

Executive Summary

Regulatory and policy barriers are impeding economic development in regional Australia. Barriers include overlapping federal, state, and local regulations, as well as stringent Environmental, Social, and Governance (ESG) mandates and excessive taxation policies. The consequences are delays, increased costs, and reduced competitiveness across key sectors such as agriculture, mining, and tourism, with the Australian economy losing billions of dollars in value-added and exports as well as thousands of potential jobs.

This report calls for an urgent overhaul of Australia's regulatory frameworks, focusing on simplifying and streamlining regulations, reassessing ESG mandates, and revising taxation policies. Reducing these bureaucratic burdens would create a more favourable business environment, encourage investment and innovation, protect jobs, and enable sustainable economic development across regional Australia.

Key Findings

- 1. Overlapping Regulatory Frameworks** Businesses in regional Australia must navigate a complex regulatory landscape that often causes inefficiencies, delays, and high compliance costs. An example is an agricultural business in Victoria that must comply with 90 state and 37 federal regulations. Environmental-related regulations compound these costs, and are particularly extensive in Queensland, where 42 acts addressing environmental norms contain 2.73 million words. New South Wales has 41 acts containing 1.49 million words, and Victoria has 32 acts with 2.21 million words.
- 2. Delays in Critical Projects** Regulatory constraints on regional businesses often delay or even cancel key projects. The McPhillamys Gold Project in central-west New South Wales has been delayed by more than two years due to environmental and Indigenous heritage concerns. Despite its potential to contribute \$492 million in annual turnover and generate 788 jobs, it faces possible delays of up to 10 years due to newly imposed heritage protections. Legal challenges tied to environmental concerns ('green lawfare') have stalled several projects, such as the Santos Barossa gas project, costing Australia \$1 million per day during litigation.
- 3. Impact of ESG Mandates** Australia's stringent ESG mandates, particularly in relation to carbon emissions reporting, are increasingly out of sync with global trends. As other major economies like the United States have begun to relax ESG requirements, Australia maintains a fragmented and complex ESG regulatory environment that directly affects international competitiveness. Several major Australian banks, including ANZ and Westpac, have limited or ceased lending to thermal coal projects, comprising 89% of NSW coal production.
- 4. Taxation and Lost Competitiveness** Australia's wine industry faces one of the highest tax burdens globally. The Wine Equalisation Tax (WET), set at 29% of wholesale value, plus GST, makes Australia the highest-taxed wine-producing country. Additionally, Queensland has

imposed a 14-cent recycling charge per bottle, further increasing costs for wine producers. In the coal sector, Queensland's 2022 coal royalty hike, which raised royalty rates to as high as 40% for coal priced above \$300/tonne, led to the cancellation of Glencore's \$2 billion Valeria coal project. This decision halted the creation of 1,250 operational jobs and highlighted concerns about Queensland's competitiveness in global coal markets.

Recommendations

High-level recommendations include the following.

Streamline regulations

- Reduce the overlap between federal, state, and local regulations to simplify compliance and reduce costs.

Reassess ESG mandates

- Align Australia's ESG policies with the emerging trend away from strict ESG mandates in order to avoid making the country uncompetitive.

Revise tax and royalty structures

- Ensure that taxation policies provide incentive for investment and economic growth.

Specific recommendations for immediate action include the following.

- 1. Remove public funding for Environmental Defenders Offices which engage in lawfare and unreasonably delay economically beneficial projects in regional Australia.**
- 2. Commit to specific maximum timeframes for project approvals (e.g. no more than 18 months from initial application to final approvals) and the removal of barriers causing project delays.**
- 3. Introduce strategies to restore Australia's reputation for reliable policy settings and as a safe investment destination, including the abolition of additional tiers of coal royalties introduced in 2022 by the Queensland Government.**
- 4. Repeal the live sheep export ban.**
- 5. Revise the Wine Equalisation Tax to ensure a fair and equitable taxation regime for beverage producers, especially in relation to the frequency and rates of taxation applicable to producers of premium wines.**