31 January 2025

Hon Stephen Jones MP
Assistant Treasurer and Minister for Financial Services
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Assistant Treasurer

2025-26 PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia (WA). CME is funded by member companies responsible for 20 per cent of Australia's corporate income tax receipts in 2022-23.[1]

In 2023-24, the WA resources sector accounted for 56 per cent of Australia's resources exports,[2] half of Australia's resources' capital expenditure[3] and 51 per cent of Australian resources employment.[4]

We welcome the opportunity to provide input on the Australian Government's priorities for the 2025-26 Federal Budget. In addition to presenting the priority recommendations of CME members across the WA resources sector, this letter provides in-principle support for the recommendations made in the Minerals Council of Australia's (MCA) submission.

Overview

Productivity growth is the predominant driver of higher living standards for Australians. As the Productivity Commission puts it, the more goods and services a society can produce with a given set of inputs (i.e. higher productivity), the greater the material standard of living of that society.[5]

It is therefore no surprise that Australia's resources sector is one of the highest productivity sectors of the economy[6] and also one of the largest contributors to our nation's standard of living, generating highly skilled and highly paid jobs and contributing significantly to the provision of public goods and services such as roads, health, education and police via its payments to state and federal governments. With regards to jobs, average weekly earnings in the resources sector are 57 per cent higher than the national average,[7] while the WA resources sector alone directly and indirectly supported 5 per cent of national employment in 2022-23.[8] In terms of public goods and services, the national resources industry is estimated to have paid $356.6 billion in company tax and royalties in the decade to 2022-23,[9] while the WA resources sector contributed at least 28 per cent of the WA Government's general revenue in 2023-24.[10]

These outcomes reflect a combination of factors, including:

- Enormous capital investments in new plant, machinery and equipment. Over the past two decades, the resources sector has invested over $1.7 trillion[11] to increase its productive capacity through safer, more reliable and efficient plant and machinery. These investments embody new technologies such as remote and autonomous operating systems, machine learning, predictive maintenance, and more.
- Harmonious, respectful and mutually beneficial employee-employer relationships, allowing all parties to benefit from productivity-enhancing actions like adopting new work practices and processes, including

[1] Includes company tax, fringe benefits tax, petroleum resource rent tax and excise duty. Commonwealth of Australia, Final Budget Outcome 2022-23, The Treasury (TSY), 22 September 2023, Note 3: Taxation revenue by type, p 39.
[2] Government of Western Australia, 2023-24 Economic Indicators Resource Data File, Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), 9 January 2025.
[3] Investment refers to capital expenditure measured by gross fixed capital formation, current prices. Australian Bureau of Statistics (ABS), 5220 Australian National Accounts: State Accounts, table 25. 5206 Australian National Accounts: National Income, Expenditure and Product, table 34, excludes R&D.
[4] ABS, 6291 Labour Force, Australia, Detailed, table 5.
[5] Productivity Commission, Australia's productivity performance, accessed 8 January 2025.
[6] Business Council of Australia, Australia's flagging competitiveness and productivity, 19 November 2024, p 29. Productivity Commission, Trade and Assistance Review 2022-23, 24 July 2024, pp 31-32.
[7] ABS, Average weekly earnings, Australia – May 2024, August 2024 release.
[8] CME, 2022-23 Economic Contribution Factsheet – Australia, 17 March 2024.
[9] Minerals Council of Australia, Royalty and Company Tax Payments, 21 May 2024.
[10] Includes royalty income, North West Shelf grants and lease rentals from iron ore. Government of Western Australia, Annual Report on State Finances 2023-24, Department of Treasury, 27 September 2024, p 167.
[11] Mining gross fixed capital formation, chain volumes; figures cover 2004-05 to 2023-24. ABS, Australian System of National Accounts, table 64.

upskilling, to integrate more sophisticated technologies and capital equipment. Access to highly skilled international talent also supports the training and upskilling of local workers.

- Efficient and timely access to land. No resources sector can exist without timely and efficient access to land and the natural resources contained within. Identifying and accessing the most productive resource deposits to expand and sustain mining operations is a key determinant of a project's productivity (output per quantum of labour, capital and other inputs).
- Reliable, low-cost energy. Australia's self-sufficiency in traditional energy sources and abundance of solar irradiance and wind resources have supported efficient and continuous resources sector operations through reliable power as well as important industrial feedstocks.

However, Australia's overall productivity growth has been poor over recent decades, with annual labour productivity growth averaging only 1 per cent between 2004 and 2019,[12] before declining over the three years to June 2023.[13] Consistent with poor productivity growth over recent years, living standards as measured by GDP per capita have also declined for the past seven consecutive quarters.[14] With the Australian Government's underlying cash balance forecast to be in deficit for the coming decade,[15] urgent action to drive higher productivity is required.

Delivering fiscal and policy reforms that will attract investment into Australia's resources sector is vital to achieving productivity growth and improving the welfare and prosperity of Australians. With fierce and increasing global competition for this investment from other countries, rising costs and a deterioration in market conditions for key commodities, it is more important than ever to have all arms of federal policy working together to improve our sector's competitiveness and ongoing viability. Over the past 18 months:

- 7 of WA's 9 operating nickel mines plus two projects under construction moved into care and maintenance[16] in response to a 50 per cent fall in prices since mid-2022.[17]
- A 90 per cent fall in lithium prices[18] has resulted in 2 of WA's 8 lithium concentrate mines moving into care and maintenance, one 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.[19]
- Weakening market conditions have also led to job losses across the iron ore and alumina sectors.[20]

Several measures have been announced or introduced over the past 12-18 months that will support the investment attractiveness of Australia's resources sector on the global stage. The Future Made in Australia (FMA) package announced in the 2024-25 Federal Budget will deliver several positive measures designed to support the development of value-adding industries in Australia that contribute to national security and resilience, and the world's decarbonisation efforts.

In particular, CME welcomed the Critical Minerals Production Tax Incentive (CMPTI) and Hydrogen Production Tax Incentive (HPTI) as positive measures that, as part of holistic federal industry policy, can help support Australia's competitiveness in these strategic industries. We also support an effective, efficient Front Door for investors to attract major, transformative investments. The recently announced Green Aluminium Production Credit is another positive FMA measure to support the decarbonisation of heavy industries, though further measures are required.[21] We are keen to see the development of holistic policy measures to support the

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[12] GDP per hour worked, seasonally adjusted, March quarter 2005 to December quarter 2019. ABS, Australian National Accounts: National Income, Expenditure and Product, table 1.
[13] Reserve Bank of Australia, Recent Trends in Australian Productivity, Bulletin, September 2023.
[14] Chain volume measure, seasonally adjusted. ABS, Australian National Accounts: National Income, Expenditure and Product, table 1.
[15] Commonwealth of Australia, Mid-Year Economic and Fiscal Outlook 2024-25, TSY, December 2024, pp 86-87.
[16] 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.
[17] 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.
[18] 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.
[19] Arcadium Lithium announced its Mt Cattlin lithium mine would transition to care and maintenance by mid-2025, 5 September. Mineral Resources announced its Bald Hill lithium mine would transition to care and maintenance in November 2024.Albemarle announced its Kemerton lithium hydroxide train 2 would enter care and maintenance and cancelled construction of approved trains 3 and 4, 1 August. Pilbara Minerals did not declare an interim dividend to preserve balance sheet strength in H1 FY24. Chalice Mining reduced expenditure by 40 per cent.
[20] Mineral Resources announced its Yilgarn iron ore 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.
[21] Minister for Industry and Science, Joint media release: Aluminium to forge Australia's manufacturing future, 20 January 2025.

The Chamber of Minerals & Energy of Western Australia Level 13, 225 St Georges Terrace Perth WA 6000
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development of Australia's green metals industry,[22] noting that work commissioned by CME finds that a WA domestic 'green iron'[23] industry could reduce net global emissions by 1.2 per cent by 2050, equal to Australia's current domestic emissions, in addition to creating new manufacturing jobs.[24]

With regards to energy, sharp increases in electricity costs in WA's South West Interconnected System (SWIS) are causing substantial concern to CME's grid-connected members. The timely delivery of a low emission, reliable and globally cost-competitive energy system is critical to attracting new investment[25] and ensuring the safe and productive operation of existing and future resources projects. For the SWIS, modelling commissioned by CME indicates a significant expansion in renewable generation, gas-fired firming capacity and transmission infrastructure will be required to achieve 75 per cent renewable generation by 2030.[26] We therefore appreciate the expansion of the Capacity Investment Scheme (CIS) to the SWIS, which will support investment decisions for new renewable generation and storage projects. With new transmission infrastructure critical to connecting new renewable generation capacity across the SWIS and WA's Pilbara region, the $3 billion allocation of Rewiring the Nation's concessional finance is also welcome.[27]

On the other hand, and working against these positive measures, is a raft of industrial relations reforms that will reduce labour productivity and add additional complexity and cost for businesses. 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 the development of a single-touch approvals pathway between WA and federal regulators there remains the risk of duplication and additional delays to environmental assessment processes with uncertain environmental benefit. Such outcomes would reduce access to productive resource deposits and 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.[28]

It is therefore imperative that all policy settings and reforms, including those across industrial relations, environment and heritage, actively complement FMA and other supportive settings to improve Australia's investment attractiveness. In particular, we call for the Australian Government to wind back recent industrial relations reforms that reduce the productivity and competitiveness of the WA resources sector.

While there are market and regulatory challenges for governments to address, Australia 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. The $119 billion investment pipeline of potential WA resources projects alone is testament to the opportunities ahead.[29] Realising these opportunities requires action today. We should continue to play to our strengths, leveraging our world-class resources sector, so it continues to underwrite the nation's prosperity over the coming decades.

