

23 January 2023



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

Sent via email: PreBudgetSubmissions@treasury.gov.au

Dear Minister

2023-24 PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the mining and resources sector in Western Australia. CME is funded by member companies responsible for more than 91 per cent of the State's mineral and energy workforce employment,¹ including mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services.

The value of royalties received from the sector totalled over \$11 billion in 2021-22, accounting for 27 per cent of Western Australia's general government revenue.² Amid heightened commodity demand, royalties and stronger tax collections from the sector are expected to underpin government fiscal capacity in 2022-23.

The opportunity to provide input on the Commonwealth Government's priorities for the 2023-24 Budget (the Budget) is welcome. Reiterating themes from our previous pre-Budget submissions, this letter supports the detailed recommendations made in submissions by the Australian Petroleum Production and Exploration Association (APPEA) and the Minerals Council of Australia (MCA). Specific recommendations are highlighted and summarised below and should be read in conjunction with those submissions.

The recommendations in this submission are structured into the following focus areas:

1. Fiscal competitiveness
2. Boosting productivity
3. Unlocking investment

Overview

The mining and resources sector within Western Australia is vast and complex, comprising of mining and energy operations spread across a diverse grouping of commodity types and traversing various stages, from exploration through production and closure. The sector plays a key role in the strength and stability of both the national and state economies, with resources project activity within Western Australia making a valuable contribution to the Federal Government's fiscal security. For instance, mining contributed more than \$421 billion in mineral and energy export value in 2021-22, with 54 per cent of this value comprising of exports from Western Australia.³ Further, Western Australia accounted for 59.3 per cent of Australia's mining industry gross value added in 2021-22, with the gross value add from WA's mining industry rising 8.3 per cent to \$186.8 billion in 2021-22.⁴

In addition to Government public reporting disclosures, the resources sector delivers economic dividends into the communities in which they operate through shared infrastructure and community and local supply chain investments. Data collected from just 56 of CME's member companies demonstrated they directly supported 1,114 community organisations and 18,782 Australian businesses. Modelling of this data further

¹ Government of Western Australia, [2021-22 Economic indicators resources data](#), Department of Mines, Industry Regulation and Safety, 5 October 2022.

² Government of Western Australia, [2021-22 Annual report on State finances](#), Department of Treasury, 28 September 2022, p 8.

³ Government of Western Australia, [2021-22 Economic indicators resources data](#), Department of Mines, Industry Regulation and Safety, 5 October 2022, p 15.

⁴ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 15.

demonstrated indirect spending from the sector contributed to an additional 493,852 full-time jobs and \$78.44 billion in gross value add to the Australian economy through its activities in 2020-2021.⁵ These dividends contributed 8.7 per cent to gross regional product and, alongside direct company contributions, play an important role in supporting the regional and remote communities in which the sector operates.

With \$57 billion of major resources projects either committed or under construction within Western Australia, and a further \$87 billion under consideration,⁶ the outlook for the State's mining and resources sector is strong. New and expansion projects across established resources deposits, alongside critical minerals and the resources required to support the global energy transition, remain attractive to investors.

Exploration investment (often a leading indicator of mining and resources activity) remains at record highs in the State, with Western Australia accounting for 64.2 per cent of Australia's minerals exploration expenditure in 2021-22.⁷ Iron ore and copper were driving the increases seen in exploration expenditure in 2021-22, rising 30 per cent to \$502 million and 72.8 per cent to \$255 million, respectively.⁸ Notable rises were also seen in other minerals such as lithium, rare earths and manganese, which collectively rose 36.7 per cent to \$264 million in exploration expenditure.

Whilst the exploration expenditure and proposed project pipeline estimates depict a positive future-state for the Western Australian mining industry, the sector faces considerable headwinds in the form of intense global competition for investment capital, geopolitical tensions, disrupted supply chains, and a constrained local labour market exacerbated by global skill shortages. Further, recent changes and uncertainty regarding domestic monetary and regulatory policy decisions, compounded by ongoing delays and duplication within approval processes, threaten Australia's reputation as a stable and profitable investment jurisdiction. **A swift, concerted, and coordinated response is required to recalibrate Australia's investment settings and fully realise the benefits of the entire resources project pipeline.** These matters will be discussed further in the remainder of this submission.

In preparing this submission, CME has sought feedback from member companies spread across commodity types and operational stages and including contracting partners who form part of the sector's economic value-chain.

