

FEDERAL 2025-26

Pre-Budget Submission

POLICY BRIEF



Australia's resources sector is 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, with CME members alone providing 20 per cent of Australia's corporate income tax receipts in 2022-23.¹ This largely reflects the high productivity of the Australian resources sector,² developed through \$1.7 trillion of investment over the past two decades,³ harmonious and mutually beneficial employee-employer relationships, efficient and timely access to land and reliable low-cost energy.

However, Australia's overall productivity growth has been poor over recent decades and living standards as measured by GDP per capita have also declined for the past seven consecutive quarters.⁴ With the Australian Government's underlying cash balance forecast to be in deficit for the coming decade,⁵ urgent action to drive greater 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, 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.

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 strategic industries that contribute to national security and resilience and the world's decarbonisation efforts. But 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. Uncertainty regarding federal environment and heritage settings are also reducing investor confidence.

In 2023-24, the WA resources sector accounted for:⁶



**56% of Australia's
resources exports**



**Half of Australia's
resources capital
expenditure**



**51% of Australia's
resources
employment**

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 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.

3 Mining gross fixed capital formation, chain volumes; figures cover 2004-05 to 2023-24. ABS, *Australian System of National Accounts*, table 64.

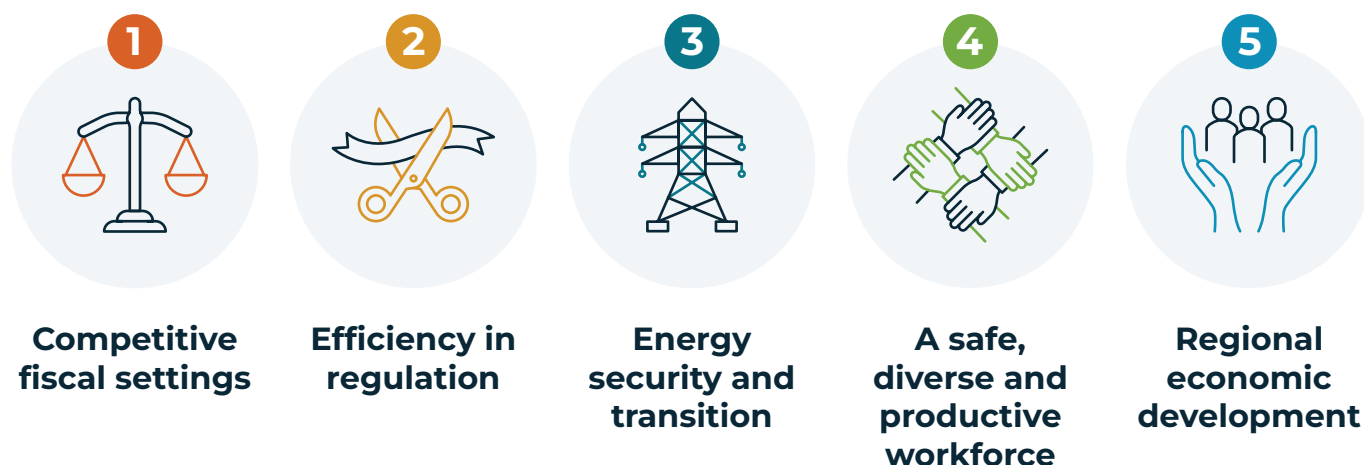
4 Chain volume measure, seasonally adjusted. ABS, *Australian National Accounts: National Income, Expenditure and Product*, table 1.

5 Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2024-25*, TSY, December 2024, pp 86-87.

6 Government of Western Australia, *2023-24 Economic Indicators Resource Data File*, accessed 9 January 2025; ABS, *5220 Australian National Accounts: State Accounts*, table 25; ABS, *5206 Australian National Accounts: National Income, Expenditure and Product*, table 34; ABS, *6291 Labour Force, Australia, Detailed*, table 5.