This 2025-26 Pre-Budget Submission (the submission) outlines CME's priority recommendations to the Australian Government to support the competitiveness of existing resources sector operations, attract new investment and industries, and achieve sustained significant productivity growth. The recommendations are grouped under the following key policy areas:

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

This submission has been informed by feedback from member companies across commodities and operational stages as well as contractors and suppliers to the sector.

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[22] CME, Green metals consultation paper, submission to the Department of Industry, Science and Resources (DISR), 17 July 2024.
[23] In line with the proposed definition for green steel under the International Energy Agency's Breakthrough Agenda Report 2024, green iron refers to iron produced in a near-zero emissions manner.
[24] Mandala Partners, Realising WA's green iron potential, report commissioned by CME, 9 December 2024.
[25] Minerals Research Institute of WA and Clean Energy Finance Corporation, The compelling case for decarbonisation: Mining in a low-emissions economy, August 2022.
[26] CME, Energy costs in transition: Decarbonising Western Australia's South West Interconnected System, report, September 2024.
[27] Prime Minister of Australia, $3 billion Rewiring The Nation deal to power WA jobs and growth, media statement, August 2023.
[28] *Munkara v Santos NA Barossa Pty Ltd (No 3)* [2024] FCA 9.
[29] Planned and possible projects as at September 2024. DEMIRS, Industry activity indicators, accessed 14 January 2025.

The Chamber of Minerals & Energy of Western Australia Level 13, 225 St Georges Terrace Perth WA 6000
Locked Bag N984 Perth WA 6844 **p** +61 8 9220 8500 **e** chamber@cmewa.com **w** cmewa.com

Competitive fiscal settings

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

Australia is a high-cost business jurisdiction. In 2024, the International Institute for Management Development ranked Australia 13th out of 67 countries on overall competitiveness,[30] below key competitor jurisdictions for resources and energy investment such as the USA (12th) and Qatar (11th). Australia's ranking in tax policy competitiveness worsened from 25th in 2023[31] to 29th in 2024, consistent with the Tax Foundation's 2024 International Tax Competitiveness Index ranking Australia 32nd of 38 countries with regards to corporate tax settings.[32] Australia's effective marginal corporate tax rate of 28.6 per cent in 2023 was the fourth highest among OECD countries, and around double that of Canada's.[33]

It is critical to have fiscal and policy settings that support Australia's competitiveness, even more so in light of simultaneous weakness in both economic growth and productivity growth. At a federal level, this 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[34] that can assist in both investment attraction and the ongoing competitiveness of WA as a resources jurisdiction. The funding of turnkey common-user infrastructure such as utility connections (water, gas, electricity, waste and recycling) and transport infrastructure (roads, rail, ports and pipelines), in collaboration with state governments, is also vital to compete with established industrial precincts in competing jurisdictions.[35]

Recommendations

To ensure Australia remains a stable and globally cost-competitive jurisdiction, CME calls on the Australian Government to:

- Commit to no new or additional tax imposts on the resources sector.
- Provide fiscal settings that reduce financing, capital or operating costs, such as low-cost funding or production tax credits (as discussed further below).

We also support the Business Council of Australia's recommendation[36] to:

- Reduce Australia's corporate tax rate to a more globally competitive setting of 25 per cent for all companies to attract investment and drive growth, or introduce a broad-based, permanent investment allowance to help boost investment by increasing the after-tax return on investment.

The Critical Minerals Production Tax Incentive is an important measure to diversify supply chains and support Australia's net zero ambitions

Global competition in the battery and critical minerals market has intensified.[37] At the same time, Australian resource sector projects face rising operating and capital costs arising from lengthy and duplicated federal-state approvals processes, productivity-damaging industrial relations reforms, rising energy and labour costs and labour shortages.

In the 2024-25 Federal Budget, the Australian Government announced the FMA package, which included support for investment in critical minerals processing through the CMPTI, valued at $7 billion over the next decade. This incentive is consistent with the Australian Government's 2023-2030 Critical Minerals Strategy to build sovereign capability in critical minerals processing, diversify supply chains and support low emissions technologies.

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[30] Committee for Economic Development Australia, World Competitiveness Yearbook 2023 – Australia country profile, extract from the International Institute for Management Development's *World Competitiveness Booklet 2023*, June 2023.
[31] International Institute for Management Development, *World Competitiveness Booklet 2024*, June 2024.
[32] Tax Foundation, International Tax Competitiveness Index 2024, 21 October 2024.
[33] Effective marginal tax rates measure the extent to which taxation increases the pre-tax rate of return required by investors to break even; calculated on the basis of a prospective, hypothetical investment project. Canada's EMTR in 2023 was 13.7 per cent. Organisation for Economic Co-operation and Development (OECD) Data Explorer, Effective tax rates – Corporate tax statistics, accessed 13 January 2025.
[34] For example, the Northern Australia Infrastructure Facility, National Reconstruction Fund or Critical Minerals Facility.
[35] CME, Activating WA's Strategic Industrial Areas, policy brief, July 2024.
[36] Business Council of Australia, Australia's flagging competitiveness and productivity, 19 November 2024, p 29. Productivity Commission, Trade and Assistance Review 2022-23, 24 July 2024, p 39.
[37] International Energy Agency, Global Critical Minerals Outlook 2024, 16 May 2024.

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Locked Bag N984 Perth WA 6844 **p** +61 8 9220 8500 **e** chamber@cmewa.com **w** cmewa.com

CME welcomed the CMPTI, which we advocated for on behalf of our members. Our position has always been that introducing a CMPTI needs to be part of a holistic industry policy that includes streamlined federal-state approvals, the delivery of turnkey common-use infrastructure, and low emission, reliable, and cost-competitive energy supply.[38] This is especially important in light of the fact that the announced CMPTI is not intended to support the upstream segments of critical minerals supply chains, where market conditions for nickel and lithium in particular are very challenging.[39] There is no ability for Australia to move into downstream processing without a sustainable and scalable upstream segment.[40]

The *Future Made in Australia* (*Production Tax Credit and Other Measures) Bill 2024* (Cth) was introduced to the Parliament on 25 November 2024. It is pleasing to see the requirement for projects to have achieved final investment decision (FID) by 30 June 2030 being removed, as well as the inclusion of intellectual property costs (capped at 10 per cent of eligible expenditures) and waste products with no value as eligible expenditures. We are also pleased to see the eligible output criteria based on the undertaking of processing activities rather than specific chemical purities. However, as outlined in our submission[41] to the Senate Economic Committee's Inquiry into the bill, we believe further adjustments are needed.

- We note that depreciation, financing and capital costs remain ineligible expenditures despite the Final Rule of the US Advanced Manufacturing Production Credit (AMPC) including depreciation as an eligible production cost following stakeholder feedback.[42] While we acknowledge the Australian Government has introduced other measures to support up-front capital and finance costs for critical minerals projects, including the Critical Minerals Facility, Export Finance Australia and the Northern Australia Infrastructure Facility (NAIF), these measures are awarded on an individual basis and will not apply to all projects or facilities eligible for the CMPTI. Sustaining capital costs also appear to be excluded in the Bill despite these costs differing to the one-off nature of up-front capital investment and being critical to the ongoing and scalable processing activities the CMPTI seeks to support.
- Similarly, feedstock costs are explicitly excluded from eligible expenditures under the Bill, despite the US AMPC including the cost of extracting or acquiring raw materials as eligible production costs if the taxpayer claiming the credit processes the raw product to an eligible product.[43] Clarity on the inclusion of the costs of transporting feedstock and reagents to the production facility would also be welcome.

The CMPTI is designed to apply only to the 31 minerals currently on Australia's Critical Minerals List[44] and would not apply to the five minerals on Australia's Strategic Materials List.[45] CME continues to advocate for an expansion of the Critical Minerals List to include bauxite-alumina (aluminium), copper, zinc and uranium to align Australia's List with those of its key trading partners.[46] However, CME cautions against a significant expansion of the List as this may undermine the Strategy's aims of being targeted and proportionate in prioritising policy support.[47]

Recommendations

To improve the efficacy of the proposed CMPTI and ensure it provides support comparable to the US AMPC, we recommend the Australian Government:

[38] CME, Critical Minerals Production Tax Incentive, submission to TSY, 12 July 2024.
[39] Seven operating WA nickel mines have been put into care and maintenance since mid 2023: Panoramic's Savannah, IGO's Flying Fox and Forrestania, First Quantum's Ravensthorpe, Wylie'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. 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 Bald Hill mine operations will be temporarily suspended.
[40] CME, WA's Battery & Critical Minerals Strategy: Stakeholder consultation paper 2023, submission to the WA Department of Jobs, Tourism, Science and Innovation (JTSI), 14 December 2023. Accelerating opportunities in WA's critical minerals sector, position paper, 17 June 2023. Australian Critical Minerals Strategy 2023: Discussion paper, submission to DISR, 13 February 2023. National Manufacturing Priority: Critical minerals processing roadmap, submission to DISR, November 2020. Mining Amendment Regulations (No 5) 2019: Consultation draft, submission to DEMIRS, 24 January 2020.
[41] Future Made in Australia (Production Tax Credits and other measures) 2024 Bill Provision Submissions, Parliament of Australia, 14 January 2025
[42] US Federal Register, Advanced Manufacturing Production Credit, Internal Revenue Service Final Rule, 28 October 2024.
[43] US Federal Register, Advanced Manufacturing Production Credit, Internal Revenue Service Final Rule, 28 October 2024.
[44] The Critical Minerals List currently includes high purity alumina, arsenic, cobalt, lithium, chromium, magnesium, antimony, beryllium, bismuth, gallium, germanium, fluorine, molybdenum, graphite, hafnium, indium, manganese, niobium, platinum-group elements, rare-earth elements, rhenium, scandium, selenium, silicon, tantalum, tellurium, titanium, tungsten, vanadium, and zirconium. Nickel was added on 16 February 2024. The Critical Minerals List excludes those on the that are essential to modern technologies, economies and national security or are inputs to priority technologies that support the national interest, including some that are in demand from our strategic international partners and vulnerable to supply chain disruption.
[45] The Strategic Materials List was created in December 2023 and contains minerals important for the global transition to net zero and broader strategic applications. it comprises aluminium, copper, phosphorus, tin and zinc.
[46] Uranium has been on Canada's Critical Minerals List since 2021 and was added to Japan's Critical Minerals List in February 2023. Given Australia's Joint Statement of Cooperation on Critical Minerals with Canada in March 2024, adding uranium to Australia's Critical Minerals List would improve alignment between the two countries' critical minerals lists.
[47] CME, Critical Minerals List Submission, 16 August 2023.