Fiscal competitiveness

Australia is known as a high-cost business jurisdiction, facing high cost-burdens associated with labour, land, transport, tax rates, foreign investment fees (which have recently doubled) and an increasing cost of regulatory burden. Additionally, the remote and regional nature of Western Australian mining means project proponents are often burdened with high capital infrastructure and transport costs and the need to invest in behind the meter generation and/or energy network infrastructure due to a lack of existing grid infrastructure or capacity constraints in 'fringe of grid' areas. These factors, coupled with a lack of availability of 'turn-key' ready land, and complex global supply chains vulnerable to inflationary pressures, further increase the time and cost burden on resources sector projects.

To assist businesses in weathering global inflationary pressures and intense investment competition, a stable and fiscally competitive regime is critical. **With global flows of capital increasingly mobile, more collective effort is required to attract investments by implementing the right domestic policy, tax and regulatory settings.**

The mining and resources sector is already a significant contributor to government revenues through taxes and royalties as outlined above. The range of other fees and charges paid to governments at all levels is also increasing; for example, through increased use of cost-recovery models for accessing government services and regulatory approval processes. A whole-of-government focus on improving the cost and

⁵ The Chamber of Minerals and Energy of WA, [Economic contribution factsheet 2020/21](#), 27 March 2022.

⁶ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 9.

⁷ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 10.

⁸ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 10.

regulatory burden of doing business in Australia to support business-led growth and tangibly improve Australia's global competitiveness is vital.

CME asserts there should be no new or increase in existing costs of doing business in Australia and supports the following recommendations put forward by APPEA and MCA:

- Retention of the fuel tax credit scheme in its current form. CME supports the ongoing consideration of broader subsidy arrangements to deliver maximum support to industry and alignment with economic and decarbonisation objectives.
- A reduction in the company tax rate to the OECD average to address declining growth in business investment, particularly capital investment.
- Ensuring cost recovery under the Environment Protection and Biodiversity Conservation Act (EPBC Act) is appropriate and does not deter minerals investment.
- Unlocking of further gas supply by ensuring taxation laws reflect modern commercial practice and encourage new gas development for affordable, reliable and secure energy through acreage releases.

Boosting productivity

Improving regulatory efficiency

As global ambitions continue to align towards a carbon-neutral economy, a number of governments are pursuing new policy settings strategically targeted at economic decarbonisation (e.g. Inflation Reduction Act in the United States of America, Carbon Border Adjustment Mechanism in the European Union). In this environment of increasing carbon scrutiny, the Australian mining and resources sector holds a reputation for its strong ESG credentials and is positioned favourably as a supplier in ESG value-driven markets across the commodity landscape.

To capitalise on these market opportunities, it is crucial for the Australian Government to work alongside State jurisdictions to improve the regulatory burden (without compromising regulatory outcomes and intent) and facilitate the activation of domestic projects. As the forecast price for critical and battery minerals is expected to peak around 2030⁹ and energy demand per capita in Asian developing economies will continue to increase through to 2030,¹⁰ it is essential that national productivity is not undermined by duplicative regulation subject to high-costs and excessive delays, and unnecessarily burdensome administrative compliance.

CME recommends the Government acts swiftly to remove duplication across and between Commonwealth and State environmental assessment and approvals processes. Such reform is long overdue, with Western Australian projects increasingly being required to undergo duplicative assessment and approvals requirements, contributing to significant delays in project timeframes and a drag on investment and productivity.

In this context, CME supports the intent of proposed reform to the *Environment Protection and Biodiversity Conservation Act 1999* ('EPBC Act') to improve environmental outcomes and regulatory efficacy. The delivery of this dual intent will be critical. Material improvements to address duplicative, complex and inefficient processes are essential to reining in unnecessary costs, delays and providing certainty for projects which will be coming on-line over the next few years.

In addition to duplication and regulatory uncertainty, the significant proposed changes to the EPBC Act and the introduction of an independent Environmental Protection Agency risk detracting from investment appetite in the near term. In anticipation of this change, and throughout the transition, **CME recommends an active project facilitation role (in close coordination with the States) be implemented to assist proponents to navigate an already onerous and complex process and provide certainty for those already in the pipeline.**

A key function of project facilitation teams within Government must also be to identify areas of clear regulatory overlap (both within and across State and Commonwealth processes) to support ongoing streamlining and regulatory efficiency.

⁹ Driven by steep demand from front-loading of net zero commitments, inducing supply reactions and reducing market tightness after 2030. Boer L, Pescatori A and Stuermer M, [Energy transition metals](#), International Monetary Fund Working Paper WP/21/243, October 2021, p 26.

¹⁰ International Energy Agency, [World Energy Outlook 2021](#), October 2021.

