29 October 2024

Mr Michael Barnes
Under Treasurer
Locked Bag 11
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Dear Under Treasurer

2025-26 WA PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in WA. CME is funded by member companies responsible for 86 per cent of the WA's mineral workforce employment.[1]

In 2022-23, the WA resources sector accounted for 47 per cent of WA's economic activity, 91 per cent of goods exports, and 47 per cent of investment.[2] According to CME's annual Economic Contribution Survey, the sector also contributed 33 per cent of the WA Government's general revenue, enabling the provision of public goods and services such as doctors, nurses, teachers and police.[3]

In addition, third-party modelling of this survey data indicates the WA resources sector supported 1 in 3 jobs in our state in 2022-23.[4] This contribution is particularly significant in the regions, with the sector supporting 1 in 2 jobs in the Pilbara region, around 1 in 3 jobs in the Goldfields-Esperance and Peel regions and 1 in 6 jobs in the South West region.

Overview

Global commodity market conditions have deteriorated significantly over the past 12 to 18 months. After several years of strong demand and prices for most of WA's minerals and energy products, rising supply and subdued demand growth have resulted in significant price declines across a range of commodities:

- Iron ore prices have fallen roughly 30 per cent over 2024 to around US$105 per tonne (/t) due to weakening steel demand, rising iron ore inventories in China and robust global iron ore supply.[5]
- Lithium prices have fallen by around 90 per cent since January 2023 due to slowing growth in electric vehicle sales and strong supply.[6]
- Nickel prices have fallen over 50 per cent since their peak around mid-2022, reflecting substantial increases in low-cost supply from Indonesia.[7]

Reflecting these significant price declines across key commodities, WA Treasury's weighted WA Commodity Price Index fell by around 15 per cent between Q1 2023 and Q1 2024.[8] At the same time, the WA resources industry continues to face significant increases in operating and construction costs:

[1] Government of Western Australia, 2022-23 Economic indicators resources data, full-time equivalents onsite under State legislation, Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), November 2023 release.
[2] As measured by gross value add. Australian Bureau of Statistics (ABS), Australian National Accounts: State Accounts, table 6, November 2023 release. DEMIRS, 2022-23 Economic Indicators Resource Data File, November 2023 release. ABS, Balance of Payments and International Investment Position, table 21, September 2023 release. Includes gross fixed capital formation plus minerals and petroleum exploration. Australian National Accounts: State Accounts, table 25. Mineral and Petroleum Exploration, table 4, September 2023 release.
[3] Includes North West Shelf royalty grants, iron ore lease rentals, payroll taxes, transfer duties and other government payments. CME, 2022-23 Economic Contribution Factsheet: WA, published March 2024.
[4] CME, Economic Contribution Factsheets, published March 2024.
[5] Trading Economics, Iron Ore, accessed 22 October 2024.
[6] Fastmarkets assessed a lithium concentrate (6% lithium oxide) mid-point price of USD7,645/t in January 2023 and spot prices on 22 October 2024 were USD755/t according to the Shanghai Metals Market. Lithium hydroxide prices fell from a USD80k/t peak in January 2023 to around USD9.5k/t in October 2024 (accessed 22 October 2024), with lithium supply from Africa contributing to lower prices.
[7] Nickel prices have fallen from around USD34,000/t in March 2022 to around USD16,500/t in Q3 2024. DEMIRS, 2023 Major Commodities Resource Data File, accessed 6 September 2024; Trading Economics, Nickel, accessed 22 October 2024.
[8] Weighting of iron ore, gold, oil, condensate, LNG, copper, nickel, zinc, lithium and alumina in USD terms. Government of Western Australia, 2024-25 Economic and Fiscal Outlook: Budget Paper No 3, Department of Treasury, May 2024, figure 12, p 28.

- Energy comprises a significant share of operating costs for WA resources sector operations[9] and prices have increased notably in recent years. CME estimates that total electricity costs for industrial users on the South West Interconnected System (SWIS) have roughly doubled over the past few years, reflecting: a doubling in wholesale electricity costs from around $46 per megawatt hour (/MWh) in 2021 to $96/MWh in 2024; a tripling of the Australian Energy Market Operator's (AEMO) market fees between 2020-21 and 2024-25; a 5-fold increase in key grid stability and reliability costs since the introduction of the new Essential System Services (ESS) market on 1 October 2023; and a 45 per cent increase in transmission and distribution costs between 2021-22 and 2024-25.[10]
- Australian labour costs remain high by international standards, with the International Labour Organisation ranking Australia as 3rd highest for statutory gross monthly minimum wages in 2023 at USD2,553.[11] Labour costs have continued to increase at an above-average pace over the past year, with the Australian resources sector hourly wages increasing by 3.9 per cent in the year to June 2024.[12] This growth rate is almost twice the 10-year average and follows wage growth of 4.1 per cent in 2022-23 despite resources sector productivity falling at the same rate.[13]
- Shipping freight costs have also increased, with container spot rates almost 3 times higher than a year ago and 46 per cent above the 10-year average.[14]
- National non-dwelling construction costs have increased by 23 per cent in the four years to June 2024, and the 3.5 per cent increase over the past year remained above the 10-year average.[15] Public reports indicate construction cost inflation for WA resources projects has materially exceeded these national estimates, particularly for construction projects.[16]

The combination of falling commodity prices and rising costs has resulted in a large number of WA resource projects making difficult decisions to cease mining and construction activities and move into care and maintenance. As a result, public reports indicate over 6,000 jobs have been lost in the sector during 2024.[17] This has occurred within a broader decline in total WA resources sector employment of around 20,000 (11.7 per cent) since May 2023, which may reflect changes in construction employment as some resources projects are completed before others ramp up.[18] The nickel industry has borne the brunt of this adjustment, with 7 of 9 operating mines in WA plus two projects under construction moving to care and maintenance over the past year.[19] Price falls for lithium have resulted in a lithium concentrate mine moving to care and maintenance, a lithium hydroxide project cancelling expansion plans and moving half of the existing capacity to care and maintenance, and reductions in costs and shareholder distributions to preserve cash.[20] Weakening market conditions have also led to job losses across the iron ore and alumina sectors.[21]

At a time of challenging global market conditions, it is more important than ever that state and federal regulatory and policy settings are acting to support the ongoing competitiveness and viability of the WA resources sector. Although Australia's overall international competitiveness ranking reached its highest level in over a decade in 2024, criteria such as cost competitiveness, effective labour relations and competitive

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[9] CME survey data indicates that, in general, electricity accounts for around 5 to 10 per cent of operating costs for members in the south west of WA.

[10] Unless otherwise stated, all $ references hereafter are to Australian dollars. AEMO, Market Data: Short-term Energy Market, accessed 16 August 2024. Economic Regulation Authority (ERA), AEMO's AR6 second in-period allowable revenue and forecast capital expenditure proposal: Final Determination, June 2024, figure 2, p 15. ESS costs, including Frequency Co-optimised ESS (FCESS) and Non-Co-optimised ESS (NCESS), increased to around $100 million per quarter since Q3 2024, compared with roughly $20 million per quarter in power system management costs in 2021-22. AEMO, Quarterly Energy Dynamics (QED) Q4 2023, January 2024; QED Q2 2024, July 2024. Forecast transmission and distribution revenue for Reference Tariff 7: High Voltage Contract Maximum Demand increased from $142.55 million in 2021-22 to $206.54 million in 2024-25. ERA, Determination on the proposed 2021/22 price list for the Western Power network, May 2021, table 2. 2024/25 Price List for the Western Power Network, May 2024, table 1.5.

[11] 2021 purchasing power parities. International Labour Organisation, Wages and Working Time Statistics, accessed 9 September 2024.

[12] Excluding bonuses. ABS, Wage Price Index, Australia, table 9b, August 2024 release.

[13] Productivity Commission, Annual productivity bulletin 2024, February 2024.

[14] Composite index per 40-foot container. Drewry Supply Chain Advisors, World Container Index, 5 September 2024.

[15] ABS, Australian National Accounts: National Income, Expenditure and Product, table 5.

[16] Covalent Lithium's project's capex estimate of $1.2 billion increased to $2.5 billion (108 per cent), Albemarle's Kemerton project cost 'much more' than the USD1.2 billion estimate, Lynas' Kalgoorlie project increased from $575 million to $730 million (27 per cent), Iluka's Eneabba project expected to rise from $1-1.2 billion to $1.5-1.8 billion (50 per cent) and De Grey's Hemi project increased from $985 million to $1.3 billion (30 per cent).

[17] Business News, Mining sector job losses top 6,000, July 2024.

[18] WA resources employment was 175,435 in May 2023 and dropped to 155,956 in August 2024. ABS, Labour Force, Australia, Detailed, table 5. WA mining investment increased in 2023. However, over six months to March 2024 only seven projects were completed, and four new final investment decisions were reached. DEMIRS, Industry activity indicators, accessed 3 October 2024.

[19] Seven operating mines were put into care and maintenance: Panoramic's Savannah, IGO's Flying Fox and Forrestania, First Quantum's Ravensthorpe, Wyloo's Kambalda and northern mines, and BHP's Mt Keith and Leinster. Two projects under construction were also put into care and maintenance: IGO's Cosmos and BHP's West Musgrave. WA's remaining two operating nickel projects are IGO's Nova and Glencore's Murrin Murrin.

[20] Pilbara Minerals did not declare an interim dividend to preserve balance sheet strength in H1 FY24. Chalice Mining reduced expenditure by 40 per cent.

[21] Arcadium Lithium announced Mt Cattlin would transition to care and maintenance by mid-2025, 5 September. Albemarle announced its Kemerton train 2 would enter care and maintenance and cancelled construction of approved trains 3 and 4, 1 August. Mineral Resources announced its Yilgarn operations would move to care and maintenance by early 2025, impacting 1,000 workers, with softening commodity prices also impacting 100 office jobs, 19 June. Fortescue announced 700 redundancies across its global operations, 17 July. Alcoa announced the closure of its Kwinana refinery, 9 January.

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tax regime rate were rarely rated as attractive features of Australia's economy.[22] While WA continues to be in the world's top 5 most attractive jurisdictions for overall mining and exploration investment, WA's ranking for policies for attracting investment has fallen from 4th in 2021 to 17th in 2023 due to concerns regarding the quality of infrastructure and land claim disputes.[23]

CME welcomes efforts by the WA Government to act on the recommendations of the *Independent Review of the Environmental Protection 1986 Act [the EP Act] Part IV Environmental Impact Assessment Process in WA* (the Vogel-McFerran Review) to streamline approvals processing and enable parallel processing, as well as their willingness and responsiveness to introduce targeted financial assistance programs for sectors in need.[24] There now needs to be a focus on the efficient and timely implementation of stated reforms, alongside swift progress on the transition of our state's energy system and the delivery of fully turnkey Strategic Industrial Areas (SIAs) across WA.