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- Brings forward the CMPTI commencement date to on or before 1 July 2026 instead of 1 July 2027, as industry needs support sooner rather than later given intense international competition.
- Expands the definition of eligible expenditures to include depreciation and finance costs, sustaining capital expenditures and raw material (feedstock) costs.
- Makes all current and future minerals on Australia's Critical Minerals List and Strategic Materials List eligible for access to the CMPTI.

It is important to remember that there is no ability for Australia to move into downstream processing without a sustainable and scalable upstream segment. The introduction of a CMPTI must both be appropriately targeted and be accompanied by complementary measures, including:

- Streamling federal-state approvals processes to provide certainty over processes and timeframes.
- Providing shared infrastructure, including well-located, turnkey strategic industrial areas (SIAs), is critical.[48]
- Working with our key trading partners to support the development of price, environmental, social and governance transparency in critical and battery minerals markets.
- Ensure access to the required skills through appropriate migration and domestic training settings.
- Timely delivery of a low emission, reliable and globally cost-competitive energy system. Energy prices are an important determinant of the industry's international competitiveness, especially for value-adding manufacturing activities such as lithium hydroxide, nickel sulphate, silicon and pigments from mineral sands.

CME supports the introduction of the Hydrogen Production Tax Incentive and modest changes can improve its efficacy

Hydrogen is a potentially significant contributor to Australia's net zero transition, with over a quarter of hydrogen-related projects in Australia in WA.[49] Hydrogen could also create economic diversification opportunities through its potential use in the production of near-zero (green) iron and steel, as well as a standalone product for export. CME supports tax incentives to stimulate investment in the growth of low-carbon hydrogen supply.

CME welcomes the proposal to award the HPTI for hydrogen production regardless of end use, including export to other markets.[50] This will help establish new, long-term trading opportunities for Australian hydrogen as the global market matures. While we are of the view that the HPTI of $2 per kilogram (/kg) alone will not close the competitiveness gap and lead to large-scale growth of the hydrogen economy, a simple, targeted tax incentive will play a key role in unlocking investment. Coupled with other forms of public support, the HPTI will play an important role in projects as they compete for international capital, particularly against other markets where similar incentives are available.

CME is, however, of the view that the $2/kg rate, which is not proposed to be indexed for inflation, would be significantly eroded over the period the tax offset will be available and reduces the effectiveness of the HPTI in attracting investment. Indexing for inflation, or CPI, is standard practise in industry, such as for Power Purchase Agreements (PPAs). This is particularly important given that the $2/kg rate is substantially less than the US Inflation Reduction Act's (IRA's) section 45V Clean Hydrogen Production Tax Credit of US$3/kg (approximately $4.8/kg), which is available for the lowest-emission production in the US.

CME notes the proposed cut-off for final investment decisions (FID) is set at 30 June 2030. However, like all energy projects, hydrogen will require comprehensive infrastructure planning and timely approval processes across different levels of government. Many projects are likely to be conditional on the build-out of renewable generation capacity, and in WA in particular, the build-out of transmission infrastructure by the State. There is therefore a risk that most projects will be unable to reach FID before 30 June 2030. Large-scale projects, even those that do reach FID by the 2030 cutoff, may not be able to commence production until the mid-2030s. For these projects, ending the incentive period on 30 June 2040 means the incentive would be available for

[48] CME, Activating WA's Strategic Industrial Areas, policy brief, July 2024.
[49] 24 of 92 active projects. CSIRO, Hydrogen projects spreadsheet, as of 1 November 2024.
[50] CME, Hydrogen Production Tax Incentive, submission to TSY, 17 July 2024.

The Chamber of Minerals & Energy of Western Australia Level 13, 225 St Georges Terrace Perth WA 6000
Locked Bag N984 Perth WA 6844 **p** +61 8 9220 8500 **e** chamber@cmewa.com **w** cmewa.com

significantly less than the intended ten-year window. Extending the end date to the mid-2040s could be a reasonable solution to address the issues posed by long lead times for hydrogen projects.

We also note that other jurisdictions are providing government support to unlock opportunities for at-scale low-carbon hydrogen production from other production pathways to bring forward demand and stimulate global market expansion. Notably, the US has a sliding scale to support other forms with a higher emissions intensity than electrolytic hydrogen, and other markets like the UK provide incentives for hydrogen below 2.4 kg of carbon dioxide equivalent (CO2e) and below 3.4 kg of CO2e in the EU and Japan (on a full life-cycle approach). To ensure that Australia is well-placed to gain an early mover advantage in the global hydrogen economy, CME recommends that the government supports other low-carbon production pathways, including through carbon capture, usage and storage (CCUS).

CME has previously advocated for the Australian and WA Governments to work with industry to assess accurately the scale of electricity infrastructure requirements to unlock decarbonisation options, including in the hydrogen sector. CME's members support the hub model as a way of improving the bankability of projects, increasing innovation and information sharing, and decreasing costs and waste.[51] It is also necessary to streamline federal-state approvals processes to provide certainty over approvals processes and timeframes, reduce complexity, reduce costs, and improve efficiency. The provision of shared infrastructure, including well-located, turnkey SIAs, is also critical. Australia also needs to work with our key trading partners to support the development of resilient supply chains and foster demand in new hydrogen markets from which Australia will be well-placed to benefit in the medium to long term, both economically and strategically.

Sustained investment will be required across the full hydrogen value chain to stimulate production, storage and distribution, demand, supply chain growth, and capability development. A basket of measures, including those announced in the FMA package and the extension to the Hydrogen Headstart program, should continue to work to address these issues in tandem with WA Government support.

Recommendations

To ensure that Australia is well-placed to gain an early mover advantage in the global hydrogen economy, CME recommends:

- The $2 per kg hydrogen incentive rate is indexed for inflation, to ensure that its value is not eroded over the period of time the incentive will be made available (to 2040).
- The 2030 cut off date for Financial Investment Decisions (FID) and 2040 cut-off date are reconsidered and deferred to ensure that projects are able to access the tax incentive for the full intended ten years. For those projects that are advanced, we recommend bringing the scheme commencement date of 1 July 2027 forward.
- As for the CMPTI, the HPTI will need to be complemented by holistic industrial policy including a streamlining of federal-state approvals processes, the provision of shared infrastructure including well-located, turnkey SIAs (in consultation with industry) and the timely delivery of a low emission, reliable and globally cost-competitive energy system.

We support an effective, efficient Front Door for investors to attract major, transformative investment proposals

The Future Made in Australia (FMA) Front Door proposal provides opportunities to better attract and facilitate investment in major, transformative projects across green metals, critical minerals, hydrogen, low carbon liquid fuels and more. In addition, we continue to advocate for stronger policy and regulatory coordination across all levels of the government to facilitate the development of strategic industries at a commercial scale. Streamlining end-to-end approval processes should be the highest priority for the Australian Government in unlocking investment in transformational projects regardless of size, stage, location or industry. In addressing the challenges of navigating existing approvals and the broader investment ecosystem, CME supports the Front Door's proposed service offerings to attract major, transformative investment proposals in Australia.[52] We note that realising this will be contingent on the effective design and efficient implementation of the Front

[51] CME, WA Renewable Hydrogen Strategy Refresh: Stakeholder consultation paper 2023, submission to JTSI, 20 October 2023. National Hydrogen Strategy Review: Consultation paper, submission to the Department of Climate Change, Energy, the Environment and Water, 22 August 2023. Towards competitive clean hydrogen, position paper, November 2021.
[52] CME, Establishing a Front Door for major transformational projects, submission to TSY, 7 October 2024.

The Chamber of Minerals & Energy of Western Australia Level 13, 225 St Georges Terrace Perth WA 6000
Locked Bag N984 Perth WA 6844 **p** +61 8 9220 8500 **e** chamber@cmewa.com **w** cmewa.com

Door. All relevant government agencies involved in the regulatory approvals of a project's path to a FID will need to be held accountable for delivery under the Front Door in meeting agreed timeframes and investor expectations.

Recommendations

To ensure the proposed Front Door service model achieves its stated intent, CME recommends:

- The primary focus of the Front Door should be facilitating an expedited pathway through regulatory frameworks applied across the Commonwealth, state and local governments to help major, transformative projects reach FID sooner.
- The Front Door must ensure a genuine single-contact facilitation service that actively supports investors in navigating regulatory frameworks to deliver regulatory outcomes to agreed timelines.
- The criteria for identifying 'major and transformational' projects should weigh the Australian Government's current and future strategic priorities highly, including those identified under FMA and other areas like energy security, rather than being based on arbitrary expenditure thresholds since 'transformational' projects involve a range of capital expenditures.
- The Front Door must not duplicate existing project facilitation functions. We recommend piloting the Front Door with a small group of projects representative of Australia's investors and major investment opportunities that focuses on the regulatory facilitation service. A transparent and public Regulatory Impact Statement should be produced before full implementation.

Community Benefit Principles should be flexible and administratively simple

CME supports the intent of the FMA agenda to unlock private investment at scale in the national interest at an efficient cost.[53] The *Future Made in Australia Bill 2024* (Cth) introduces five Community Benefit Principles (CBPs) that outline the types of community benefits expected to flow from the provision of FMA support, and that decision makers must consider when deciding whether to provide that support. The CBPs identify key areas where applicants and recipients can demonstrate their social and governance commitments.