Key to limiting unnecessary duplication, retaining and supporting the primacy of State regulators on State matters must also remain a priority. With full implementation of the new *Aboriginal Cultural Heritage Act 2021* framework committed to by July 2023 and involving a modernised framework of Aboriginal cultural heritage protection, **reforms to Commonwealth heritage legislation must remain focused on working with and complementing the role of the States and providing a transparent and administratively efficient backstop function.**

In addition to the above recommendations, CME supports the following recommendations outlined by the MCA to deliver improvements to regulatory efficiency:

- Retention of the Minister for Environment as decision maker for projects assessed under the EPBC Act to ensure adequate consideration of all relevant factors - including environmental, social and economic).
- Enabling State and territory regimes to be accredited to carry out EPBC Act assessment and approvals to eliminate duplication for resources projects.
- Progress technical reforms to improve EPBC Act assessment and approval processes, including statutory timeframes for post-approval processes, risk-based assessments and flexibility to vary approvals.

Migration and skills

Employment demand within the Western Australian resources sector remains strong, with employment in the mining industry experiencing the largest rise in average employment between the December quarters of 2021 and 2022 (an increase of just under 16 per cent).¹¹ Industry has been heavily investing in both the upskilling of existing workers and addition of high numbers of apprentices and trainees to meet demand, however labour market tightening in both the State and national economy is placing pressure on local businesses.

To supply the skills required for the future of the mining and resources industry, CME welcomes a continued investment in local skills and training complemented by an efficient and competitive skilled migration system. Specifically for migration, CME supports the Government's intent to review the national migration system, and **recommends the ongoing implementation of focused, long-term migration policy settings which are globally competitive and can respond efficiently to skills demands.**

To further protect the safety and enhance the productivity of its workforce, CME also supports the following recommendations put forward by the MCA:

- Ensure a modern workplace system that allows for businesses to continue to provide the most competitive terms and conditions to attract and maintain workers.
- Prevent the imposition of inappropriate and inefficient industry arrangements across multiple employers.
- Expand the Commonwealth Innovative Places grant scheme (targeting national priority and emerging skills needs) for places commencing in 2024 and increase the number of available allocations from 300 to 600.
- Support a mix of modern, accessible education and skills pathways, developed in collaboration with industry – including higher and accelerated apprenticeships, micro-credentials and bridging/stackable short-burst courses.

Improving economic participation through Fringe Benefit Tax

To aid in improving gender equity employment outcomes and access to housing, CME recommends Government reconsider the Fringe Benefit Tax (FBT) treatment of the following employer-provided assistance:

- **Extend the FBT exemption for on-premises childcare assistance to off-premises.** For women who return to work, the inclusion of childcare services in salary sacrificed employment packages is a positive mechanism to boost labour supply. However, in the absence of any FBT exemption, this financial assistance attracts the highest marginal rate of tax.

¹¹ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 5.

- Recognise children's education costs for employees required to reside in remote areas as a living away from home allowance and exempt these costs from FBT.
- Revisit FBT concessions in remote areas as an economy-wide measure to attract and retain skilled labour. If properly structured, it would benefit sectors like mining, oil and gas, agriculture, education, law and health. It is notoriously challenging to have professionals stay beyond their contracted short-term arrangements. **Expanding the employee-sourced housing concession to an exemption would help reduce the disproportionate administrative burden of demonstrating nexus to employment**, particularly where it cannot be reasonably construed as an 'overly generous private benefit' in remote and very remote areas of Western Australia and the Northern Territory.

CME suggests the above amendments could be trialled on a 'pilot' basis in regional and remote areas where identified acute skills shortages exist alongside heavy industry, such as the Pilbara in Western Australia.

Unlocking investment

Recent years have seen a resurgence in mining activity buoyed by positive terms of trade and emerging market opportunities. This trend is evidenced in the business investment data, with Western Australia accounting for 24 per cent of Australia's private new capital expenditure in 2021-22, and the mining industry accounting for 71 per cent of the State's private new capital expenditure.¹²

To sustain this momentum and unlock new investment, there is an urgent need to improve Australia's cost competitiveness relevant to other jurisdictions by reducing barriers, uncertainty and costs and implementing productivity enhancing reforms as outlined above. Furthermore, complementary action to secure a stable and cost competitive energy supply, support the advancement of decarbonisation technologies, and ensure Government funding mechanisms are fit-for-purpose will be critical. These matters are discussed below.

Government funding mechanisms

Resources sector projects are highly capital intensive and complex in both their investment and asset structure. Often project proponents looking to venture into new markets have difficulties accessing debt through traditional means due to the under-explored nature of their commodity and a lack of historical export market performance (both for demand and supply projections as well as for pricing).

Pleasingly, the October 2022-23 Federal Budget outlined key funding mechanisms to support the economy through economic decarbonisation and industry development, including the Powering the Regions Fund, Rewiring the Nation, and the National Reconstruction Fund. The establishment of these funds is welcomed by CME, representing a clear investment signal and opportunity for cooperation with private sector proponents.

