. and Queensland/Australia
- Royalty Estimates for Benga's Grassy Mtn Coal Project
- Question two assumptions Behind Benga's Estimates



# What is a Royalty?

- “the price the resource owner charges developers” Govt of Alberta
- It’s the money a government charges a company (on your behalf) for permission (the right) to exploit public resources.
- **Gross royalty:** Typically, a percentage of the gross revenue received from exploiting/developing the owner’s property. For coal mining...production (1 million tonnes) times coal price (Cdn \$175) times a percentage. A 1% royalty would send \$1.75 million to Govt.
- **Net royalty:** This is set on **net revenue** (company revenue after deducting allowable costs)
- **Payout:** This is the term used to describe the point in a project’s history where it has recovered its costs. Royalty systems may have pre-payout and post-payout payment structures.

# Coal Royalty Rates in Alberta, B.C., and Queensland

Coking Coal Royalty Rates in Alberta and British Columbia		
	1st Tier (pre-payout in Alberta)	2nd Tier (post-payout in Alberta)
<b>Alberta</b>	1% of mine mouth revenue (MMR)	1% of MMR + 13% of net revenue
<b>British Columbia</b>	2% of net current proceeds	13% of net revenue
<p>Mine mouth revenue equals a mine's gross revenues from sales minus permitted costs and allowances such as transporting coal to a port. Net current proceeds equals gross revenue minus current operating costs (excluding capital costs).</p>		

Coal Royalty Rates, State of Queensland, Australia	
Average price per tonne for period	Rate
Up to and including \$100	7%
Over \$100 and up to and including \$150	First \$100: 7% Balance: 12.5%
More than \$150	First \$100: 7% Next \$50: 12.5% Balance: 15%
<p>Prices are in Australian dollars. On March 22, 2021 one Australian dollar was worth 97 cents Canadian.</p>	

## Bitumen, Coal, and Alberta's Finances

- Qualifications: Contribution understated...only looking at royalties (not corporate income tax, not personal income tax)
- Bitumen: \$4.089 Billion, 2019-2020 fiscal year
- Coal: \$ 217 Million, 2008-09 to 2018-19 fiscal years
- “Government is placing a strong focus on creating the necessary conditions for the growth of export coal production. This includes the export of metallurgical coal, which is a necessary component in the production of new steel.” (Min. Savage, May 2020)
- Why? Certainly not to generate much revenue.

# Can The Grassy Mountain Project Start to Change This Record?

- Benga Mining says “yes.” Company claims it will generate an average of \$30 million/year in royalties for 23-years. \$690 million in 2019 dollars over the life of the mine.

Estimates of Benga's Average Annual Royalty Payments to Alberta, (millions of Canadian dollars)			
	\$100 USD/tonne	\$140 USD/tonne	\$200 USD/tonne
Average Annual Royalty	6	30	65

- It's hard to get to Cdn \$30 million/year...Benga hopes Grassy Mtn will produce 4.5 million tonnes/yr \* Cdn \$175 \* 1% = only \$7,850,000

## Chipping Away at Benga's Assumptions

- **Benga's Price:** You've already heard questions raised about coal quality. If those assessments are correct, Grassy Mtn coal will not be "good enough" to command an average of US\$ 140/tonne over the life of the project
- **Benga's Price:** Assumes a strong demand for coking coal will sustain prices.
  - Steelmakers recognize the importance of reducing GHG emissions (in 2018 the World Steel Assn said that 8% of global emissions came from steel).
  - Intl Energy Agency 2020 World Ec. Outlook predicts a sig. decline in world coking coal production:
    - 2019 to 2030: 936 megatonnes to somewhere between 622 & 764 mt (18-34% decline)
    - 2019 to 2040: 936 megatonnes to " " 438 & 704 mt (25-53% decline)
- Coal Quality and Coal Production May Conspire Against Benga's Price & Royalty Assumptions



# What Are We Willing to Sell This For?

- For \$6 million a year?
- For \$30 million a year?
- Is it priceless?
- Is anything less than a total prohibition of coal mining in the Rockies/Foothills acceptable?





## Other Alberta Wilderness Assn Resources

- AWA started a blog on the Grassy Mountain Coal Project Hearing. Ian Urquhart will be adding to that blog to provide additional thoughts about what was said during the hearing. The link to the blog is here: <https://albertawilderness.ca/publications/grassy-mountain-blog/>
- Also, if you visit AWA's home page and search for "coal" you will discover news releases and other material AWA has released that are relevant to the current controversies in Alberta. Here's a link to that page: <https://albertawilderness.ca/?s=Coal>
- Finally, here's another AWA link offering more resources about coal in Alberta:  
<https://albertawilderness.ca/issues/wildlands/energy/coal/>