The publicly available data indicates that the WA resources sector is already supporting and delivering on the five CBPs:

1) **Safe, secure, well paid jobs**. CME survey data indicates that the WA resources sector supports 3 in 10 jobs in our state.[54] Average weekly earnings for full-time adults in the Australian mining sector are 57 per cent higher than the national average of $1,923,[55] despite the resources sector having only a 10 per cent workforce unionisation rate.[56] As such, a unionised workforce should not be a requirement for FMA support, as some stakeholders suggest.[57]

2) **Skilled and inclusive workforces**. CME diversity and inclusion (D&I) survey data indicates women account for 24 per cent of the WA resources sector workforce, higher than the 22 per cent share for the national resources sector.[58] Regarding training, the WA resources sector contributed 42 per cent to the WA Construction Training Fund's (CTF) levy revenue in 2023-24.[59]

3) **Supporting local and First Nations communities**. CME D&I survey data indicates that the WA resources sector's 5 per cent employment share for Indigenous peoples in 2021 was around three times higher than the Aboriginal and Torres Strait Islander share of total WA employment as of the 2021 Census.[60] In addition, the 2021 Census indicated iron ore mining had the highest share of Aboriginal and Torres Strait Islander employment in WA at 9 per cent. 69 per cent of CME members also have a specific policy to address Indigenous D&I.

[53] CME, Future Made in Australia Bill 2024 and Future Made in Australia (Omnibus Amendments No 1) Bill 2024: Provisions, submission to the Senate Standing Committees on Economies, 30 July 2024.
[54] CME, 2022-23 Economic Contribution: WA, 17 March 2024.
[55] ABS, Average weekly earnings, Australia – May 2024, August 2024 release.
[56] ABS, Trade union membership, August 2022.
[57] The Australian Manufacturers Workers' Union's and the Maritime Union of Australia's submissions to the Senate Inquiry into the FMA Bill.
[58] CME, Diversity and Inclusion in the Western Australian Resources Sector, report, September 2024.
[59] Through 185 payments. CTF, Annual report for the year ended 30 June 2024, 7 August 2024.
[60] Census data indicates 24,863 Aboriginal and Torres Strait Islander peoples were employed as of August 2021, equivalent to a 1.6 per cent share of total WA employment (1.510 million). ABS, 2021 Rest of WA, Census Aboriginal and/or Torres Strait Islander people QuickStats, 6202 Labour Force, table 8.

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4) **Strengthening local supply chains**. In 2022-23, CME members supported 18,712 local businesses across Australia.[61] Our members support fairer, faster payment terms, times and practices for small, local and Indigenous-owned or Indigenous-run businesses.

5) **Tax transparency and compliance**. CME members contributed 20 per cent of Australia's corporate income tax receipts,[62] and of the top 50 corporate entities by tax payable, they contributed 56 per cent.[63]

Given the substantial community contributions the WA resources sector already makes, CME's primary concern is ensuring that the CBPs do not introduce additional compliance burden and duplication without enhancing the benefits to Australian communities. Several existing reporting requirements could be used to assess compliance with the CBPs and minimise the cost of access to FMA support.

CME would also like to raise the importance of incorporating flexibility into the assessment of CBPs to recognise that the benefits sought by local communities differ significantly across Australia. Overly prescriptive criteria required to meet the CBPs may result in benefits of limited utility being provided to local communities or may inadvertently limit the applicant's access to FMA support as local workforce, supply chain, or other constraints mean the criteria cannot be met.

Recommendations

To ensure that the implementation of the CBPs is effective and efficient in delivering appropriate and meaningful benefits, CME recommends:

- Incorporating flexibility into the assessment of CBPs to recognise that the benefits sought by local communities differ significantly across Australia.
- Mechanisms to assess the provision of CBPs associated with FMA support should avoid duplication with existing reporting requirements, including those under relevant State Agreement Acts and Australian Industry Participation Plans.
- That guidance regarding the CBPs specify that compliance with, or provision of, an existing reporting measure relevant to the CBP in question should be sufficient to satisfy FMA decision-makers.
- Administrative arrangements should be efficient for the government (in deciding on and providing FMA support) and industry (in applying and receiving), and effective in achieving desired outcomes for the wider community and economy.

Commercialising green iron pathways for Australia's lower-grade iron ores is critical to our economic future and global net emissions reductions

WA accounts for almost all of Australia's iron ore production and exports, the key ingredient required to produce steel. The WA iron ore sector, located primarily in the Pilbara region, makes an enormous contribution to our nation: in 2022-23, it accounted for 31 per cent of Australia's total resources exports, 5 per cent of Australia's economic activity, and supported 3 per cent of all jobs in Australia (both direct and indirect).[64] Largely reflecting the strength of the iron ore sector, the Port of Port Hedland and its supply chain contributed around $14 billion in direct taxation payments to the Australian Government in 2022-23.[65]

However, the global steel industry accounts for 7-9 per cent of global carbon dioxide emissions (CO_2),[66] with the vast majority of these emissions occurring in the energy-intensive ironmaking stage. The dominant global ironmaking pathway is the blast furnace (BF) process, where coking coal removes the oxygen and impurities from iron ore (suitable for all iron ore grades) to produce pig iron. The other pathway uses natural gas (often combined with hydrogen) to remove oxygen from very high-grade iron ores only in a shaft furnace to produce direct reduced iron (DRI). The DRI pathway involves substantially less carbon emissions but only a very small portion of current global iron ore production meets the physical and chemical requirements for this pathway.

Decarbonising the global ironmaking industry, therefore, has the potential to contribute substantially to achieving emissions reduction targets and addressing climate change. Expanding production of higher-grade

[61] CME, 2022-23 Economic Contribution: Australia, accessed 15 January 2025.
[62] Includes company tax, fringe benefits tax, petroleum resource rent tax and excise duty. Commonwealth of Australia, Final Budget Outcome 2022-23, TSY, 22 September 2023, Note 3: Taxation revenue by type, p 39. CME, 2022-23 Economic Contribution: Australia, 17 March 2024.
[63] Includes joint venture interests in WA projects. Australian Taxation Office, 2022-23 Report of entity tax information, 31 October 2024.
[64] CME, 2022-23 Economic Contribution: WA Iron Ore, July 2024.
[65] ACIL Allen, The Economic Significance of Port of Port Hedland, April 2024, commissioned by Port Hedland Industries Council.
[66] World Steel Association, World Steel in Figures 2024, May 2024.

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ore products, including through increased beneficiation, agglomeration (e.g. pelletising), or development of new magnetite or high-grade hematite resources, can reduce emissions in existing ironmaking processes by reducing the amount of coking coal or gas required. For example, some existing magnetite products can deliver up to a 10 per cent reduction in net lifecycle emissions in a BF process.[67]

Transformational reductions in ironmaking emissions will require developing and commercialising new processes capable of producing iron in a near-zero emission manner ('green iron') using lower grade iron ore feedstocks, including those produced in Australia. Such outcomes would future-proof the enormous contribution of our existing iron ore industry, contribute significantly to global decarbonisation efforts, and create additional value-adding processing and skilled jobs here in Australia.

Work commissioned by CME finds that a 218 million tonne per annum domestic green iron industry in WA by 2050 could:[68]

- Almost double WA's revenue from iron exports to $272 billion from $142 billion in 2023-24.[69]
- Support an additional 19,600 ongoing direct jobs, equivalent to 25 per cent of WA's current manufacturing workforce.
- Reduce net global emissions by 1.2 per cent, equal to Australia's current domestic emissions.

CME members and other research and industry bodies are exploring several potential processes, all at various stages of technological and commercial readiness. However, none are currently commercially viable at an industrial scale, and all are far from cost-competitive with established production pathways. Government action is required to fast-track the development and commercialisation of low-emission ironmaking processes, ensure supportive regulatory settings, support the development of core enabling infrastructure and support demand for low-carbon steel. Achievable interim targets for emissions-intensity will help to establish Australia's place in this critical industry.

Recommendations

Commercialising low-carbon ironmaking processes for Australia's iron ore is critical to our economic future and global net emissions reductions. To ensure this opportunity is captured in Australia, we need a holistic, clear and targeted approach that supports and incentivises industry and the governments to address technological and commercial, regulatory and infrastructure barriers.

With regards to technological and commercial barriers, we recommend the Australian Government:

- Extend the scope of existing research and development (R&D) programs (e.g. Powering the Regions, ARENA and FMA, etc) to support all phases of green iron development and commercialisation – from early-stage R&D and feasibility studies through to large-scale pilots and commercialisation activities. The cap on the R&D Tax Incentive program should also be increased.
- Support international collaboration and investment opportunities in green iron value chain developments by: specifying foreign direct investment in green iron production and related infrastructure as a priority investment area by The Treasury; facilitating long-term offtake agreements between aspiring iron producers and international green steel producers; and supporting industry to form bilateral partnerships with overseas companies and research institutions.
- Quickly implement the HPTI, as proposed under FMA, and develop a green iron production tax credit that is stackable with the HPTI.

With regards to regulatory settings, we recommend the Australian Government:

- Create a separate production variable under the Safeguard Mechanism for value-added iron feedstocks including magnetite concentrates, to recognise the associated energy-intensive ore beneficiation processes that deliver an overall net benefit in global emissions across the steel cycle.
- Review the stationary power variable under the Safeguard Mechanism to avoid penalising off-grid projects.

[67] The Crucible Group, Greenhouse emissions and magnetite iron ore "from pit to product", commissioned by CITIC, October 2022.
[68] Mandala Partners, Realising WA's green iron potential, commissioned by CME, 9 December 2024.
[69] DEMIRS, 2023-24 Major Commodities Resource Data File, October 2024.