It is also important that the WA Government continues to work proactively with the Australian Government to provide input on industrial relations, environmental and heritage reforms to ensure that federal and state processes are efficient and aligned to support the competitiveness of the WA resources sector. At a time when rectifying Australia's poor productivity growth[25] is critical to the future prosperity of our country; recent industrial relations reforms have introduced measures that will reduce productivity and increase costs for business. Similarly, while CME supports the stated intent of the Australian Government's proposed Nature Positive reforms – better for business and better for the environment – without clarity on an accreditation pathway for WA's environmental regulator to conduct federal environmental assessments, there remains the risk of duplication and additional delays to environmental assessment processes with uncertain environmental benefit. Such outcomes could compound issues proponents encounter when navigating the federal environmental cultural heritage regime. These include the risk of significant project delays due to processes that lack transparency and have indeterminate timeframes and the risk of drawn-out legal proceedings, evident from recent decisions such as the Santos Barossa pipeline.[26]

The combination of commodity price declines, a subdued price outlook,[27] rising costs and an increasingly uncertain federal regulatory environment pose a significant risk to the WA resources sector's $119.8 billion investment pipeline of potential future projects.[28] These projects are critical to sustaining the significant current contribution made by our sector to jobs, incomes, communities and government revenues, but also to the diversification of our economy through developing new strategic industries, including critical and battery minerals, low emission energy and green metals.

While there are near-term challenges for governments to be responsive to, WA continues to be well-placed to capture the medium and long-term opportunities presented by the global energy transition and to support the growth of future industries, including critical minerals, hydrogen and green metals. Realising these opportunities requires action today. We should continue to play into our strengths, leveraging our world-class resources sector, so it continues to underwrite the nation's prosperity over the coming decades.

In light of these developments, this 2025-26 Pre-Budget Submission (the submission) outlines CME's priority recommendations to Treasury and the WA Government to support the competitiveness of existing resources sector operations and attract new investment and industries. The recommendations are grouped under the following policy areas:

[22] International Institute for Management Development (IMD), Competitiveness Profile: Australia. IMD World Competitiveness Yearbook 2024. Singapore creating best long-term value, says latest IMD research on competitiveness, June 2024.
[23] The Investment Attractiveness Index considers the Best Practices Mineral Potential Index and Policy Perception Index. Mejía J and Aliakbari E, Fraser Institute Annual Survey of Mining Companies 2023, May 2024, table 2.
[24] Government of Western Australia, Cook Government acting to protect WA nickel industry jobs, media statement, February 2024. Major milestone as environmental approvals reform accelerates, August 2024.
[25] Multifactor productivity growth averaged 0.4 per cent per year over the 20 years to June 2023. ABS, Australian System of National Accounts, table 13.
[26] *Munkara v Santos NA Barossa Pty Ltd (No 3)* [2024] FCA 9.
[27] Futures markets are pricing a further 10 per cent fall in iron ore prices by the end of 2026 and ongoing low prices for lithium hydroxide (below USD13,000/t) and nickel (below USD18,000/t) until the end of 2025. CME Group, Iron Ore 62% Fe, CFR China (Platts), accessed 22 October 2024; Lithium Hydroxide CIF CJK (Fastmarkets), accessed 22 October 2024. LME, LME Nickel, accessed 22 October 2024.
[28] Planned and possible projects as of March 2024. DEMIRS, Industry activity indicators, accessed 6 September 2024.

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The submission has been informed by feedback from member companies across commodities and operational stages and contractors and suppliers to the sector. While delivery of each recommendation is important, we believe the combined impact of progressing all recommendations will yield the greatest returns.

- Competitive fiscal settings;
- Efficiency in regulation;
- Energy security and transition;
- A safe, diverse and productive workforce; and
- Regional economic development.

Competitive fiscal settings

Tax and royalty settings need to be internationally competitive and support industry development

The WA resources sector is a price taker in global markets and reliant on highly mobile international capital. As such, increases in WA's cost structure have a material impact on the viability of existing operations, and the ability to attract investment in new projects and expansions.

It is critical to have fiscal and policy settings that support Australia's competitiveness. At a federal level, that includes a globally competitive corporate income tax rate, plus measures that reduce financing, capital or operating costs such as investment incentives (immediate tax write-offs or other investment allowances), production tax credits, direct grants or low-cost funding[29] that can assist in both investment attraction and the ongoing competitiveness of WA as a resources jurisdiction. At a state level, the royalty system is the key fiscal setting influencing resource projects. In our last 2024-25 Pre-Budget Submission, we called for no new or increased royalties and welcomed the WA Government's commitment to this ask.

CME supports WA's ad valorem royalty framework and has made several recommendations to improve its effectiveness in encouraging resource development while providing a fair return to all Western Australians. We called for the WA Government to ensure that the royalty rates applied to intermediary and beneficiated products remain competitive. While the WA royalty system applies a smaller royalty percentage for minerals with higher purity,[30] for some battery minerals, value-adding involves converting a mineral or metal to a chemical that falls outside the royalty framework, meaning value-adding is occurring domestically but the royalty rate applied remains at a higher level commensurate with the less-processed form of the relevant mineral (e.g. a 5 per cent royalty rate applied to lithium concentrate even if it is then converted to lithium hydroxide locally). Relatedly, work commissioned by CME found evidence supporting a reduced royalty rate for magnetite concentrate – another value-added product that can contribute to global decarbonisation efforts and is costly to process – to support the viability of current and future projects.

Another measure that could be used to support WA's strategic industry ambitions is to offer reduced royalty rates for relevant mineral projects during production ramp-up. This would assist with cash flow during the initial stages of these projects when cash outflows and technical risks are highest. NSW has recently announced such a scheme as part of its Critical Minerals and High-Tech Metals Strategy 2024-2035. The $250m opt-in scheme offers the deferral of royalties for the first 5 years of production for critical minerals projects which can start production between 1 July 2025 and 30 June 2030 and where the proponent has a market capitalisation under $5 billion.[31]

The 2024-25 Federal Budget announcement of a Critical Minerals Production Tax Incentive[32] to support domestic value-adding of critical minerals, plus recent consultation on how to support green metals production across the steel and aluminium value chains,[33] provides further impetus for the WA Government to identify how the WA royalty framework can complement federal measures to drive investment and jobs in these strategically important sectors. However, it is critical to note that Australia cannot move into further downstream processing without a sustainable and scalable upstream segment (i.e. mining and primary processing). In addition, CME continues to advocate for a broader definition of critical minerals than those

[29] For example, the Northern Australia Infrastructure Facility, National Reconstruction Fund or Critical Minerals Facility.
[30] The WA ad valorem royalty system involves a 7.5 per cent royalty rate for bulk material (subject to limited treatment), a 5 per cent royalty rate for concentrate material (subject to substantial enrichment) and a 2.5 per cent royalty rate for metals. DEMIRS, Mineral Royalties, accessed 2 September 2024.
[31] NSW Government, Untapped potential unearthed in NSW Critical Minerals and High-Tech Metals Strategy, 18 October 2024.
[32] Commonwealth of Australia, Budget 2024-25: A Future Made in Australia, The Treasury, May 2024, p 5.
[33] Commonwealth of Australia, Green metals consultation paper, Department of Industry, Science and Resources (DISR), May 2024.

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identified in the Australian Government's Critical Minerals List, including but not limited to the Strategic Materials List.[34]

The WA resources sector is subject to significant fluctuations in global commodity market conditions. In certain exceptional circumstances, targeted and temporary assistance from the WA Government can be warranted to support the economic, social and community contributions that resources operations provide. The WA Government has recognised this and, in response to sharp falls in nickel prices that prompted several mining and processing plant suspensions, introduced temporary royalty rebates via the Nickel Financial Assistance Program in February 2024.[35] This follows similar royalty rebate schemes for the iron ore and lithium industries in 2014 and 2020, respectively.[36]

To ensure consistency and transparency around industry assistance measures, CME has advocated for and engaged with the WA Government to publish a WA Royalty Relief Framework that clearly articulates the process, considerations and timeframes involved.

Recommendations

To ensure WA's royalty settings are internationally competitive and support strategic industry development, CME again calls on the WA Government to:

- Reiterate its commitment to no new or increased taxes or royalties and provide increased discipline and transparency on the cumulative basket of fees and charges that impact the cost of doing business.
- Conduct a targeted review of royalty rates to incentivise value-adding products such as magnetite and battery minerals. CME continues to strongly support the long-standing *ad valorem* royalty system in WA. However, the specific royalty tiers applied to certain processed commodities might not be the best fit for modern, high-value-added commodities that carry higher risk.

In light of challenging market conditions and to support state and federal strategic industry development objectives, CME also recommends the WA Government:

- Consider an incentive that reduces royalty rates for critical minerals during production ramp-up.
- Update and publish a WA Royalty Relief Framework to provide transparency, clarity and consistency regarding circumstances that would warrant WA Government intervention and the process for assessing such requests.

Global competition to attract low emission energy and manufacturing investment is fierce

In addition to ensuring the continued competitiveness of our traditional commodities, such as iron ore and gold, WA has significant opportunities to supply the critical and battery minerals, green metals and low emission energy products that the world needs to decarbonise.[37] While WA's greatest opportunity and comparative advantage remain in the upstream segments of the supply chain (mining and initial processing), sustainable and scalable upstream operations create the ability to move into greater downstream value-adding. These opportunities have been recognised by the WA Government's Battery and Critical Mineral Strategy 2024-2030 and Renewable Hydrogen Strategy.[38]

However, global competition to attract low emission energy and advanced manufacturing investment and activity is fierce. While China currently holds a dominant position in global critical minerals processing and renewable energy production supply chains, geostrategic and supply chain diversification strategies provide opportunities for other countries to secure a greater share of value-adding downstream activities.[39]

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[34] DISR, Australia's Critical Minerals List and Strategic Materials List, February 2024. CME advocated for the addition of copper, bauxite-alumina (aluminium), zinc, and uranium

[35] Government of Western Australia, Cook Government acting to protect WA nickel industry jobs, media statement, February 2024. DEMIRS, Guidelines for nickel royalty relief now available, February 2024.

[36] DEMIRS, Iron ore relief package backs jobs and industry, media release, December 2014. Royalty rebate scheme for lithium miners, December 2020.

[37] CME, Accelerating opportunities in WA's Critical Minerals Sector, position paper, June 2023. Submission to DISR on the Green Metals Consultation Paper, July 2024. Towards Competitive Clean Hydrogen, position paper, November 2021.

[38] Government of Western Australia, WA's Battery and Critical Mineral Strategy 2024-2030, Department of Jobs, Tourism, Science and Innovation (JTSI), May 2024. The WA Renewable Hydrogen Strategy was first released in 2019, followed by the roadmap in 2020, a strategy update in 2021, a prospectus in January 2023 and a strategy refresh in September 2023.

[39] CME, Activating WA's Strategic Industrial Areas, policy brief, July 2024.

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The number of global industrial policy interventions increased almost 7-fold between 2017 and 2022[40] as countries implemented incentives to support domestic industry development. The very large investment incentives in the United States *Inflation Reduction Act of 2022*, including the Section 45X Advanced Manufacturing Production Tax Credit, have spurred responses across several other countries including:

- The European Union's Green Deal Industrial Plan, which includes EUR723 billion in loans and grants, as well as budget guarantees for public and private investments in sustainable infrastructure and research and development.[41]
- Canada's Canada Growth Fund and Made in Canada Plan, which includes generous investment tax credits for investments in clean technologies and critical minerals projects.[42]
- The Republic of Korea's range of tax incentives for qualifying investments in critical mineral and battery industries, including tax credits of up to 40 per cent, tax exemptions (including the acquisition and property tax on property acquired for up to 15 years), and exemptions from customs duties, value-added tax and individual consumption tax on imported capital goods.[43]
- The announcement of Australia's Future Made in Australia (FMA) agenda and National Interest Framework, including the Critical Minerals and Hydrogen Production Tax Incentives.[44]
- The availability of the above fiscal incentives, including taxes, grants and loans, is often substantially enhanced by the provision of common-user physical infrastructure.