Ongoing opportunities for Government funding mechanisms to finance projects which contribute to the diversification and development of the Australian resources sector has the potential to contribute significantly to both local communities and fiscal economic prosperity. **CME welcomes ongoing opportunities to collaboratively work with Government and ensure funding mechanisms are 'fit-for-purpose' to support the significant opportunities within Western Australia.**

To unlock further investment across the mining and resources value chain, CME also supports the following recommendations put forward by APPEA and MCA:

- Ensure that the Powering the Regions Fund is adequately resourced to support the international competitiveness, decarbonisation and carbon offsetting requirements of a reformed Safeguard Mechanism.
- Invest in shared carbon management infrastructure.
- Encourage the uptake of cost-effective abatement opportunities ahead of normal investment cycles through accelerated depreciation allowances.

¹² Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, pp. 9.

Critical Minerals

Western Australia hosts significant critical minerals resources including alumina, copper, cobalt, lithium, graphite, magnesium, manganese, nickel, palladium, platinum group elements, rare earths, silicon and vanadium.

Recent years have seen capital investment in excess of AUD\$9 billion and an iterative movement along the value chain with Western Australia well progressed in the initial refining of raw materials notably hosting: three lithium hydroxide facilities, a nickel sulphate refinery, a nickel and cobalt metals refinery, a rare earths processing facility and a rare earths refinery with other developments planned or in train.

However, it's important to recognise these are complex projects which are capital (upwards from \$1 billion) energy and resource intensive. In response to challenges associated particularly with the very high upfront capital costs, early-stage explorers and developers of critical minerals have tended to negotiate raw material off-take arrangements with processors based outside of Australia in exchange for project funding.

Additionally, these investment choices are being made in an increasingly competitive global context, with some jurisdictions providing or looking to introduce significant incentives for critical and battery minerals processing and downstream value chains to be established domestically such as the United States' Inflation Reduction Act. Attracting investment and having certainty around ongoing and competitive operating costs – energy, employment costs, tax and other fees and charges are critical – particularly in an inflationary environment and where we are competing with these other international jurisdictions, will be critical.

In addition to the funds referenced above, the availability of grants and tax incentives would greatly assist to attract and retain investment in downstream processing of raw materials domestically and opening up further opportunities for Australia to capture more of the critical minerals value chain.

Decarbonisation and the development of emerging energy industries

The global shift towards the large-scale adoption of renewable and clean energy technologies is driving a fundamental transition in Australia's domestic energy market. This energy transition is rapidly taking place; and is both technology-led and commercially driven. Simultaneously, global decarbonisation is driving demand for the critical and battery minerals which, along with traditional commodities such as iron ore, will be needed at an extraordinary scale to provide the raw material inputs for renewable energy generation assets and other decarbonisation technologies.

The continued advancement of the technical capability to provide a future-state electricity network which is able to deliver vast quantities of secure clean energy at a competitive cost, will be a critical component in the success of the energy transition and the future of heavy industry in Australia.

To further Australia's position as a competitive jurisdiction to attract and retain investment, the continued investment by Government in the transformation of the nation's (including Western Australia's) electricity network, and the facilitation of reliable energy supply at the lowest emissions and cost of abatement, is vital. This includes investing in ongoing research and development for clean energy technologies such as hydrogen and commercial-scale energy and carbon capture and storage solutions.

CME, therefore, also supports the following recommendations put forward by APPEA and MCA:

- Ensure that reform of the safeguard mechanism enables a manageable, sustainable and effective reduction in emissions while maintaining the international competitiveness of industry.
- Enable least-cost abatement of CO₂ emissions by promoting and supporting decarbonisation technologies.
- Identify and develop carbon storage opportunities.
- Enable access to increased supply of credible, verified, low-cost domestic and international abatement following the progress made on Article 6 at COP 26 in Glasgow.

Conclusion

For Australia to secure the next waves of investment and seize the emerging economic opportunity, a competitive and stable cost environment coupled to a complementary regulatory framework is essential.

CME asserts there should be no new or increase in existing costs of doing business in Australia, accompanied by a continued commitment to swiftly improve regulatory efficiency and expand incentives to effectively promote capital investment and sustainable job creation.

Should you have questions on the views and recommendations raised in this letter, please do not hesitate to contact Adrienne LaBombard, A/Director of Policy and Advocacy 0400 912 525 or at a.labombard@cmewa.com.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Rebecca', with a long, flowing horizontal stroke extending to the right.

Rebecca Tomkinson
Chief Executive Officer
The Chamber of Minerals and Energy of Western Australia