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- Support international alignment on measuring green steel and iron that acknowledges efforts to reduce emissions in ironmaking.
- Align the draft Australia Sustainable Finance Taxonomy with other transition-related frameworks and remove the inclusion of Scope 3 emissions for ore producers.[70]
- Expand the Guarantee of Origin Scheme to green iron products and ensure recognition in critical offtake markets.
- Establish a priority assessment pathway for projects that reduce net global emissions, including desalination plants.

With regards to enabling infrastructure, we recommend the Australian Government:

- Review the mandates of existing special investment vehicles, including Rewiring the Nation, Powering the Regions, the National Reconstruction Fund (NRF) and the Northern Australia Infrastructure Facility (NAIF) to ensure they can prioritise investment in infrastructure projects that enable green iron. This includes common-user transmission projects in the Pilbara, SWIS and Goldfields regions.
- Increase funding for the Rewiring the Nation and Powering the Regions and direct spending on projects that enable scale to lower the cost of power for green metals production and other strategic industries. The cost of renewable energy generation and storage is the single biggest capital cost in producing green iron in Australia.
- Coordinate with the WA Government and as necessary provide funding towards:
- Investments in additional port capacity in the Pilbara and Mid West regions, including the addition of one berth at Lumsden Point and the activation of proposed port developments at Balla Balla, Anketell or Oakajee.
- Developing common-use water, hydrogen and CCUS infrastructure to support low carbon hydrogen and green iron production.
- Road widening and bridge upgrades on routes core to the transportation of large modular materials and renewable power equipment needed for constructing hydrogen and green iron production projects.

Addressing land access barriers to unlock Australia's exploration potential

Exploration is the bedrock of the resources sector, fundamental to resource discovery and economic growth within the sector. WA remains one of the most prospective regions in Australia, with critical minerals discoveries presenting a unique opportunity central to Australian and global decarbonisation goals.

Exploration activities typically involve constrained budgets, with mid and junior-tier explorers – who account for the majority of discoveries in WA[71] – being particularly vulnerable to economic headwinds and regulatory barriers. Obstacles to exploration activities reduce discoveries and delay the identification and development of economic opportunities.

Access to precompetitive data and analysis provided by Geoscience Australia and the Geological Survey of WA helps lower exploration costs and enhances investment potential. High-quality data also accelerates exploration timelines and mitigates the risk of unsuccessful ventures. These government departments provide invaluable scientific information that is key to unlocking economic opportunities and jobs. Deloitte Access Economics found that precompetitive geoscience data had supported around $76 billion of value added in the national economy and around 80,000 full-time equivalent jobs in 2021-22 alone.[72]

Despite WA accounting for the largest share of Australia's resources production value in Australia, only a small proportion of Geoscience Australia's funding for precompetitive data development, is allocated to WA-focused precompetitive data investigations, potentially limiting exploration activities in WA.

Anecdotally, CME understands that exploration in some regions of WA is being impacted by factors related to land access costs and timeframes associated with cultural heritage capacity and capability constraints. The full value of pre-competitive geoscientific data and analysis can only be realised with efficient and cost-effective

[70] CME, Australian Sustainable Finance Taxonomy Consultation Paper, submission to the Australian Sustainable Finance Institute, 5 July 2024.
[71] Minex Consulting, Keynote presentation, International Mining and Resource Conference, Sydney, November 2022.
[72] Deloitte Access Economics, The economic value of government precompetitive geoscience data and analysis for Australia's resources industry, report commissioned by Geoscience Australia, 18 August 2023.

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land access which is balanced by an ongoing fiscal commitment to support capacity building of Traditional Owner representative bodies, who are central to supporting land access. We discuss this issue in depth in the following section.

Recommendations

Recognising the role exploration plays in resource discovery and unlocking economic opportunity for Australia, CME recommends:

- Increase the allocation of Geoscience Australia funding to strategic WA-based pre-competitive geoscientific data collection and analysis.
- Provide funding certainty to WA beyond the 4-year budget horizon to recognise lengthy land tenure and lead times for exploration activities.

Efficiency in regulation

Efficient and timely regulatory processes are a vital enabler of the WA resources sector. Well-designed regulatory settings are central to supporting the competitiveness of the sector in international commodity markets by providing certainty on assessment processes and timeframes, maintaining ESG credentials and the protection of environmental and heritage values.

EPBC Act reforms require further development with industry to deliver environmental and business reform objectives

CME supports reform of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth), (the EPBC Act) and Nature Positive Plan, which should deliver environment and business reform objectives by removing duplication and maintaining ecologically sustainable development (ESD) principles to support decisions that align with WA's unique land tenure regime, environmental conditions and resource-focused economy.

The viability of WA's resources sector, and its economic contribution to state and national economies, relies on efficient, workable settings that eliminate unnecessary regulatory burdens while maintaining environmental protections. Attracting investment to sustain existing projects and develop new projects aligned with the Australian Government's critical minerals, hydrogen, green metal and renewable energy ambitions will pivot on the reform delivering efficient environmental assessment processes.

Transparent and robust consultation, testing and adjustment of reforms prior to implementation are critical to achieving business and environmental reform objectives and preventing adverse outcomes. CME considers that subsequent reforms would benefit from being consulted on and drafted in entirety, such that the full impacts of the reforms can be determined. To provide confidence that the reforms can deliver both environment and business objectives, reform testing should include an assessment of recently approved projects against proposed Nature Positive reforms, to demonstrate that reforms would be implementable and identify what efficiencies in process, timeframes and cost can be delivered.

CME does not support the Nature Positive Bills as introduced into Parliament in May 2024, which in our view do not achieve the reform objectives. CME believes that Stage 2 Nature Positive reforms should be further developed in consultation with stakeholders, to implement appropriate checks and balances to support a compliance-focused regulator and decision-making responsibility remaining with the Minister, which will embed an ESD-driven approach that strengthens environmental outcomes and provides certainty for industry. An ESD-driven approach will ensure that environmental, social and economic impacts and benefits can be considered in a holistic way, with decisions on projects made considering a balance of these perspectives.

Critically, the formation of Environment Information Australia offers a unique opportunity to establish a body that collects and curates data across Australia, delivering high quality and authoritative environmental data in a centralised and transparent platform to advance scientific understanding and environmental outcomes.

Stage 3 Nature Positive reforms, and specifically the development of National Environmental Standards (NES), are considered to be a critical component of EPBC Act reforms and should underpin accreditation of state processes to support single-touch approvals. Consultation with the WA resources sector remains key to developing and testing Stage 3 reforms before implementation to ensure that the reforms enable better environmental and business outcomes.

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In particular, CME acknowledges initial engagement efforts conducted by the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) Heritage Division and the First Nations Heritage Protection Alliance on the development of an NES for First Nations engagement and participation in decision-making. Recognising the value of this partnership and ongoing in-person engagement with stakeholders across WA, will support the development of a workable NES.

Recommendations

The WA resources sector supports reform of the EPBC Act to deliver improved environmental and business objectives. CME recommends continued development of EPBC Act Stage 2 and Stage 3 reforms via robust consultation and testing to ensure enacted reforms are workable, remove duplication and improve process efficiency. CME does not support the Nature Positive Bills as introduced into Parliament in May 2024.

Stage 2 Nature Positive Reforms

We recommend the Australian Government:

- Commits to assessing the proposed Stage 2 reforms to determine whether they deliver the 'better for the environment' and 'better for business' objectives, and adjusts settings to achieve both reform objectives.
- Delivers funding to establish Environment Information Australia as an agency, resourced to enable functions beyond reporting and to include collection and curation of data for all bioregions across Australia.

Stage 3 Nature Positive Reforms

We recommend the Australian Government:

- Continues to pursue broader EPBC Act reforms that are subject to robust stakeholder consultation and testing.
- Provides segmented funding relevant to the development of individual NES, to support Stage 3 reform development that enables ongoing, in-person transparent consultation and thorough testing in WA to ensure workability.
- Co-designs WA Regional Plans under the EPBC Act with state-based stakeholders to support effective application and operation within WA's varied and unique environment.
- Collaborates with the WA Government to deliver bilateral accreditation and single-touch approvals in WA as part of the design of the Stage 3 EPBC Act reforms and allowing robust stakeholder testing and reform adaptation prior to the introduction of Stage 3 Nature Positive reforms.

Federal-state cultural heritage framework interactions should be reviewed to support heritage protection and sustainable industry development

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

CME believes the interaction between the WA and Commonwealth cultural heritage regimes, particularly in relation to the identification of cultural heritage and condition setting under the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) is not well defined, which presents a risk to all developments and a significant investment risk for the WA resources industry. In particular, there is a lack of clarity regarding how Ministerial considerations under section 10 of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (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 *Aboriginal Heritage Act 1972* (WA) (AHA).

Active engagement in cultural heritage processes created under legislative and policy regimes also requires significant resources for both proponents and First Nations representative institutions. Continued support by the Australian Government for capacity building for First Nations representative bodies, particularly in areas where policy development and future reforms will likely adjust engagement requirements and expectations, should be considered in supporting economic development.

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Recommendations

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

- An ongoing fiscal commitment to support capacity building of Traditional Owner representative bodies, who are central to the identification and safeguarding of First Nations cultural heritage.
- The Australian Government engages with the WA Government to undertake an assessment of the interaction between the WA and Australian cultural heritage regimes to support ongoing collaboration between the WA and Australian Governments, reduce duplication of consultation demands on Traditional Owners and ensure alignment on the representative organisations to be consulted, thus empowering First Nations peoples in WA to safeguard heritage values while also supporting economic growth and sustainable development in WA.