There have also been responses at a state level, including the Government of South Australia's Green Iron and Steel Strategy and accompanying call for expression of interest (EOI) in green iron development,[45] which comes with a clear intent for their state government to co-invest with businesses. The WA Government could similarly incentivise the development of a green iron industry in our state by developing and implementing a WA Green Iron Strategy with appropriate policy levers.

Delivery of turnkey Strategic Industrial Areas is a critical investment attraction tool

The provision of project-ready or turnkey industrial precincts with established utility connections (e.g. water, gas, electricity, waste and recycling), transport and logistics infrastructure (e.g. roads, rail and port connections) and dedicated regulatory facilitation services is an important investment attraction mechanism used by countries seeking domestic low emission energy and manufacturing activity. Such precincts significantly de-risk project investment decisions by increasing speed to market through regulatory pre-approvals and facilitation and reducing investment and operating costs by allowing industrial projects to share common-use infrastructure.

CME has long advocated for the important role that WA's SIAs can play in achieving our state's ambitions to attract and develop strategic, value-adding industries, including battery and critical minerals processing and low-carbon hydrogen production. SIA's help to ensure that first movers are not disadvantaged by bearing the brunt of the costs of what will become common-user infrastructure; however, recent analysis by the Australia Venture Consultants and CME member feedback identifies that WA's SIAs are not currently development-ready, and significant investment is required to compete with global industrial precincts effectively.[46] Common-use infrastructure such as utility and transport connections is lacking (especially for large-scale renewable electricity), land use is restricted and regulatory facilitation processes need improvement to match concierge services in other jurisdictions. While announcing a $500 million Strategic Industries Fund in the 2024-25 WA Budget is a positive step, it is well below the amount required to deliver fully turnkey SIAs. The delivery of turnkey common-use infrastructure needs to include the development of dedicated infrastructure corridors to and from SIAs for electricity transmission, water and gas (i.e. hydrogen and carbon dioxide) pipelines and other necessary infrastructure.

[40] Mandala Partners, Production Tax Credit for value-add processing of Australia's critical minerals, report prepared for the Association of Mining and Exploration Companies, November 2023, p 7.
[41] European Commission, The Green Deal Industrial Plan, February 2023. InvestEU Fund, March 2022. Recovery and Resilience Facility, February 2021.
[42] Canada Development Investment Corporation, Innovative funding to help accelerate Canada's decarbonization strategy, December 2022. Government of Canada, A Made in Canada Plan: Affordable energy, good jobs and a growing clean economy, 2023 Federal Budget, March 2023.
[43] PricewaterhouseCoopers, Worldwide Tax Summaries: Republic of Korea, June 2024 release.
[44] Commonwealth of Australia, Investing in a Future Made in Australia, 2024-25 Federal Budget, The Treasury, May 2024.
[45] Government of South Australia, South Australia's Green iron and steel strategy. Green iron opportunity: Expression of Interest, June 2024.
[46] CME, Activating WA's Strategic Industrial Areas, policy brief, July 2024.

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Recommendations

Building on earlier recommendations, CME recommends the following actions to enhance the effectiveness of WA's SIA framework:

- Improve the effectiveness of the Investment Attraction Fund in supporting decarbonisation opportunities, including additional funding rounds.
- Targeted support for priority SIAs –
- Immediate industry-led prioritisation of the announced Strategic Industries Fund. The Kemerton SIA is likely to be a high priority for funding due to overflow pressure from the lack of land availability in Kwinana, along with key northern SIAs, including Ashburton, Boodarie, Burrup and Oakajee.
- Develop ongoing processes to inform further near- and longer-term WA and Australian Government investment in SIAs, including engagement with the industry to develop workable funding models.
- Address internal WA Government limitations and barriers to SIA activation –
- Create a structure within the government to deliver comprehensive and transparent SIA business cases and public-private investment frameworks in consultation with industry.
- Enhance the lead agency model to deliver genuine single-contact project facilitation services.
- Reform and adequately resource relevant WA Government Trading Enterprises (GTEs) and agencies to deliver turnkey common-use SIA infrastructure.
- Develop new approaches to deliver global standard 'turnkey' experiences –
- Ensure all land within SIAs is subject to tenure arrangements that enable intended land uses, provide clear pathways to unknown future uses and facilitate leasing to industry on appropriate commercial terms.
- Ensure that SIA common-user infrastructure planning and zoning are fit for purpose, including dedicated infrastructure corridors to and from SIAs for electricity transmission, water and gas (i.e. hydrogen and carbon dioxide) pipelines and other necessary infrastructure.
- Fund and complete cultural heritage surveys for all SIAs and negotiate appropriate and equitable Indigenous Land Use Agreements where relevant.
- Secure SIA-wide state and federal environmental approvals and land clearing permits and ensure expedited processes for any residual specific environmental approvals.

Action could also be taken to work with the Australian Government to:

- Explore regulatory and policy options that complement the state's SIAs by incentivising investment and innovation critical to the establishment of strategic industries, including the use of a regulatory sandbox, special economic zones or similar arrangements.

Efficiency in regulation

Further progress required to improve WA policy settings and approvals efficiency

The WA resources sector is a world leader in the safe and sustainable extraction of commodities. Policy settings that enable sustainable development and certainty of the assessment process and timeframes are critical to ensure WA can compete in international commodity markets, attract investment, and support ecologically sustainable development. Efficient, timely and certain access to land – and the natural resources contained within – is essential to the operation of any resources sector across the globe. Without this access, a vibrant resources sector and the enormous economic, social, and community benefits it generates ceases.

Extended end-to-end assessment timeframes across multiple state government departments and agencies continue to impact the ongoing viability of existing resources sector exploration and operations activities and

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the investment attractiveness of new projects.[47] For example, a recent report commissioned by the Australian Aluminium Council forecasts delays in approvals processes to be the single largest contributor to additional alumina refining costs over the next five years.[48] Additionally, prolonged timeframes and duplicative processes affect the government's administrative efficiency, posing an opportunity for reform to generate additional cost efficiencies.[49]

Efficient and non-duplicative approval processes are critical to WA's and global decarbonisation goals. In WA, new renewable electricity generation, storage and transmission investment are vital to reducing emissions involved in energy use, including for resources sector operations. More broadly, the diversification and expansion of WA's critical and battery minerals and low emission energy commodities are vital to global decarbonisation ambitions.

It is imperative that state policy settings facilitate the efficient delivery of projects and technologies that contribute to net global emissions reductions and the achievement of WA's net zero by 2050 obligations. CME believes that bans on mining activity are unnecessary, noting that bans on the development of minerals such as uranium limit the ability of the WA resources sector to support the energy transition of our trading partners while also preventing the economic benefits arising from minerals development.

Recent investment in approval reform has provided WA with significant reform momentum,[50] particularly following the WA Government's commitment to implement recommendations by the Vogel-McFerran Review. CME acknowledges the Government's action to implement parallel processing and the recent announcement of the revised *Greenhouse Gas Emissions Policy for Major Projects*, which recognises the role of the reformed Federal Safeguard Mechanism as the primary regulatory tool to manage scope 1 emissions from heavy industry.[51] Whilst these are positive outcomes, action to implement this review's recommendations need to be complemented by processing improvements across multiple government entities against transparent key performance indicators and adequate funding of all Departments involved in end-to-end project assessment processes. CME notes that assessment processes related to renewable energy infrastructure, decarbonisation and 'greenfields' resource projects increasingly rely on opaque processes and limited resources within the Department of Biodiversity, Conservation and Attractions (DBCA) to provide advice related to biodiversity impacts and offsets. An area of immediate focus should be ensuring the DBCA's processes and role within the project assessment process are clarified and streamlined and that resourcing matches forecast assessment workload.

Accompanying efforts to improve system and process digitisation, such as Environment Online and Resources Online, and anticipated reforms to the *Mining Act 1978* (WA) and associated regulations should partly address tenure validation issues following the *Forrest & Forrest Pty Ltd* and *True Fella Pty Ltd* court decisions.[52] These upcoming legislative reforms are also expected to modernise several administrative processes. Consultation with stakeholders, including resource sector representatives as system end-users, remains pivotal to achieving efficiencies with these reforms.

Turning to federal legislation, obtaining retrospective tenure validation is critical to the ongoing operations of current WA resources sector projects. Providing a pathway for the WA resources sector to obtain this validation retrospectively would further demonstrate a policy commitment to maintaining a workable, compliant mining tenure system in WA. The WA Government shouldnow focus on securing required changes to federal legislation to implement retrospective validation.

Recommendations

CME recommends further reform and process improvements to deliver more efficient approval settings and support WA's resource sector and commodity mix diversification:

- Renewed focus on implementing cross-agency and inter-jurisdictional improvements as part of the WA Government's commitment to Streamline WA to facilitate resource project development in WA, including regular implementation updates and the publication of comprehensive metrics to measure the impact of reform implementation. It should also introduce further reforms focused on improving

[47] Securing its lowest score in five years at 17th. Mejía J and Aliakbari E, Fraser Institute Annual Survey of Mining Companies 2023, May 2024, table 2.
[48] Australian Aluminium Council, Vulnerabilities & Opportunities in Australia's Upstream Aluminium Sectors, October 2024.
[49] The cost per standardised unit of assessment output increased by 21.7 per cent in 2023-24. Government of Western Australia, Budget Paper No. 2 – Volume 2, 2024-25 WA State Budget Statements, Department of Treasury, May 2024, div 41, part 10, table 7, p 683.
[50] $44.3 million was invested in speeding up approval assessments. Ibid.
[51] WA Government, Greenhouse Gas Emissions Policy for Major Projects, 15 October 2024.
[52] *Forrest & Forrest Pty Ltd v. Wilson & Ors* [2017] HCA 30. *True Fella Pty Ltd v Pantoro South Pty Ltd* [2022] WAMW 19.

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regulatory efficiency and productivity for government entities, as well as develop a decision-oriented and project management-style approach to drive procedural efficiency and reduce duplication.

- Introduction of clear time-based targets and metrics and transparent reporting for all stages of the assessment process to allow proponents and government entities clarity on efficiency targets.
- Continued momentum and investment to implement outstanding recommendations from the Vogel-McFerran Review, particularly those that improve oversight of referrals, clearer guidance and processing efficiencies.
- Appropriate resourcing of all Departments with key roles in project assessments, with immediate focus to clarify the assessment role and processes within DBCA and ensure resourcing matches forecast workload.
- Appropriate resourcing of the Green Energy Major Projects initiative and streamline approvals for all projects that reduce net global emissions and support energy security.
- An ongoing funding commitment to support improved utilisation of technology in the application and management of WA's regulatory framework (e.g. Resources Online and Environment Online). Regular engagement with end-user stakeholders remains critical to enable effective process modernisation and ensure system and process digitisation is workable and delivers the required efficiencies for all.
- Advocate to the Australian Government for legislative change to provide a pathway to retrospective tenure validation for WA resources operations.

Long-term planning needed to enhance WA's cultural heritage and land access systems

Responsible access to land is fundamental to a sustainable resources sector that balances economic and environmental considerations with community expectations. It is essential that WA's cultural heritage framework enable Aboriginal peoples to actively manage and safeguard their cultural heritage while simultaneously supporting sustainable industry development and social and economic opportunities for Aboriginal peoples.

The introduction of the *Aboriginal Heritage Act 2023* (WA) (AHA 2023), which amended the *Aboriginal Heritage Act 1972* (WA), led to several procedural and administrative complexities related to land access, which the repealed *Aboriginal Cultural Heritage Act 2021* (WA) sought to address. For example, the overlap of heritage requirements under the AHA 2023 and the EP Act persists and impacts development approval efficiency. The Vogel-McFarren Review recommended further review of how the 'social surroundings' definition in the EP Act interacts with other laws.

In addition, the interaction between WA's cultural heritage regime and the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (ATSIHPA 1984) is unclear. In particular, there is a lack of clarity regarding how Ministerial considerations under section 10 of the ATSIHPA 1984 take into account agreements between First Nations representatives and resource companies, such as Indigenous Land Use Agreements and section 18 consent agreements established under the AHA 2023. CME believes the interaction between the WA and Commonwealth regimes, particularly in relation to the identification of cultural heritage and condition setting under section 10 of the ATSIHPA 1984, is not well defined, which presents a risk to all developments and a significant investment risk for the WA resources industry.

Separately, WA Government initiatives to support the identification and culturally appropriate management of Aboriginal heritage should be expanded to improve their effectiveness by aligning program priorities with strategic government objectives like SIA activation, energy transition, emissions reduction and development of critical minerals, hydrogen and green metals industries. For instance, the eligibility criteria for WA's Aboriginal Heritage Survey Program, which aims to record Aboriginal heritage through centrally held and published survey data, exclude the majority of resources and energy companies in WA. Such exclusions represent a missed opportunity to support economic development and align with other survey programs (e.g. Geological Survey of WA seismic and array programs) while identifying and safeguarding Aboriginal cultural heritage. They also compound difficulties currently faced by the resources sector, related to increased costs and limited access to skilled professionals required to support heritage surveys in WA which is identified as a key barrier to resource exploration throughout WA.

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Recommendations

To support the ongoing engagement and collaboration between industry, Aboriginal peoples, and the government required to ensure an effective cultural heritage framework, CME recommends:

- A fiscal commitment to support capacity building of Traditional Owner groups, who are central to the identification and safeguarding of Aboriginal Heritage.
- The funding and priorities of the WA Government's Aboriginal Heritage Survey program are reviewed to align with key government priorities, including activation of SIA's, survey of infrastructure corridors, generation, transmission and storage sites associated with the energy transition and survey of areas related to the diversification and development pipeline of the WA resources sector.
- Undertake an assessment of the interaction between the WA and Australian cultural heritage regimes to support ongoing collaboration between the WA and Australian Governments, empowering Aboriginal peoples in WA to safeguard heritage values, while also supporting economic growth and sustainable development in WA.
- Fund a comprehensive workforce development plan to identify current and forecast requirements to address education gaps in WA and shortages of professionals with skills necessary to support Traditional Owners in conducting heritage surveys. The plan should identify and support long-term training and workforce development to ensure a sustainable supply of qualified heritage professionals.

Effective Nature Positive reform requires bilateral accreditation and recognition of WA's unique environmental context

The Australian Government's proposed reform of the *Environment Protection, Biodiversity and Conservation Act 1999* (Cth) (the EPBC Act) is significant to the resources sector, and presents an important opportunity to improve the operation of the Act – enhancing environmental outcomes and streamlining the efficiency of processes. The WA Government should continue to strongly advocate for federal reforms that deliver both the 'better for business' and 'better for the environment' objectives in the Australian Government's Nature Positive Plan.[53] The implementation of proposed Stage 2 reforms, including establishing agencies such as Environment Protection Australia and Environment Information Australia, would require significant input from WA stakeholders to ensure decision making frameworks and associated policy settings do not introduce duplication and that Ministerial accountability for decisions is retained.

Key reform elements, such as bilateral accreditation and reform ambitions relating to regional planning, have unique considerations in a Western Australian context and need to be workable to secure reform objectives. Failing to do so is likely to impact both environmental outcomes and resource sector investment throughout WA.

The development of a National Environmental Standard (NES) for restoration actions and restoration contributions need to account for tenure-related challenges unique to WA. Further, the WA Government should prioritise alignment of federal offset settings and state-based offset policy and initiatives, such as the Pilbara Environmental Offsets Fund, to ensure outcomes delivered at a state level satisfy federal offset requirements and that the two regimes work towards complementary environmental outcomes.

CME maintains the importance of accredited assessments and bilateral accreditation in WA. Enabling bilateral accreditation in WA is critical to improving assessment timeframes and has been identified as a means of removing duplication and inconsistency across federal and state processes. Improved coordination across state and federal processes is required to unlock landscape-scale environmental outcomes and economic potential within WA's resource sector.

The Australian Government's intentions for reform related to regional planning remain unclear. To date, efforts to address considerations unique to WA's bioregions and development context have not been developed in collaboration with interested stakeholders, nor based on best-available region-specific scientific knowledge. Further engagement and meaningful consultation with proponents and WA Government agencies are necessary to support the development of regional planning and ensure alignment with the WA Government

[53] Commonwealth of Australia, Nature Positive Plan: better for the environment, better for business, Department of Climate Change, Energy, the Environment and Water, December 2022.

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priorities. This should not be managed by state and federal environmental agencies alone, requiring cross-government and cross-sectoral consideration.

Additionally, it is crucial to test reform settings for application to WA, as pilot outcomes from other parts of Australia may not reflect the practicality of regional planning in the context of WA's unique environmental, land tenure and native title regimes or our economy.

Recommendations

The WA Government should continue to prioritise working alongside the Australian Government and WA industry stakeholders on EPBC Act reforms to improve outcomes for both the environment and business by removing duplication and maintaining ecologically sustainable development (ESD) principles to support decisions which align with WA's unique land tenure regime, environmental conditions and resource-focused economy. We recommend the WA Government:

- Engage with the Australian Government to ensure that the implementation of proposed Stage 2 reforms, the development of the NES for restoration actions and restoration contributions, and WA Regional Plans under the EPBC Act are all co-designed by state-based stakeholders to support effective operation within WA's varied and unique environment.
- Secure bilateral accreditation as part of the design of the Stage 3 EPBC Act reforms to allow robust stakeholder testing before the commencement of proposed Stage 3 Nature Positive reforms.
- Engage with the Australian Government to ensure WA environmental data management and offset programs are recognised and accredited under proposed Stage 3 Nature Positive reforms.
- Advocate to the Australian Government for a streamlined approval pathway for projects that reduce net global emissions.

Net zero transition and building resilience to climate change

Over the last few years, the federal legislative framework that regulates greenhouse gas emissions has been strengthened and expanded in line with more ambitious emissions reduction targets that are aligned with Australia's commitments under the Paris Agreement. Relevant changes include the introduction of the *Climate Change Act 2022* (Cth), which legislates Australia's Paris-aligned 2030 and 2050 emission reduction targets, major reforms to the Safeguard Mechanism to maintain contemporary and enforceable frameworks to ensure rapid decarbonisation of high-emitting industrial facilities in line with Australia's legislated targets, the introduction of mandatory climate-related financial disclosures to provide information on climate risks and opportunities associated with investments. Federal climate change policy continues to evolve at pace. The ongoing development of the six Sectoral Decarbonisation Plans will inform Australia's 2035 Nationally Determined Contribution (NDC) and legislative frameworks supporting industry transitions to net zero. The Safeguard Mechanism will be reviewed in 2027 to ensure that the mechanism continues to deliver the industry's proportional share of Australia's 2030 and 2035 NDCs. The 2024-25 Federal Budget also included announcing the FMA agenda with funding support for important industries for a net zero global economy, such as critical minerals, green metals and green hydrogen.

CME and its members note the 2023 WA Sectoral Emissions Reduction Strategy's (SERS) commitments to support new decarbonisation technologies for the resources sector, including hydrogen, electrification and Carbon Capture, Utilisation and Storage (CCUS). Our members look forward to the revised WA Renewable Hydrogen Strategy following the consultation held in late 2023. CME also acknowledges the State Government's commitment in the SERS to publish a CCUS Action Plan by the end of 2024.

CME and its members recognise the role of the WA Government in supporting the regions to play a critical part in reducing emissions to net zero by 2050. For example, we highlight the significant impact that common-user energy infrastructure in the Pilbara region will play in national decarbonisation and unlocking opportunities for WA to support our trading partners' pathways to net zero.[54] We acknowledge the WA Government's efforts to progress this critical infrastructure and reiterate the importance of a timely solution to enable meaningful emissions reductions by 2030. Additionally, increasing the renewable generation and

[54] For example, the development of a new multi-user facility and logistics hub at Lumsden Point in the Port of Port Hedland will facilitate the export of battery metals such as lithium and copper concentrates, the import of renewable energy infrastructure such as wind turbines, as well as support the growth of direct shipping services to the Pilbara.

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storage capacity of the SWIS to meet growing demands from all sectors of the economy will require the support of the WA Government and its GTEs.

Finally, as we increasingly experience the physical impacts of climate change, it is critical to improve our state's resilience proactively. Physical effects of climate change include extreme weather events, such as fires and floods, and chronic climate changes, such as sea-level rise and a drying climate leading to more frequent and more prolonged periods of water stress. These effects can severely impact vulnerable communities and the state's critical infrastructure, like roads and rail, water resources, and energy infrastructure. Considering actions stipulated in the 2022 WA Climate Adaptation Strategy are approaching completion, such as the Climate Research Hub, CME and its members believe that WA needs an updated and improved climate adaptation roadmap that clearly defines further actions to improve our resilience to the effects of climate change, and improve the investment case for new resource projects.

Recommendations

State policies and regulations on climate change should prioritise actions to improve resilience and adaptation to the physical impacts of climate change and align with emissions reduction targets and regulations set by the Australian Government. We recommend the WA Government should:

- Take action to develop and implement a mature climate adaptation policy aimed at improving WA's resilience to the physical effects of climate change, including key infrastructure.
- Publish the revised WA Renewable Hydrogen Strategy and consider its interaction with the recently updated National Hydrogen Strategy. The revised strategy should recognise the value of a technology-neutral approach, support projects through development to enable swift deployment, and ensure that a robust regulatory framework is in place. To support the development of diverse supplier and customer opportunities, the WA and Australian Governments should look to de-risk early-stage investments in common-user infrastructure such as hydrogen pipelines and lower project development costs by ensuring regulations facilitate the re-use of existing pipeline assets.
- Continue to work at pace to ensure a regulatory framework for carbon transport and storage is in place as swiftly as possible, so that potential proponents can begin applying for relevant approvals and titles by the end of 2025.