Recent federal industrial relations reforms will harm productivity and reduce WA's competitiveness and must be wound back

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, which is 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.[73] 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.[74]

There is 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 experience, 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 adoption of new technology can increase productivity. In contrast, more prescriptive policies can reduce productivity. In simple terms, any measures that reduce flexibility and increase operational costs without any corresponding increase in productivity make Australian unit labour costs more expensive, risking the viability of business operations and the associated jobs, household incomes and government revenues.

Recent reforms will reduce productivity in the resources industry

The Australian Government's industrial relations reforms will reduce productivity while increasing costs, thereby 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.[75] 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 three to four years as new and existing workplace agreements are negotiated, with arbitrated outcomes across multiple large and complex businesses of particular concern.

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[73] ABS, Average weekly earnings, Australia – May 2024, August 2024 release.
[74] 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.
[75] 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.

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While the reforms are yet to have their full impact, tangible adverse impacts have arisen. 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.[76] 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 businesses do not have a 'common interest' and that their operations and business activities are not 'reasonably comparable'.[77]

These developments confirm industry fears of increasingly inflexible working arrangements and uncompetitive terms and conditions across the resources sector, resulting in:

- Lower productivity, less operational flexibility and higher unit labour costs
- Increased risk of industrial action
- Greater complexity and less ability to differentiate employee offering if multi-employer bargaining is applied.

Such outcomes for the WA resources sector's operations in the Pilbara region would be particularly damaging to both the state and national economies. In 2023-24, the Pilbara region accounted for 77 per cent of WA's total mineral production by value, 87 per cent of state royalty receipts and 50 per cent of WA's onsite minerals employment.[78] CME's Economic Factsheets indicate the WA resources sector supported 1 in 2 jobs in the Pilbara region in 2022-23, while making direct payments to 685 local businesses and 377 community organisations.[79] The iron ore industry accounts for the bulk of activity in the Pilbara region, with the Pilbara region accounting for 97 per cent of the state's iron ore production volumes.[80]

Recommendations

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 Australian Government to:

- Introduce industrial relations reforms that improve labour productivity, recognising that productivity growth is the long-term driver of higher living standards for all Australians.
- Amend Part 10 of the *Fair Work Legislation Amendment (Secure Jobs, Better Pay Act) 2022* (Cth) to extend the exemption from the two-year fixed term contract limit to include in-house trainee programs run by employers (in addition to the current exemption for traineeships and apprenticeships under state and territory laws).
- Wind back recent reforms that reduce productivity and the competitiveness of the WA resources sector. This includes:
    - Repealing the 'single interest' stream of involuntary multi-employer bargaining.
    - Repealing the ability for unions to force employers into bargaining without any need for employee support and reinstating the requirement that majority employee support must be demonstrated before bargaining can commence.
    - Repealing the ability for persons who are not 'fit and proper' persons to enter sites if they are 'assisting' a health and safety representative.
    - Repealing intractable bargaining amendments in the Secure Jobs, Better Pay Act and the Closing Loopholes No. 2 Act.

Energy security, net zero transition and climate resilience

[76] Three unions initiated a decade-first collective bargaining in the Pilbara. AFR, BHP forced to negotiate in new push to unionise Pilbara, August 2024.
[77] 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.
[78] DEMIRS, 2023-24 Spatial and Regional Resource Data File, accessed 19 November 2024.
[79] CME, 2022-23 Economic Contribution – Pilbara region, accessed 19 November 2024.
[80] 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.

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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.[81] We recommend the Australian Government commits to technology neutral, least-cost abatement of greenhouse gas emissions that supports the development and deployment of all low and zero-emissions technologies.

Investment by the Australian Government in a low-emission, reliable and competitive energy system is vital to facilitate the timely decarbonisation of Australia's energy system and the global competitiveness of our resources sector. Decarbonising WA's economy is critical to attracting new investment,[82] creating 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 energy prices and establish our products in global supply chains before our competitors.

In the 2024-25 Federal Budget, CME was pleased to see WA benefitting from the Australian Government's key electricity grid transition policies, including the Rewiring the Nation, expanded CIS and National Energy Transformation Partnership. We appreciate the effort made to modify the design of CIS renewable generation and storage tenders to reflect the unique characteristics of WA's Wholesale Electricity Market.

CME awaits the Australian Government's 2035 decarbonisation target and Net Zero Plan, which will be supported by various sectoral Plans. This will go some way to give certainty to WA's resources sector, investors, and our trading partners on the opportunities ahead. For example, Australian LNG can play an important role in providing our trading partners with secure energy to support their decarbonisation efforts. The Net Zero Plan will need to support least-cost abatement across the economy and recognise that there is no 'one-size fits all' technology solution, and companies should have the latitude to invest in the abatement technologies appropriate to their assets' needs and maturity, proximity to energy sources, and portfolio investment cycles. With low emissions electricity a critical enabler of industrial decarbonisation, the Net Zero Plan should provide a clear investment and delivery roadmap for firmed renewable energy into the 2030's.

While technology-specific initiatives (such as Hydrogen HeadStart and production tax incentives) are welcome, CME supports additional technology-neutral funding programmes or tax enhanced concessions to accelerate innovation as well as deployment of abatement technology, for instance accelerated depreciation for low-carbon investments**.** This proposal would bring benefits by allowing businesses to optimise investment decisions in line with established investment cycles.

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 pathways to reduce emissions, such as fuel-switching from diesel or coal to natural gas, low carbon liquid fuels and hydrogen, and investing in R&D and innovation, much of the focus to 2030 and beyond will be on increasing the proportion of electricity sourced from low emission electricity generation. Depending on technical and commercial viability, electrification of equipment and processes is also underway. 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.

Significant investment in new generation and transmission infrastructure is required in the South West Interconnected System

For many CME members, the SWIS provides the only viable near-term pathway for decarbonisation via lower-emissions electricity. 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 are concerned by significant increases in electricity prices in the SWIS over recent years, which present 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

[81] CME, Climate Policy, policy area, published December 2024.
[82] 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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transmission and distribution costs.[83] 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.

CME commissioned Endgame Economics to model whole-of-system capital costs, prices, emissions, generation, and capacity mix out to 2042 under three illustrative scenarios.[84] The central scenario imposed 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.[85] The results from the central scenario 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 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 central scenario provides several key lessons to guide a timely and effective transition of the SWIS, with the overarching message that the near-term focus needs 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 capacity would be required to ensure grid reliability at the lowest cost in a renewables-dominated network, particularly as the WA Government looks to phase out state-owned coal generation by 2030.
- 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.

Recommendations

The Australian Government should:

- Continue to support investment in renewable generation capacity through the CIS. Our modelling suggests that CIS future tenders should focus on renewable generation capacity rather than storage, to incentivise investment in generation.
- Increase and expedite support for transmission build-out under the Rewiring the Nation program, stapled to and complementing the WA Government's work in this area.

Delivery of new common user electricity infrastructure is vital to the decarbonisation of the Pilbara

The Pilbara region is WA's mining powerhouse. In 2023-24, the Pilbara contributed 60 per cent of the total value of WA resources sector production and 87 per cent of total WA resources sector royalties, with iron ore accounting for 96 per cent of resources production value in the region. The Pilbara also comprised 50 per cent (67,036 full-time equivalents) of total onsite mining employment in WA.[86]

The timely delivery of low emission electricity and carbon capture, use and storage (CCUS) infrastructure in the Pilbara is essential to achieving the Australian Government's commitment to net zero emissions by 2050.

[83] 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.

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

[85] All scenarios modelled assumed 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.

[86] DEMIRS, 2023-24 Spatial and Regional Resource Data File, November 2024.

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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 vast amounts of electricity.[87]

WA is the number one global iron ore producer, with 97 per cent of production within the Pilbara.[88] With the steel industry accounting for 7-9 per cent of global CO_2 emissions each year,[89] WA will be important in delivering pathways that enable the decarbonisation 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,[90] 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 industrial electrification (including mining fleets) and the development of new industries such as hydrogen.[91] Meeting this demand could require around 50GW of new generation and storage capacity. 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 concessional loans and equity under the Clean Energy Finance Corporation's Rewiring the Nation to support the financing of new transmission infrastructure in WA.[92] 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.

The State government's award of Priority Project status in December 2024 for four transmission corridors in the Pilbara is a welcome step, and we urge the federal government to support the Clean Energy Finance Corporation in making swift progress in awarding concessionary finance through the Rewiring the Nation to unlock the required investment this year.

There could be an opportunity for the Australian Government to support the Plan through the NAIF. There is scope for NAIF to support new common user infrastructure in WA as low emission, reliable and cost-competitive energy infrastructure is vital to economic activity and liveability in the Pilbara region.

Recommendations

The Australian Government should:

- Support the Clean Energy Finance Corporation to make swift finance offers under the Rewiring the Nation program this year to unlock proponents' Final Investment Decisions in the four priority Pilbara transmission corridors.

[87] DISR, Green metals consultation paper, May 2024.
[88] DEMIRS, 2023-24 Major Commodities Resource Data File. 2023-24 Spatial and Regional Resource Data File, November 2024.
[89] World Steel Association, World Steel in Figures 2024, May 2024.
[90] 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.
[91] 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.
[92] Prime Minister of Australia, $3 billion Rewiring The Nation deal to power WA jobs and growth, media statement, August 2023.

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- Consider supporting the WA Government's Pilbara Energy Transition Plan through funding from the NAIF, in addition to support from the Rewiring the Nation program.

The potential development of a Goldfields regional electricity network would likely require future funding support

The Goldfields-Esperance region is one of WA's premier resources jurisdictions. In 2023-24, it accounted for: 11 per cent of the value of WA's minerals production; 72 per cent of WA's gold production; 5 per cent of all royalty payments to the WA Government (second only to the Pilbara); and almost 30 per cent of WA's onsite mining employment (second only to the Pilbara).[93]

However, businesses and industry in the Goldfields region have experienced power outages that are both disruptive and costly,[94] reflecting ageing infrastructure and a single 650 kilometer transmission line connecting the Kalgoorlie-Boulder region to the rest of the SWIS, vulnerable to climate events. Modelling conducted after the WA Government's SWIS Demand Assessment identified the potential development of a Goldfields Regional Network (GRN) as the optimal transmission network outcome for the Goldfields region to achieve decarbonisation and reliability objectives at lowest cost.[95] Under this model, new privately-owned transmission infrastructure would be constructed from Kalgoorlie up to Leinster via Leonora to access high-quality wind and solar resources and connect to large industrial loads.