Federal industrial relations reforms will harm productivity and reduce WA's competitiveness

Highly skilled and productive workers are critical to the safe and viable operations of resources sector projects. Average weekly earnings for full-time adults in the Australian mining sector are $3,015, 57 per cent higher than the national average of $1,923, reflecting an environment of workplace cooperation that has allowed both the resources sector and our workers to thrive.[55] Given that the competitiveness of a country's labour costs is determined by *unit* labour costs – costs per worker divided by output per worker (productivity) – a more productive workforce can be paid commensurately higher wages relative to a less productive workforce in a competing country without impacting competitiveness.[56]

There are a range of factors that influence productivity in the resources sector. Like any industry, the quantity and quality of capital equipment (e.g. software, hardware, machinery and equipment), managerial know-how or intellectual property and the education level of employees are key factors. An additional factor unique to the agricultural and resources sectors is the quality of the land or natural resources available, which for the resources sector generally refers to the quality and geology of resource deposits. Two otherwise identical mining operations but with different ore grades or geology will have different outputs per worker, and in general, the productivity of a mine declines over time as mining activities become deeper and the resource depletes. External factors, including the industrial relations regime, also impact business labour productivity – more flexible policies that encourage innovation and new technology adoption can increase productivity. In contrast, more prescriptive policies can reduce productivity. In simple terms, any measures that increase labour costs without any corresponding increase in productivity make Australian unit labour costs more

[55] ABS, Average weekly earnings, Australia – May 2024, August 2024 release.
[56] For example, if resources sector workers in Australia are twice as productive as workers in another country they can be paid twice as much and unit labour costs will be equivalent across the two countries.

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expensive, risking the viability of business operations and the associated jobs, household incomes and government revenues.

The Australian Government's industrial relations reforms will reduce productivity while increasing labour-related costs, thereby increasing unit labour costs and worsening Australia's international competitiveness. Key elements of recent reforms, including the 'Secure Jobs, Better Pay', 'Protecting Worker Entitlements', 'Closing Loopholes' and 'Closing Loopholes No. 2' amendments, all contain provisions that will negatively impact productivity over time.[57] They provide expanded union delegate rights, which will reduce time spent producing output, while also creating the opportunity for union right of entry without notice, which could interrupt remote site operating processes. The reforms are built on a model of workplace conflict that increases the likelihood of industrial action and workplace disputes, which would further reduce output and make it easier for multiple employers to be forced into joint bargaining, which reduces operational flexibility. They also require the Fair Work Commission (FWC) to adjudicate any matter still in dispute between bargaining parties in a manner that is not less favourable to employees than the term of any existing enterprise agreement. This is likely to result in flat unit labour costs for businesses as a best-case scenario and higher unit labour costs for businesses as the most likely scenario. These impacts on productivity will become more evident over the next 3 to 4 years as new and existing workplace agreements are negotiated.

Tangible adverse impacts of these reforms arose in August 2024. Clauses under the *Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2024* (Cth) were used to commence collective bargaining with BHP across two mine sites with no need to prove majority employee support for bargaining.[58] The FWC also authorised the commencement of multi-employer bargaining in a test case (i.e. the first contested application) that indicated a low threshold for unions to prove majority employee support for multi-employer bargaining and a high bar for employers to prove their operations are not 'reasonably comparable'.[59]

CME and its members are very concerned about the impact of these federal policies on the competitiveness of their WA operations and call on the WA Government to be more active in opposing legislation that will reduce the productivity of the resources sector and harm the economic prosperity of all Australians.

Recommendations

State and federal industrial relations policies should focus on improving labour productivity to ensure wage growth is sustainable and does not harm the international competitiveness of Australian businesses. We call on the WA Government to:

- Work closely with the Australian Government, including through upcoming reviews of recent federal legislation, to support industrial relations reforms that improve labour productivity.

Energy security and transition

Urgent action is required to deliver low emission, reliable and globally cost-competitive energy across WA

CME supports the Paris Agreement and its goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius, by reducing emissions to net zero as soon as possible and no later than 2050.[60] Decarbonising WA's economy is critical to attracting new investment[61] and jobs and positioning our state as a leader in new low emission industries, including critical minerals, hydrogen and green metals such as iron. We now need to work to develop the required technology, reduce renewable energy prices and establish our products in global supply chains before our competitors.

For CME members, action to decarbonise will take many forms and will be influenced by the development and availability of effective emissions abatement technologies. While the industry is looking at various

[57] Commonwealth legislation, Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022. Fair Work Legislation Amendment (Protecting Worker Entitlements) Act 2023. Fair Work Legislation Amendment (Closing Loopholes) Act 2023. Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2024.
[58] Three unions initiated a decade-first collective bargaining in the Pilbara. AFR, BHP forced to negotiate in new push to unionise Pilbara, August 2024.
[59] Comparable to another commodity in another jurisdiction. FWC, The Association of Professional Engineers, Scientists and Managers, Australia - application for single interest employer authorisation, August 2024.
[60] CME, Climate Policy, policy area, published September 2021.
[61] Minerals Research Institute of WA and Clean Energy Finance Corporation, The compelling case for decarbonisation: Mining in a low-emissions economy, August 2022.

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pathways to reduce emissions, such as low carbon liquid fuels and hydrogen, and investing in research, development and innovation, much of the focus to 2030 will be on increasing the proportion of electricity sourced from low emission power generation. Depending on technical and commercial viability, electrification of equipment and processes is also under consideration. Low emission, reliable and cost-competitive electricity is a critical enabler of globally competitive future industries in WA, including critical and battery minerals, renewable and low-carbon hydrogen and ammonia, and green metals.

For many CME members, the SWIS provides the only viable pathway for decarbonisation. Similarly, the timely delivery of low emission electricity and CCUS infrastructure in the Pilbara is critical to decarbonising resources sector projects that enormously contribute to our nation through government revenues and currently account for a sizeable share of our nation's emissions.

With only five years remaining until 2030, urgent action is required to progress the decarbonisation of WA's key electricity networks. The WA Government and its GTEs have a crucial role in providing certainty of a timely and effective transition through facilitating and contributing to transmission investments and ensuring the right market settings to incentivise new electricity generation. This includes streamlining approvals for these and other investments that support decarbonisation.

Significant investment in new generation and transmission infrastructure is required in the SWIS

The resources sectors' operations in the SWIS-connected regions of the South West, Peel and Goldfields are incredibly diverse and operate in competitive global markets subject to large swings in commodity prices. As such, decarbonising the SWIS is critical to both the ongoing viability and the decarbonisation pathways of CME members who have operations serviced by the SWIS. However, there remains an enormous task ahead to deliver on the trilemma of low emissions, reliable and cost-competitive energy supply.

CME members highlight significant increases in electricity prices in the SWIS over recent years, which presents a material risk to the sustainability of existing and future operations. While it is challenging to accurately estimate total electricity costs for industrial users on the SWIS, CME estimates total costs have roughly doubled over recent years, reflecting a doubling in wholesale electricity costs between 2021 and 2024, a 5-fold increase in key stability and reliability costs since October 2023, a tripling in market fees and a 45 per cent increase in transmission and distribution costs.[62] Survey data from SWIS-connected CME members indicate that electricity typically accounts for 5 to 10 per cent of operating costs. The doubling in electricity prices alone could add 5 to 10 per cent to total operating costs before inflation in other costs.

There are also concerns that grid reliability is worsening, with public and CME survey data highlighting the increasing use of demand-side management programs (DSPs) to prevent blackouts.[63] Data from a sample of CME's SWIS-connected members indicates they were asked to reduce their power demands on more than 66 individual occasions during 2023-24, totalling 317 hours of lost production.[64] There are also particular concerns regarding reliability in the Goldfields, with Kalgoorlie-Boulder and surrounding areas experiencing a multi-day blackout in January 2024 and a half-day blackout in August 2024.[65] Decreasing grid reliability compounds the impact of rising industrial electricity costs and increases operating costs per unit of output.

Replacing emissions-intensive energy sources with electricity produced in a low-emissions manner is a key pathway to reducing emissions and meeting voluntary and legislated 2030 targets.[66] This will require existing electricity generation to be decarbonised and significant additional firmed low-emission electricity to support new or expanded projects and operations converting to electricity from other energy sources (electrification) where commercially possible.

The WA Government's SWIS Demand Assessment (SWIS DA) highlights the potential scale of electricity demand arising from electrification and new demand to 2042.[67] Under the central Future Ready scenario,

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[62] Electricity prices consist of four cost components: wholesale, reliability, transmission and distribution, and administration. ESS costs, including FCESS and NCESS, increased to around $100 million per quarter since Q3 2024, compared with roughly $20 million per quarter in power system management costs in 2021-22. AEMO, QED Q4 2023, January 2024. QED Q2 2024, July 2024. Market fees of roughly $2.5/MWh in 2024-25 will be almost triple the fee charged in 2020-21. ERA, AEMO's AR6 second in-period allowable revenue and forecast capital expenditure proposal: Final Determination, June 2024, figure 2, p 15. Forecast transmission and distribution revenue for Reference Tariff 7: High Voltage Contract Maximum Demand increased from $142.55 million in 2021-22 to $206.54 million in 2024-25. Determination on the proposed 2021/22 price list for the Western Power network, May 2021, table 2. 2024/25 Price List for the Western Power Network, May 2024, table 1.5.

[63] In Q4 2022, AEMO sought supplemental (additional) reserve capacity (SRC) for only the second time in the history of the WEM, and in Q2 2023, a DSP was activated in June for the first time. In Q1 2024, there were 14 instances of either DSP or SRC dispatch. AEMO, QED Q4 2022, January 2023. QED Q2 2023, July 2023. QED Q1 2024, April 2024.

[64] CME, Energy costs in transition: Decarbonising Western Australia's South West Interconnected System, report, September 2024.

[65] ABC News, Power being restored to Kalgoorlie-Boulder after outages ground the Goldfields city to a halt, January 2024. Wheatbelt residents frustrated by half-day power outage, following extended blackout in January, August 2024.

[66] Australia has a national target of 43 per cent emissions reduction relative to 2005 by 2030. Many CME members have their own 2030 voluntary targets.

[67] DEMIRS, SWIS Demand Assessment 2023 to 2042: A future ready grid, Energy Policy WA (EPWA), May 2023.

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peak energy demand is expected to triple, and total annual demand is expected to increase 5-fold. It is estimated that this would require 50 gigawatts of new generation and storage (wind, solar, firming gas and battery storage) and 4,000 kilometres of new transmission lines.

With state-owned coal generation retiring by 2030,[68] replacing this baseload generation capacity with sufficient quantities of firmed renewable generation capacity within this timeframe remains a significant challenge. AEMO's 2024 Electricity Statement of Opportunities confirms this need for urgency regarding new transmission and generation capacity, highlighting a capacity shortfall emerging from 2027 onwards as demand continues to grow amidst retiring coal plants and electrification.[69]

Similarly, businesses in the Goldfields region have also been experiencing ongoing power outages and reliability that are disruptive and costly.[70] The WA Government needs to act faster to secure reliable power amid fears that continued blackouts damage economic prospects.

In our last 2024-25 Pre-Budget Submission, CME recommended releasing a draft master transmission plan for the SWIS by mid-2024, along with sufficient resourcing for the detailed planning and construction of transmission infrastructure to support industry decarbonisation. We also recommended that the WA Government commit in principle to a transmission funding model based on user pays with cost recovery over time and commit to sharing price and schedule risk where the industry contributes to new transmission infrastructure construction.