The WA Government, through Powering WA, has initiated the Goldfields Regional Network Forum to explore the potential development of a GRN, which could be operational by 2033.[96] The GRN project will progress through the concept study, commercial assessment and regulatory and market review stages in 2025.

Recommendations

The Australian Government should:

- Engage and where possible support the WA Government throughout 2025 on progressing the GRN project.
- Should the project culminate in an expression of interest process, allocate additional funding under the Rewiring the Nation Fund towards developing new common-user transmission infrastructure as part of the GRN.

Low carbon fuels

CME is supportive of the Australian Government's early indications of support for fuel-switching to low-carbon liquid or gaseous fuels in the short term, with an immediate focus on supporting pilot and demonstration trials and providing incentives for their supply and use.

The WA resource's sector is heavily reliant on diesel, accounting for 42 per cent of Australia's resource sector diesel consumption.[97] We have previously advocated[98] for close collaboration with liquid-fuel reliant industries to unlock opportunities to produce and consume domestic low carbon liquid fuels at scale, support capital investment in refining, and ensure sustainability standards are set at the right level, learning from other markets such as the EU and US. CME would like to see sharpened focus by the Australian Government in this area to support this nascent sector, bring down costs and stimulate market supply and demand, both globally and internationally.

[93] Government of Western Australia, 2023-24 Economic Indicators Resource Data File, Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), 9 January 2025.
[94] The region experienced a multi-day blackout in January 2024 and a half-day blackout on 23 August 2024. ABC News, Power being restored to Kalgoorlie-Bolder after outages around the Goldfields city to a halt, 19 January 2024; WA Premier Roger Cook blasts Western Power, Synergy after Goldfields, Wheatbelt blackouts, 28 August 2024; Goldfields, Wheatbelt residents frustrated by half-day power outage, following extended blackout in January, 24 August 2024.
[95] WA Government, SWIS Transmission Planning Update, May 2024.
[96] WA Government, Goldfields Regional Network, November 2024.
[97] DCCEEW, Australian Energy Statistics, table F, 2022-23 data, 28 August 2024.
[98] CME, Unlocking Australia's low carbon liquid fuel opportunity, submission to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DOTRDCA), 17 July 2024.

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Recommendations

Alongside industry input, the Australian Government should:

- Develop and implement market-making incentives to stimulate supply and demand for low carbon liquid fuels, recognising their decarbonisation potential and the economic benefits that could be yielded for WA.

Carbon capture and storage

For many CME members whose emissions are hardest-to-abate at scale, including where carbon dioxide is generated as a result of chemical processes or existing gas use in industrial processes, the current leading option is for deployment of pre- or post-combustion CCUS. These members argue that CCUS should explicitly be acknowledged in the federal Net Zero Plan, and elsewhere by the Australian Government, as a critical technology option for the hardest-to-abate sectors of industry. There might be an opportunity for CCUS to play a role in embedded carbon in products, and emerging value chains are a subject of focus for some of CME's members, for instance in low carbon liquid fuels. Similarly, some CME members see opportunities to sequester carbon dioxide through mineralisation technologies, which is a growing area of research.

The WA Government recently published its CCUS Action Plan,[99] underlining a commitment to supporting CCUS and recognising the critical role it will play in safeguarding jobs in existing industries where there are few options to decarbonise. The Action Plan also notes that investment in CCUS projects is currently focussed in other jurisdictions. In order to ensure that Australia does not fall behind in developing and deploying this technology at scale, thereby losing early mover advantage, CME's members whose emissions are hard-to-abate at scale recommend that the Australian Government commits to developing, in consultation with industry, a proactive national action plan for CCUS deployment, including consideration of social acceptance and community engagement. This would build on the Future Gas Strategy's Action 5 to promote geological storage of carbon dioxide and support the Asia Pacific region's transition to net zero.

Recommendations

For hard-to-abate sectors the Australian Government should continue to explore opportunities to use CCUS to support local and global decarbonisation in the transition to net zero and:

- Follow the lead of the WA Government in explicitly acknowledging CCUS as a decarbonisation pathway for hard to abate sectors of the economy, and work with states and territories to support CCUS hub deployment in the context of the focussed roll out of CCUS projects in other countries.

Climate adaptation

As Australia increasingly experiences the physical impacts of climate change, it is critical to proactively improve our resilience. 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 critical infrastructure, like roads and rail, water resources, and energy infrastructure. Actions stipulated in the 2021-25 National Climate Resilience and Adaptation Strategy are approaching completion. The Australian Government's next plan, the National Adaptation Plan, will need to work with states and territories, communities and industry to develop a roadmap that clearly defines investments and further actions to improve our resilience to the effects of climate change, and improve the investment case for new resource projects.

Recommendations

The Australian Government should:

- Release the final National Climate Risk Assessment report during 2025 and, in collaboration with the WA resources sector, use the findings to inform development of the new National Adaptation Plan.

[99] Government of Western Australia, WA Carbon Capture Utilisation and Storage Action Plan, JTSI, 22 November 2024.

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- In consultation with the states and territories, develop a sustainable financing model for local governments to fund infrastructure upgrades to build resilience to natural disasters and extreme weather events, as outlined in the discussion on regional infrastructure below.

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 for all.[100] Despite some recent job losses in the resources sector, the WA 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 Australian Government remains focused on addressing current and anticipated skills shortages.

The WA labour market remains tight

WA resources sector employment has fallen over the past 18 months, consistent with a sharp deterioration in market conditions for nickel and lithium, as well as more challenging conditions for iron ore and alumina.[101] Employment levels in November 2024 were 8 per cent below the peak in May 2023. However, WA resources sector employment remains 20 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.[102] The unemployment rate in the key mining region of the Pilbara was the lowest in the state at 2.2 per cent in the June quarter of 2024.[103]

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.[104]

The proposed reform of Australia's VET qualifications system is long overdue, and priority must be given to review qualifications related to trades outcomes relevant to the resources sector. It is essential to consider the expanded use of digital and advanced technologies as well as the road map to net zero, the impact on required skills and the increased volume of trades needed to achieve our industry's decarbonisation ambitions. VET delivery must mirror actual workplace situations, therefore focusing on underpinning knowledge, skills, equipment and training staff's industry currency and culture is crucial to achieve successful apprenticeship completions. Access to technology training is an important aspect and requires collaboration between employers and training providers.

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

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:

- Expand the Skills Recognition Apprenticeship Program to include qualifications for skill shortages (e.g. automotive, engineering, electrotechnology and telecommunications trades).
- Boost the pipeline of VET trainers and assessors, including by reviewing remuneration, government housing support and subsidies to attract and retain trainers in regional areas.
- Better utilise Recognition of Prior Learning, particularly where employers are upskilling existing employees via an apprenticeship pathway or for employees transferring from another industry sector.

[100] CME, Diversity and Inclusion in the Western Australian Resources Sector, report, September 2024.
[101] ABS, Labour Force, Australia, Detailed, table 5.
[102] ABS, Labour Force, Australia, table 8.
[103] JTSI, WA Economic Profile – December 2024, December 2024.
[104] Jobs and Skills Australia, Occupation Shortage Report - June 2024, August 2024.

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- Continue to engage with training councils and industry to identify future skills needs and develop strategies to address these.

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 relieving 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 and Australia'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. Temporary skilled migration is particularly important in allowing the resources sector to safely and productively manage peaks in activity caused by the cyclical nature of commodities markets. With other countries pursuing similar aims, global shortages of skilled workforces will increase competition to attract workers to Australia.

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.
- Work alongside the WA Government to simplify assessment, verification and accreditation processes to allow workers who acquired their qualifications outside of Australia to enter the labour market quickly.
- Provide culturally competent wraparound services for migrants on skilled, family and humanitarian visa categories, particularly in the regions, to promote social cohesion.

Ensuring the safety of WA resources sector workers will require Safe Work Australia to improve its consultation and regulatory impact assessment processes

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. 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 both physical and psychosocial safety.[105]

Safe Work Australia must significantly improve its consultation and regulatory impact assessment processes to ensure a balanced risk-based approach that prioritises both health and safety and operational viability. Currently, the agency's practice of conducting limited or no regulatory impact assessments, along with short and concurrent consultation periods – recently as brief as six weeks for a major consultation on changes to the exposure limits for nine chemicals – hinders effective stakeholder engagement and policy making.

The lack of transparency about the evidence base prior to implementing changes in national work health and safety policies is also concerning, such as the decision to lower the workplace exposure limit for diesel particulate matter beyond what was consulted in 2023.[106] Furthermore, such considerable changes in policy need to be accompanied by guidance material to provide clarity regarding compliance and support industry in

[105] CME, Diversity and Inclusion in the Western Australian Resources Sector, report, September 2024.
[106] 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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change management. In addition, codes of practice are often long and complex documents and need to be user friendly, with clear and simple language, and contain practical information to support implementation.

The implications of rushed decisions, and the publication of documents that are not fit for purpose, are far reaching and significant in terms of costs to the WA resources sector, other industries and the WA regulator. Genuine consultation is essential; by adopting a more open and transparent approach, Safe Work Australia can better understand the potential impacts of proposed changes to workplace health and safety practice on the WA resources sector, ensuring that measures are risk-based and do not inadvertently detract from health and safety, stifle industry growth or innovation.