CME welcomed the SWIS DA Registrations of Interest (ROI) process in November 2023 to inform a more detailed 10-year transmission build plan. The WA Government subsequently released a SWIS Transmission Infrastructure Planning Update in May 2024, which identified a series of proposed new network investments arising from the ROI process, as well as the potential for a Goldfields Regional Network to be the optimal transmission network outcome for the Goldfields region.[71] The update is committed to working with industry, community, and landowners to progress detailed program planning and prioritisation workstreams. While these outcomes are welcome, they fall short of the detailed transmission and investment plan that is urgently needed by businesses that are seeking to make investment decisions now.

Close engagement on transmission planning, investment and proposed funding models is critical to ensure alignment between the government, large industrial customers and electricity generation, storage and transmission proponents. In particular, proposed funding models for new transmission investment need to be competitive and workable for financiers and end users.

To support and inform our ongoing engagement with the WA and Australian Governments and broader market participants regarding the SWIS transformation, CME commissioned Endgame Economics to model whole-of-system capital costs, prices, emissions, generation, and capacity mix out to 2042 under three illustrative scenarios.[72] All scenarios used the SWIS DA's central Future Ready electricity demand forecasts out to 2042 (to reflect a high electricity demand scenario) and imposed standard Wholesale Electricity Market (WEM) reliability requirements. All coal-fired power plants are assumed to exit by 2030, and for simplicity, the available build options were limited to wind, solar, gas and batteries. The three scenarios modelled were:

- *Scenario 1: Unconstrained*. This scenario sought to model the lowest-cost generation mix without a renewable generation target (or carbon constraint) to establish a benchmark lowest-cost system.[73]
- *Scenario 2: Swift Decarbonisation.* This scenario imposed a 90 per cent renewable generation target by 2040, with an interim target of 75 per cent by 2030. New gas-fired generation is permitted to provide grid firming.
- *Scenario 3: No New Gas.* This scenario had the same renewable generation constraints as in Scenario 2 but no new gas-fired generation is permitted (though existing gas generation remains operational until each generator's end of life). This scenario explores the impact of a near-100 per cent renewables grid.

The results indicate that rebuilding and expanding the SWIS to meet low emission electricity demand over the next 20 years will require substantial investment in new transmission, generation and storage capacity. Importantly, the Swift Decarbonisation scenario highlighted that significant reductions in emissions are feasible at only a marginally higher cost relative to the baseline Unconstrained scenario. Lastly, a grid without

[68] Government of Western Australia, State-owned coal power stations to be retired by 2030, media statement, June 2022.
[69] AEMO, 2024 WEM Electricity Statement of Opportunities, June 2024.
[70] ABC News, WA Premier Roger Cook blasts Western Power, Synergy after Goldfields, Wheatbelt blackouts, August 2024.
[71] DEMIRS, SWIS Transmission Planning Update, EPWA, May 2024. Under this model, new transmission network infrastructure would be constructed to provide the region with more reliable access to low emission energy, and to support the decarbonisation of resources processing loads in the region.
[72] CME, Energy costs in transition: Decarbonising Western Australia's South West Interconnected System, report, September 2024.
[73] Capital costs for generation and storage technologies. Graham P, Hayward J and Foster J, 2023-24 GenCost: Final Report, CSIRO, May 2024.

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new gas-fired firming generation would have minimal emissions but substantially higher electricity prices, risking the ongoing viability of existing industries or the development of new industries. Such a grid would also require a very large amount of new investment that would be challenging to deliver.

The Swift Decarbonisation scenario provides several key lessons to guide a timely and effective transition of the SWIS, with the overarching message that the near-term focus need to be on new generation and transmission investment:

- Current and under-construction 4-hour battery storage capacity will likely be sufficient until 2030.
- Significant new firming gas-fired generation is required to ensure grid reliability at the lowest cost in a renewables-dominated network.
- Additional large-scale wind generation is crucial to support grid reliability in a system without coal, given its different generation profile to solar.
- Transmission investment is critical to connect the renewables build-out. Efficient transmission planning and construction will be essential to enable an efficient transition.
- Further market reforms are likely required to ensure revenue sufficiency in a renewables-dominated grid.

Regarding the availability of domestic gas to support firming electricity generation, we note the WA Government's pragmatic and timely response to the recommendations arising from the Final Report of the Economics and Industry Standing Committee's Inquiry into the WA Domestic Gas Policy.[74] Similar to the Australian Government's Future Gas Strategy,[75] the inquiry's Final Report notes that affordable natural gas will support our domestic energy security until lower carbon fuels and technologies are commercially viable at scale. The WA Government's response provides investment certainty by continuing the current 15 per cent reservation amount for offshore LNG projects and gas fields, which CME has consistently advocated for. The updated WA Domestic Gas Statement,[76] an industry-led proposal, also addresses a key CME position seeking greater transparency regarding existing producer commitments under the policy.

Recommendations

The WA Government should act urgently to coordinate and deliver a once-in-a-generation rebuild and expansion of the SWIS. Regarding the transition lessons arising from Endgame Economics' modelling, CME recommends the WA Government undertake the following actions:

- Urgently release a draft master transmission plan for the SWIS to guide public-private investment and provide certainty to customers and generation and storage proponents, including appropriate resourcing for the detailed planning and construction of transmission infrastructure to support industry decarbonisation in a manner that does not disadvantage first movers. Industry needs to sit at the table to inform priorities and have visibility over timeframes.
- In parallel, consult with industry, market participants and potential investors to co-design flexible, genuine user pay transmission funding models.
- Review the WEM market structure and other relevant policies to ensure there are appropriate incentives to deliver the required future generation and storage mix to ensure a low emission, reliable and globally cost-competitive grid. In the near term, there is a need to engage with the Australian Government to ensure the WA Capacity Investment Scheme delivers sufficient incentives for wind generation and long-duration generation or storage.
- Further to the Green Energy Major Projects initiative, deliver efficient and non-duplicative approvals processes for energy infrastructure projects.
- Establish an Energy Transition Working Group comprising representatives from industry and government entities to inform and support the WA Government's Cabinet-level Committee overseeing the state's energy transition.

[74] JTSI, Government response to the Economics and Industry Standing Committee's 'Inquiry into the WA Domestic Gas Policy', September 2024. Parliament of Western Australia, Domestic gas security in a changing world – Final Report, Economics and Industry Standing Committee, August 2024.
[75] DISR, Future Gas Strategy, May 2024.
[76] JTSI, WA Domestic Gas Policy: WA Domestic Gas Statement, September 2024.

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Industry needs certainty over the timing and cost of new common user infrastructure in the Pilbara

The Pilbara region is WA's mining powerhouse. In 2022-23, the Pilbara contributed 51 per cent of the total value of WA resources sector production and 85 per cent of total WA resources sector royalties, with iron ore accounting for 94 per cent of resources production value.[77] The Pilbara also comprised 51 per cent (64,039 full-time equivalents) of total onsite mining employment in WA.

Decarbonising the Pilbara region is essential to achieve WA's commitment to net zero emissions by 2050. In addition to reducing emissions for existing operations, access to a large-scale firmed supply of low emission, reliable and internationally cost-competitive energy is the single greatest enabler of strategic industries, including renewable hydrogen, ammonia and green metals, including green iron, since these industries require very large amounts of electricity.[78]

WA is the number one global iron ore producer, with 97 per cent of production within the Pilbara.[79] With the steel industry accounting for 8 per cent of global CO_2 emissions each year,[80] WA will be important in delivering pathways that enable decarbonising the global value chain. One of those pathways is producing green iron locally in WA. However, there are significant technological and commercial barriers to realising both the economic and environmental benefits of lower-carbon methods of ironmaking,[81] including timely access to a large-scale firmed supply of low emission, reliable and internationally cost-competitive energy in WA.

The WA Government's SERS estimates that Pilbara's electricity needs could increase 5-fold by 2050, reflecting the electrification of industrial processes and the development of new industries such as green iron. Meeting this demand could require around 50GW of new generation and storage capacity.[82] Significant investment is therefore required in the Pilbara to deliver this new generation and storage capacity, as well as the transmission infrastructure required to deliver this supply to customers. At the same time, investment is required in the supporting infrastructure necessary to deliver this transition, such as ports, roads and housing.

The WA Government's Pilbara Energy Transition Plan (the plan) supports an orderly, equitable and rapid transition to green energy in the Pilbara through common-use electricity transmission infrastructure. The WA resources sector recognises the potential for common-user infrastructure to minimise land use, approvals resources, construction materials and labour. We also welcomed the WA Government's commitment to facilitate the delivery of common-user infrastructure, including the provision of additional resources for approvals, as well as the allocation of $3 billion in funding (concessional loans and equity) under the federal Rewiring the Nation program to support the financing of new transmission infrastructure in WA.[83] In addition to critical new common-user transmission infrastructure, economies of scale will likely be found in new common-user firming capacity.

One of the elements that will be critical to the success of this plan is large users and electricity project proponents having certainty over the timing and cost of new common-user electricity infrastructure so that investment decisions regarding electrification and other new projects, as well as renewable generation itself, can occur on time. The cost of building renewable energy infrastructure in the Pilbara to enable the decarbonisation of heavy industry is currently high, impacted by lengthy approvals processes and a lack of enabling infrastructure. Ensuring delivered energy costs are low is critical to the region's decarbonisation and the development of future low emission industries.

Launching an EOI process for transmission proponents in the four identified priority corridors is a welcome step, and we urge swift progress of the Priority Projects process to enable the delivery of the WA Government's recommendations to the Clean Energy Finance Corporation.[84] Work to secure fair, equitable and commercially viable agreements with Traditional Owners, within the principles laid out at the Pilbara Roundtable, should be a core focus to give investors the confidence they need to proceed to final investment decisions, ideally in 2025. To accelerate the opportunity and reduce overall costs, the WA Government should also actively consider further actions it could take to reduce risk, such as underwriting early development

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[77] DEMIRS, 2022-23 Spatial and Regional Resource Data File, November 2023.
[78] DISR, Green metals consultation paper, May 2024.
[79] DEMIRS, 2023 Major Commodities Resource Data File. 2023 Spatial and Regional Resource Data File, May 2024. DISR, Resources and Energy Quarterly: June 2024, Office of the Chief Economist, July 2024, p 108.
[80] Direct energy system emissions. 10% when indirect emissions from electricity generation are included. International Energy Agency, Emissions measurement and data collection for a net zero steel industry, April 2023, p 7.
[81] Currently, the more technologically mature and commercially viable pathway to producing low-carbon iron (i.e. direct reduction in a shaft furnace) uses higher-grade iron ore than the Pilbara typically produces. Delivering a proven technical solution to make green iron from lower-grade ore at a commercial scale is central to maintaining the relevance of Australia's iron ore industry in a net zero global economy.
[82] Government of Western Australia, Sectoral emissions reduction strategy for WA: Pathways and priority actions for the state's transition to net zero emissions, Department of Water and Environmental Regulation, December 2023, p 16.
[83] Prime Minister of Australia, $3 billion Rewiring The Nation deal to power WA jobs and growth, media statement, August 2023.
[84] DEMIRS, Expressions of Interest for Priority Projects, EPWA, September 2024.

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expenditure to help bridge the gap in the short term to give all industry participants, including low emission generation proponents, customers and transmission developers, confidence to invest (i.e. hydrogen production projects and necessary pipelines).

Recommendations

Industry, investors, and financiers need certainty over the timing and cost of new common-user infrastructure in the Pilbara to progress in investment in new low emission generation and storage, electrification, and other net zero projects. To help provide this certainty, we recommend the WA Government:

- Work at pace to ensure the current EOI results in Priority Project designations and recommendations to the Clean Energy Finance Corporation for concessional finance by the end of 2024.
- Coordinate required tenure, including agreements with Traditional Owners, as part of the plan to ensure fair and equitable arrangements are in place and give sufficient certainty to secure investment in transmission infrastructure in 2025 (i.e. to have confidence it will be in place by 2030).
- Continues to process market development and regulatory arrangements, including network rules and access codes, with a clear implementation plan available in Q1 2025.
- Consult with industry on further government measures that could reduce early-stage development risks, including underwriting development expenditure.
- Increases investment in broader common-user infrastructure critical to activating new projects such as water, telecommunications and pipelines for hydrogen and carbon dioxide.

Actions are also needed to secure ongoing demand for Pilbara iron ore from the global steelmaking industry and create additional economic and social benefits within WA. In addition to the above actions regarding energy transition in the Pilbara, we recommend the WA Government:

- Engage with industry to identify targeted investments in supply chain infrastructure and commercialisation incentives in WA that will support the development of a lower emissions global steelmaking industry.
- Engages with industry to identify the specific employment and industry development opportunities for WA presented by green metals, with a focus on alumina and iron.

A safe, diverse and productive workforce

A skilled and productive workforce is critical to the success of our industry and the WA resources sector is committed to providing a workplace that is safe, respectful and inclusive to all.[85] Despite recent job losses the labour market remains tight, and with a large future pipeline of potential resources and renewable energy infrastructure projects it is critical that industry and the WA Government remain focused on addressing current and anticipated skills shortages.

The WA labour market is easing but skills shortages remain

As highlighted in the overview, total WA resources sector employment has fallen by over 20,000 (11.7 per cent) over the past year,[86] driven by a sharp deterioration in market conditions for nickel, as well as challenging conditions for lithium, iron ore and alumina. However, WA resources sector employment remains 26 per cent higher than the 10-year average, and the WA unemployment rate averaged 3.7 per cent in 2023-24, well below the 10-year average (5.3 per cent) and only marginally higher than the 3.6 per cent average in 2022-23.[87] Unemployment rates in the key mining regions of the Pilbara and Goldfields-Esperance were the lowest in the state at 2.2 and 2.4 per cent, respectively, in the March quarter of 2024.[88]

[85] CME, Diversity and Inclusion in the Western Australian Resources Sector, report, September 2024.
[86] WA resources employment was 175,435 in May 2023 and had dropped to 155,956 in August 2024. ABS, Labour Force, Australia, Detailed, table 5.
[87] ABS, Labour Force, Australia, table 8.
[88] JTSI, WA Economic Profile – August 2024, September 2024.

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Regarding specific skills, Jobs and Skills Australia's Occupation Shortage Report highlights that skill shortage pressures remain acute for technicians and trade workers. These occupations generally require Vocational and Education Training (VET) pathways to the labour market, typically a Certificate III or IV.[89]

With the labour market remaining tight and a large future pipeline of potential resources and renewable energy infrastructure projects, industry and the WA Government should remain focused on addressing current and anticipated skills shortages.

An important way the WA resources sector seeks to attract and retain a skilled workforce is through its commitment to increasing diversity by providing a workplace that is safe, respectful, and inclusive to all. The industry also benefits from the new ideas and perspectives a more diverse workforce brings. Actions to support greater workforce diversity include upgrades to workplace accommodation security practices, implementing new technologies that further mitigate safety risks, and improved training programs that address physical and psychosocial safety.[90]

The resources sector contributes significantly to local training and upskilling and the WA Government's policy and funding measures need to support industry efforts

A skilled and productive workforce is critical to the ongoing success and sustainability of the WA resources sector, including our sector's vast supply chain of supporting businesses. As a result, the industry has implemented a raft of initiatives to maximise local training and employment opportunities to grow, develop and retain its workforce. This includes contributing to government initiatives designed to support WA's workforce development through upskilling and reskilling initiatives for the existing workforce, as well as apprenticeships and traineeships to ensure a pipeline of new talent.

In our last 2024-25 Pre-Budget Submission, CME highlighted the significant contribution of the resources sector to the Construction Training Fund (CTF) but the limited ability of the sector to access the fund to support the training and development of its workforce. In 2022-23, the resources sector contributed $31 million to the CTF, representing 43 per cent of total fund revenue. CME understands that our industry's contribution in 2023-24 will again represent close to 50 per cent of overall revenue. The WA Government should commit to a holistic reform of the legislative and policy framework governing the CTF to remove all barriers limiting the resources sector's ability to directly access the fund commensurate to its contribution and ensure it can be used to its full potential, building a skilled and sustainable workforce in WA.

Furthermore, the increased training and assessment requirements[91] for appointments to statutory positions under the *Work Health and Safety (Mines) Regulations 2022* (WA) has added significant costs to the industry that detract from investment in critical upskilling and diversity initiatives. A continued lack of availability of legal examinations in metro and regional areas is contributing to these increased costs and also limiting the sector's ability to meet the transition deadline.

Other costs to the industry that are detracting from workplace health and safety endeavours stem from Safe Work Australia's (SWA) ongoing practice of limited or no regulatory impact assessment being undertaken before changes to national work health and safety policies are adopted. A prominent example is the change to an even lower workplace exposure limit for diesel particulate matter than was consulted in 2023.[92] There are far-reaching and significant costs to the WA resources sector, other industries and the WA regulator from this lack of engagement and consultation.

Adjustments to our education systems are needed to develop the workforce required to deliver the state's decarbonisation and strategic industry ambitions. To reduce the time and re-training burden for individuals and employers alike, VET providers and universities need to ecognise transferrable skills already acquired by mid-career professionals in other sectors wanting to transition to new roles, particularly those related to decarbonisation. This includes providing credit transfers and recognising prior learning in an agreed and consistent manner.

CME members highlight examples where their employees, such as tradespeople, are considering cross-skilling to become electricians, but a lack of 'core and common' units from other Certificate III apprenticeships that can be credited to an electrical apprenticeship act as a barrier, requiring experienced tradespeople to undergo a full apprenticeship again. This is a highly inefficient use of resources and constrains both

[89] Jobs and Skills Australia, Occupation Shortage Report - June 2024, August 2024.
[90] CME, Diversity and Inclusion in the Western Australian Resources Sector, report, September 2024.
[91] Requirements include the successful completion of approved risk management units and a legislation examination.
[92] Original consultation of 0.015 mg/m3 as respirable elemental carbon over an eight-hour time-weighted average was reduced to 0.01 mg/m3 in the final policy. SWA, Workplace exposure limits for airborne contaminants, April 2024, appendix A, p 23.

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decarbonisation and industry development efforts. Other examples include WA's Restricted Electrical Licence for mobile mining equipment, specifically referencing an original equipment manufacturer training course rather than a certified qualification,[93] while the high-volume, repetitive task of connecting solar panels requires a higher qualification (A grade electrician) than a Restricted Electrical Licence holder, taking more qualified electricians away from higher value-adding tasks.

Recommendations

To help address current and mitigate future skills shortages, CME calls for the WA Government to:

- Commit to a holistic reform of the legislative and policy framework governing the CTF to remove all barriers limiting the resources sector's ability to access the fund directly.
- Ensure adequate funding is provided for the VET sector to unlock pathways from Certificate II level onwards, raising the profile of trade training careers and working holistically with the WA resources industry to support workforce development priorities, particularly the energy transition.
- Expand the electrical licencing options available for clean energy jobs to support faster growth of this critical workforce.
- Provide further allocations under the WA Adult Apprenticeship Employer Incentive to support longer-term training outcomes and increase completion rates for apprentices.
- Continue to engage with training councils and industry to identify future skills needs and develop strategies to address these.
- Refine the statutory position appointment requirements to:
    - Remove the requirement to complete approved risk management units;
    - Address existing issues with the content and structure of the legal examinations;
    - Increase availability of legal examinations in metro and regional areas throughout WA; and
    - Implement industry invigilation/proctoring of the legal examinations.

To support appropriate and WA-relevant workplace health and safety policies, we recommend the WA Government:

- Advocate for increased engagement by SWA with the WA resources sector.
- Ensure that regulation impact assessments are undertaken before decisions are made by SWA.

Access to international talent pools remains important

The large and complex nature of resource sector projects, alongside elevated current and projected industry demand, results in an ongoing requirement to source experienced and highly skilled professionals and trade-qualified workers from international talent pools. Migration plays a valuable role in lifting productivity by supporting local skills development by onshoring mentors and trainers and providing relief to regional or remote areas most impacted by skills and labour shortages. Furthermore, migration has positive impacts and opportunities for WA communities. Skilled workers in health, education and construction can alleviate some of the existing bottlenecks across these sectors. At the same time, family and humanitarian migrants can be upskilled to service areas of critical need.

Achieving WA's decarbonisation and economic diversification ambitions will require large, skilled workforces. As Australia does not currently have the skilled workforce required to deliver its low emission energy, green metals, and decarbonisation targets over the coming decades, a substantial increase in temporary and permanent migration will likely be required. With other countries pursuing similar aims, global shortages of skilled workforces will increase competition to attract workers to Australia.

[93] DEMIRS, Mobile mining permit R012, May 2023.

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Recommendations

To support the continued safe and productive operation of current WA resources sector projects and the development of new projects, there needs to be ongoing policy and funding support to increase the quantity, quality, and transferability of skilled labour – both local and international:

- Streamline and simplify requirements of the Skilled Nominated and Regional (Provisional) Skilled Nominated visa categories.
- Provide culturally competent wraparound services for migrants on skilled, family and humanitarian visa categories, particularly in the regions, to promote social cohesion.
- Expand the Skills Recognition Apprenticeship Program to include qualifications for skill shortages (e.g. automotive, engineering, electrotechnology and telecommunications trades).
- Work alongside the Australian Government to simplify assessment, verification and accreditation processes to allow workers who acquired their qualifications outside of Australia to enter the labour market quickly.

Regional economic development

WA's resources sector is anchored in regional WA, where most resource deposits are situated and developed.[94] The wealth generated by the sector underpins the state's economic prosperity,[95] and in a climate of rising costs, global market uncertainty and increasing regulatory requirements,[96] the adequate and accessible provision of economic and social infrastructure across regional and remote WA is pivotal to safeguarding WA's prosperity. As such, we urge the WA Government to prioritise regional liveability as a key driver of economic success and diversification.

Economic infrastructure is the building block of modern economic activity, including the cost-competitive and reliable provision of energy, water, waste, telecommunications, freight and transport (e.g. road, rail and port) infrastructure. Social infrastructure such as quality, affordable housing, education and training, early childhood education and care (ECEC) and health and wellbeing services create vibrant, safe and liveable communities, aiding the attraction and retention of skilled workers to regional locations.

The inadequate provision of essential infrastructure, including housing, ECEC, domestic violence support infrastructure and healthcare, and ongoing community safety issues across many regional areas is stunting regional economic opportunities and disincentivising private investment. CME urges the WA Government to focus on equitable infrastructure service delivery across regional WA and prioritise areas demonstrating existing and future economic opportunities.