Recommendations

To support appropriate, effective and WA-relevant workplace health and safety policies, we recommend that Safe Work Australia:

- Conducts and releases robust regulatory impact assessments for all major consultations and decisions.
- Provides sufficient consultation periods for proposed regulatory changes to enable stakeholders to provide considered and constructive feedback.
- Increases its engagement with the WA resources sector to ensure that policy is fit for purpose and leads to improved safety outcomes.

Regional economic development

WA's resources sector is anchored in regional WA, where most resource deposits are situated and developed.[107] The wealth generated by the sector underpins the state's economic prosperity,[108] and in a climate of rising costs, global market uncertainty and increasing regulatory requirements,[109] 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 Australian 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 Australian 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.[110] The housing shortage is particularly acute across regional WA, which is having a significant impact on business and industry.[111] The Australian Government's National Housing and Homelessness Plan also understands that affordable housing

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

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is essential for thriving communities and economies. CME supports the key measures in the Plan to make it easier for Australians to buy their own homes, particularly in regional WA. Announcements under the federal Housing Support Program that support additional housing supply, such as the $21.1 million allocated for housing subdivision works in Karratha on 9 January, are welcome initiatives.[112] There may also be opportunities for the WA resources sector to support the Housing Australia Future Fund in increasing social and affordable housing in at risk communities, such as co-investment.

CME's 2019 submission to the Productivity Commission's inquiry into remote area tax concessions and payments highlighted support for taxation arrangements that promote economic development of WA regions and their communities.[113] There are disproportionately higher costs associated with living in remote and regional WA.[114] The Australian Government helps Australians who reside in specified geographic areas through the Zone Tax Offset, the Fringe Benefits Tax (FBT) remote area concessions and the Remote Area Allowance. CME has long argued the provision of employer-owned remote area housing to employees is an expense incurred in the ordinary course of carrying out business. These expenses are operational, linked to the remoteness, availability, volatility, spatial and temporal variability of projects typical of the resources sector. However, there is an opportunity to improve policy neutrality and increase housing supply by equalising the 50 per cent FBT concession on employee-sourced housing, mortgage interest and rent assistance to a 100 per cent FBT exemption.[115] The current FBT regime is not designed to incentivise employees acquiring housing.

Furthermore, with a constrained labour market, there may be an opportunity to encourage workers to reside locally within an appropriate drive-in, drive-out distance of remote sites (i.e. in lieu of fly-in, fly-out from a metropolitan region). Currently, transport allowances provided by employers with operations in remote Australia to compensate a local employee's road-related travel attract FBT and additional pay-as-you-earn income tax. Extending the existing living away from home allowance FBT exemption to these kinds of remote transport situations will help offset the significantly higher expenses incurred on average on motor vehicles and fuel in the Kimberley and Pilbara (regional price index of 109.4 and 108.7 respectively in comparison to a baseline of 100.0 in Perth).

Recommendations

To improve housing supply and promote residential workforces in regional and remote Australia, the Australian Government should:

- Work alongside the WA Government to ensure Australia's housing strategy prioritises regional housing incentives in areas of highest demand.
- Ensure the National Housing and Homelessness Plan and Housing Support Plan deliver real outcomes such as affordability and availability for regional areas.
- Increase the 50 per cent FBT concession on employer-provided assistance to employee-sourced accommodation, including residential utilities, rent, mortgage interest and purchase property costs, to a 100 per cent FBT exemption in remote areas. This may help incentivise workers to build or own homes.
- Extend the Living Away from Home Allowance exemption to drive-in, drive-out transport allowances in remote situations to address anomalies, providing policy neutrality and equitable treatment of different choices of long-distance commuting arrangements.

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, increases productivity, 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.[116] 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

[112] City of Karratha, City welcomes funding to help deliver vital Mulataga Subdivision, 10 January 2025.
[113] CME, Remote area tax concessions and payments: Issues paper, submission to the Productivity Commission, May 2019.
[114] Department of Primary Industries and Regional Development, Regional Price Index 2023, January 2024.
[115] CME, Re: Remote area tax concessions and payments – Draft report, submission to the Productivity Commission, 16 October 2019.
[116] Victoria University report, Mapping the Deserts: Childcare Accessibility in Australia, August 2024.

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Goldfields, with some children on childcare centre waitlists for more than two years.[117] In response, the WA resources sector is investing in local initiatives, including through their social investment programs, to help address shortfalls. Long-term government investment is needed to ensure the adequate and sustainable provision of ECEC services in regional WA.

With regard to the provision of tertiary and vocational education and training in the regions, an inability to attract and retain learning professionals has an adverse impact on education opportunities and standards for students. Addressing this challenge will require targeted attraction strategies for experienced lecturers and trainers to live and work in the regions.

Recommendations

The Australian Government has acknowledged these challenges and the recently announced a 15 per cent pay rise for ECEC workers as part of the $3.6 billion package will encourage greater diversity and participation in regional workforces. We welcome this measure and recommend that the Australian Government implement the following complementary measures to enhance the efficacy of these reforms:

- Target financial and social support incentives to attract ECEC providers and workers to regional areas through health, wellbeing, housing and professional development opportunities. These incentives should also apply to workers providing out-of-school-hours care.
- Alongside the WA Government, fund a detailed mapping exercise to understand clearly where and what the needs are in the regions and prioritise the development of an ECEC workforce in the regions to address thin markets.

In the tertiary and vocational education sector we recommend the Australian Government introduce targeted attraction strategies for experienced lecturers and trainers to live and work in the regions.

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.[118] 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.[119] 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.[120] CME supports current Australian government funding to attract and retain primary healthcare workers opting to live and work in regional communities through the Workforce Incentives Program. CME also supports the work of the WA Health Alliance, responsible for planning and coordinating investment towards equitable primary care services across WA on behalf of the Australian Government.[121]

Recommendations

The Australian Government should:

- Sustainably fund equitable primary and mental healthcare infrastructure in regional centres across Australia, particularly in WA.
- Expand existing funding for primary healthcare workers opting to live and work in regional communities through the Workforce Incentives Program.

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[117] 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.
[118] ABC News, Fears Royal Flying Doctor Service is being used to prop up inadequate rural healthcare, November 2023
[119] 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.
[120] Australian Institute of Health and Welfare, Community Safety for First Nations people, September 2023.
[121] Department of Health and Aged Care, Workforce Incentive Program – Rural Advanced Skills Stream, accessed 5 December 2024.

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- Incentivise further private healthcare investment in regional Australia and e-Health opportunities through grants and co-investment.

Deliver infrastructure to support regional services and economic development

As outlined in earlier sections of this submission, developing turnkey SIAs and common-use infrastructure with appropriate buffer zones, delivering 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;[122] 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. This lack of recurrent funding for capital upgrades such as capacity or amenity improvements can also apply to airport terminals owned and run by regional LGAs.

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 WA ports are central to Australia's access to global markets, including the importation of key operational and construction inputs. As such, CME welcomed the announcement of First Point of Entry (FPOE) status to the Port of Broome in February 2024[123] and the subsequent announcement of FPOE status for the Ports of Wyndham, Ashburton and Dampier.[124] This status will improve supply chain flexibility and reduce costs and emissions related to trucking goods over long distances from other ports. Regional airports and airstrips are pivotal in mobilising skilled workers to the state's remote mineral endowments and they also provide ongoing community connectivity, promote tourism, and provide urgent medical interventions. 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.

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. In addition, CME urges better coordination of whole-of-state and whole-of-Australia analysis of end-to-end supply chain development (e.g. freight and associated infrastructure demand) in line with actions in the 2024-2030 WA Renewable Hydrogen Strategy and 2024 National Hydrogen Strategy.

Recommendations

Significant investment in regional infrastructure is essential to safeguarding WA's prosperity. We recommend that the Australian Government work alongside the WA Government on the following:

- 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. This should also include improved financing mechanisms to strengthen the climate resilience of infrastructure investments and capital upgrades at airport terminals to improve workforce mobility, community connectivity and regional liveability.

In the South West region:

[122] Main Roads WA, Western Australia Road Hierarchy, October 2010.
[123] The Hon Catherine King MP, Green light towards enhanced border services at Port of Broome, 26 February 2024.
[124] Prime Minister of Australia, Albanese Government building future of WA, media release, 9 January 2025.

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- 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.
- To support freight overflow from Kwinana, support the investigation of an open-access intermodal terminal in or near Bunbury that links the Port of Bunbury with strategic industries such as those in Kemerton SIA.[125]

In the Pilbara region:

- 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.
- Conditional on a strong business case and WA Government support, support international flight services to and from Port Hedland airport to support regional economies and provide direct access to international labour markets.

In the Kimberley region:

- Expedite the implementation of the FPOE determination for the Ports of Broome and Wyndham, including the design and development of essential security and biosecurity infrastructure and a resourcing plan to facilitate international vessels and cargo.
- Support the investigation of cold storage and laydown areas in the Ports of Broome and Wyndham to ensure resilience and supply of perishable foods, particularly during extreme weather events.
- Bring forward investment in improving and sealing the Tanami Road to increase the opportunities arising from FPOE status for the Port of Wyndham.

In the Goldfields-Esperance region:

- To promote network efficiency, support business case development for the rail realignment and intermodal rail terminal project at or near Kalgoorlie-Boulder.[126]
- Further invest in the Goldfields and Agricultural Water Supply Scheme to bolster security for all industries.

Yours sincerely,

Adrienne LaBombard

Director – Policy and Advocacy

[125] Beyond Westport and the Western Trade Coast, there is limited consideration of new intermodal terminals across regional WA. For example, since the 2020 Draft South West Supply Chain Strategy, there has only been the Waterloo Intermodal Terminal.
[126] DITRDCA, Kalgoorlie Rail Realignment – Business Case, 15 July 2024. Goldfields-Esperance Development Commission, Kalgoorlie Rail Realignment Project, 8 August 2024.

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