Unlocking regional housing and accommodation bottlenecks is an urgent priority

Adequate and affordable housing is central to attracting people to live and work in regional WA. Housing provision is the cornerstone of thriving regional communities. It supports the development of new infrastructure, including that needed for the energy transition and the provision of essential community services such as healthcare, education, community services and recreational facilities. Stable housing conditions promote community wellbeing, social inclusion and economic diversity. The industry's success is closely tied to the prosperity and liveability of the regions in which our members operate.

Published rental vacancy rate data, CME membership and stakeholder feedback have consistently identified a severe undersupply of diverse and affordable housing across WA in recent years.[97] The housing shortage is particularly acute across regional WA, which is having a significant impact on business and industry.[98] Appreciating the need to strike a balance between temporary and permanent housing options a combination of immediate housing relief in the form of short-term temporary accommodation options for workers on time-limited projects while longer-term permanent housing options come online should be considered.

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[94] DEMIRS, Major resource projects, WA, February 2024.
[95] CME, 2022-23 Economic Contribution Factsheets, published March 2024.
[96] KPMG, Mining Risk Forecast 2024, February 2024.
[97] Real Estate Institute of WA, Rental Vacancy Rates, accessed September 2024.
[98] Chamber of Commerce and Industry WA, Lack of housing fuelling worker shortage in regional WA, media statement, July 2024.

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Recommendations

The WA Government needs to urgently bolster regional housing supply through residential land release, incentivising housing and short-term accommodation developments, and urban planning to encourage infill. We recommend:

- Targeted and meaningful advocacy to the Australian Government for fringe benefits tax exemptions to encourage employers to incentivise their residential workforce to build or own homes.
- Develop incentives that encourage local government endorsement of temporary workforce accommodation, where appropriate and most needed, to address the immediate shortfall in housing needs for time-limited projects.
- Greater investment in social housing, key service workers and the Government Regional Officer Housing (GROH) program accommodation is needed to ensure affordable living options for regional underprivileged and essential workers. This investment should prioritise areas where key worker accommodation is at capacity or does not exist.
- Incentivise higher-density infill regional housing developments through planning strategies to diversify housing stock offerings.
- Expedite the release of affordable serviced land for residential development.
- Ensure WA's housing strategy prioritises land and housing release in areas of highest demand.

Addressing shortfalls in early childhood education and care across regional WA is critical

Access to ECEC is a key enabler of regional economic growth and productivity. Sustainable, accessible and affordable ECEC supports workforce attraction and retention, reduces social dependency and promotes diversity and inclusion.

An acute under-provision of ECEC across many parts of regional WA has seen some regions dubbed 'childcare deserts' and is stifling workforce attraction, retention and productivity.[99] Where ECEC systems exist, they do not always address constraints on parents' workforce participation, including long working hours, shift work, travel commitments and unique work rosters. ECEC shortages are particularly prevalent in the Pilbara and the Goldfields, with some children on childcare centre waitlists for more than two years.[100]

Recommendations

Alleviating regional childcare shortfalls through further ECEC training, qualification incentives and increasing the WA Government's Regional Childcare Grants Program will encourage greater diversity and participation in regional workforces. We recommend that the WA Government:

- Incentivise the setup and operation of affordable before and after-school care programs at regional schools.
- Develop financial and social support incentives to attract ECEC providers and workers to regional areas through increased availability of GROH and remuneration for regional-based employees.
- Continue incentivising ECEC training and qualifications through free or subsidised TAFE courses and consider Recognition of Prior Learning opportunities and other transferable skills pathways.
- Deliver strong and clear messaging on career pathways, employment opportunities and the societal value of the ECEC sector.
- Advocate to the Australian Government to add skilled ECEC workers to the Working Holiday Maker visa program.

[99] Victoria University report, Mapping the Deserts: Childcare Accessibility in Australia, August 2024.
[100] ABC News, Childcare shortages stopping mums returning to work poses challenge for WA's mining gender balance, July 2023. Kalgoorlie-Boulder childcare survey reveals two-year waiting lists with parents unable to return to work, November 2023.

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Primary health and wellbeing facilities and services across regional WA need major investment

Access to local healthcare and wellbeing services, including mental health, domestic violence and community safety services, supports the welfare and safety of residential workforces and communities. The under-provision of adequate regional healthcare infrastructure and wellbeing services is a significant barrier to residential workforce attraction and retention.[101] Lengthy delays in accessing local services, the reliance on travel to the Perth metropolitan region to access some healthcare services, and the risk of late medical intervention negatively impact workplace productivity, undermine industry competitiveness and detract from regional liveability. The lack of basic medical services across many parts of regional WA points to inequitable healthcare, undermining productivity and liveability in those regions.[102] In addition, the feeling of being safe enables a better quality of life and the capacity to be involved positively in the community and workplace.[103]

Recommendations

Funding and initiatives that help regional WA achieve equitable access to healthcare services need to be an immediate priority of the WA Government. We call for the WA Government to:

- Prioritise funding that helps to achieve equitable primary and mental healthcare infrastructure in regional centres across WA, particularly in the Goldfields and the Pilbara.
- Expand on existing incentives for primary healthcare workers opting to live and work in regional communities through schemes such as greater availability of GROH and greater financial support.
- Consider opportunities to incentivise further private healthcare investment in regional WA and e-Health opportunities through grants and co-investment.
- Expand the Crime Prevention and Community Liaison Unit for regional towns.

Deliver infrastructure to support regional services and economic development

As outlined in earlier sections of this submission, developing turnkey SIAs, common-use infrastructure, accelerated approvals, and a reliable, affordable and decarbonised energy network are critical to galvanising investor confidence in regional WA. Additionally, robust port, rail, road and aviation infrastructure underpin supply chain resilience, improve social connectivity, enable decarbonisation and promote economic development. Water availability and provision are also critical to industry and community functionality.

Regional WA is particularly exposed to climate change events such as drought, bushfires, storms, tidal surges, extreme winds and flooding. Significant investment across all transport and water infrastructure is needed to build natural disaster resilience and protect regional WA communities and industries from being stranded by increasingly frequent adverse climate-related events.

While local government authorities (LGAs) are primarily responsible for the creation and maintenance of local roads, for many regional areas in WA, the land area covered is vast. The road infrastructure network managed by LGAs covers more than 130,000 kilometres of sealed and unsealed roads;[104] it is extensive, complex, and expensive to maintain, repair and upgrade. Because regional LGAs frequently lack the resources to plan, finance and carry out maintenance to improve infrastructure resilience, reactive repair work is typically done rather than predictive and preventive maintenance.

Regional ports, airports and rail are similarly the lifeblood of the state's economic activity. Significant investment in this infrastructure is essential to WA's ongoing prosperity. Regional airports and airstrips are pivotal in mobilising skilled workers to the state's remote mineral endowments. They also provide ongoing community connectivity, promote tourism, and provide urgent medical interventions. Regional WA ports are central to Australia's access to global markets, and rail is critical to the movement of bulk goods both within WA and interstate. Additionally, rail alleviates further pressure on regional road networks and has a lower emissions footprint than road with its efficiencies.

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[101] ABC News, Fears Royal Flying Doctor Service is being used to prop up inadequate rural healthcare, November 2023

[102] The West Australian, St John of God to close Bunbury maternity ward and services, citing 'chronic' staff shortage, May 2024. ABC News, Lack of affordable MRI in regional WA causes resident to travel hours to Perth for scan, January 2024. Lack of builder for troubled $20m Laverton Hospital leaves WA Premier Roger Cook 'immensely frustrated', November 2023.

[103] Australian Institute of Health and Welfare, Community Safety for First Nations people, September 2023.

[104] Main Roads WA, Western Australia Road Hierarchy, October 2010.

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Ensuring sufficient port capacity to facilitate the importation of decarbonisation equipment, including wind turbines and other modules, is critical to support the decarbonisation of WA's regions. Member feedback suggests current developments within the Port of Port Hedland and Lumsden Point, while welcome, will not be sufficient to meet decarbonisation and future industry development needs.

One pathway to better funding regional infrastructure could be the Royalties for Regions program. CME would like to see Royalties for Regions funding clearly defined and distinct from 'business as usual' public sector spending, including additional transparency in demonstrating how the expenditure delivers better value for money and sustainable outcomes for the recipient community. This funding could be used to supplement SIA activations or other basic community services to give the regions some opportunity for parity compared to services available in Perth.

Recommendations

Significant investment in regional infrastructure is essential to safeguarding WA's prosperity. We recommend the WA Government:

- Prioritise developing a sustainable funding model for local government infrastructure requirements that involves appropriate, untied, auditable funding allocations that give LGAs flexibility in directing funding to the highest priority and best-use projects.
- Expand funding mechanisms that strengthen the climate resilience of infrastructure investments.
- Improve WA's transport efficiency through standard gauge rail and interoperable freight networks.

In the South West:

- Invest in expanded capacity at the Port of Bunbury to facilitate the efficient turnaround of imports and exports with storage facilities and laydown areas capable of accommodating regular trade products and bulk energy transition infrastructure.
- Invest in capacity and amenity upgrades at the Busselton-Margaret River airport terminal to adequately service mobile workforces and incentivise tourism and community connectivity.
- Invest in an open-access intermodal terminal in or near Bunbury that links the Port of Bunbury with Kemerton SIA.
- Continue the feasibility study into reactivating the Greenbushes to Picton railway line and invest in the facility if the study favours servicing spodumene (lithium) and other rail movements between Bunbury and the Greenbushes area.

In the Pilbara:

- Invest in improved port and road capacity, including bridge upgrades, to support decarbonisation investment (e.g. transportation of wind turbines and other modules), including developing a new import-focused port if required and expanding the Great Northern Highway between Port Hedland and Newman to dual lane.
- Invest in capacity and amenity upgrades at Newman Airport to adequately cater for mobile workforces and incentivise tourism and community connectivity.

In the Kimberley:

- Work closely with the Australian Government to expedite the implementation of the First Point of Entry (FPOE) determination for the Port of Broome and establish an FPOE determination for the Port of Wyndham.
- Fund cold storage and laydown areas for the Ports of Broome and Wyndham.
- Further invest in improving and sealing Tanami Road.

In the Goldfields-Esperance:

- Invest in capacity and amenity upgrades at the Kalgoorlie-Boulder Airport Terminal to adequately cater for mobile workforces and incentivise tourism and community connectivity.

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- Advocate to the Australian Government for support and funding of establishing an intermodal rail terminal at or near Kalgoorlie-Boulder.
- Further invest in the Goldfields and Agricultural Water Supply Scheme to bolster security.
- Urgent investment in the SWIS to mitigate against unplanned power outages.

Conclusion

As we move towards a low emission future, the mining and resources industry is working hard to remain a competitive supplier of the minerals and energy the world needs. In doing so, we will continue to contribute to the economic stability and prosperity of all Western Australians in a manner that strives to be economically, socially, environmentally and culturally sustainable. Recent developments highlight that this future is not guaranteed, and we need state and federal regulatory and policy settings to work with industry to achieve these ambitions.

CME appreciates the ongoing engagement and cooperation between the resources industry and Treasury WA Government, its entities and the WA community.

I look forward to discussing the submission in further detail with you.

Yours sincerely

Rebecca Tomkinson
Chief Executive Officer

Copy:

Hon Rita Saffioti MLA
Deputy Premier; Treasurer; Minister for Transport; Tourism

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