CME's 2025-26 Pre-Budget Submission (PBS) provides further context on the challenges and opportunities facing the minerals and energy sectors. The \$119 billion investment pipeline of potential WA resources projects alone is testament to the opportunities ahead,⁷ but realising these opportunities requires action today. As such, the PBS details our priority recommendations to support the competitiveness of existing resources sector operations, attract new investment and industries, and achieve sustained significant productivity growth.

This Policy Brief summarises the key recommendations contained within the PBS across the following policy areas:



⁷ Planned and possible projects as at September 2024. DEMIRS, *Industry activity indicators*, accessed 14 January 2025.

1 Competitive fiscal settings



The WA resources sector is beholden to global markets and is reliant on international investment. As such, it is critical to have fiscal and policy settings that support Australia's competitiveness. 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 funding⁸ that can assist in both investment attraction and the ongoing competitiveness of both WA and Australia as a resources jurisdiction.

CME supports key measures under the FMA package including the introduction of the Critical Minerals Production Tax Incentive (CMPTI), the Hydrogen Production Tax Incentive (HPTI) and an efficient Front Door for investors in major, transformational projects. The WA resources sector already supports and delivers on the intent of the FMA Community Benefit Principles (CBPs) and it is important that the CBPs do not introduce additional compliance burdens or duplication of existing reporting requirements. The recently announced Green Aluminium Production Credit is another positive FMA measure to support the decarbonisation of heavy industries.⁹ However, further Australian Government measures are required to support industry's decarbonisation in a technology-neutral, least-cost manner.

Commercialising green iron¹⁰ pathways for Australia's lower-grade iron ores is critical to our economic future and global net emissions reductions. Work commissioned by CME¹¹ finds that a 218 million tonne per annum domestic green iron industry in WA by 2050 could: almost double the revenue from WA's iron exports from \$142 billion in 2023-24¹² to \$272 billion; support an additional 19,600 ongoing direct jobs, equivalent to 25 per cent of WA's current manufacturing workforce; and reduce net global emissions by 1.2 per cent, equal to Australia's current domestic emissions. While CME members and other research and industry bodies are exploring several potential processes, none are currently commercially viable at an industrial scale. 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.

To enhance Australia's global competitiveness and attract investment in new strategic industries CME recommends the Australian Government:

- Commits to no new or additional tax imposts on the resources sector.
- Swiftly legislates and implements the CMPTI, bringing forward the commencement date to on or before 1 July 2026 and expanding eligible expenditures to include depreciation and finance costs, sustaining capital expenditures and raw material (feedstock) costs to ensure the measure provides commensurate support to the US Advanced Manufacturing Production Credit.
- Swiftly legislates and implements the HPTI, indexing the \$2/kg incentive rate for inflation, bringing forward the 1 July 2027 commencement date and reconsidering the 2030 Final Investment Decision (FID) and 2040 end of scheme cut-off dates.
- Develops a green iron production tax credit that is stackable with the HPTI, extend the scope of existing R&D programs to support all phases of green iron development and commercialisation and expand the Guarantee of Origin Scheme to green iron products.
- Designs a Front Door that facilitates an expedited pathway through federal, state and local government regulatory frameworks, provides a genuine single-contact service and does not duplicate existing project facilitation functions.
- Ensures Community Benefit Principles are flexible and administratively simple, avoiding duplication of existing reporting requirements.

8 For example, the *Northern Australia Infrastructure Facility*, *National Reconstruction Fund* or *Critical Minerals Facility*.

9 Minister for Industry and Science, *Joint media release: Aluminium to forge Australia's manufacturing future*, 20 January 2025.

10 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.

11 Mandala Partners, *Realising WA's green iron potential*, commissioned by CME, 9 December 2024.

12 DEMIRS, *2023-24 Major Commodities Resource Data File*, October 2024.

2 Efficiency in regulation



Efficient regulation, including access to land, is vital to the ongoing operation 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 environmental, social, and governance (ESG) credentials; and protecting environmental and heritage values.

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. CME does not support the Stage 2 Nature Positive bills as introduced to Parliament in 2024, which in our view do not achieve the reform objectives. Transparent and robust consultation, testing and adjustment of reform settings prior to implementation are critical to achieving business and environmental reform objectives and preventing adverse outcomes.

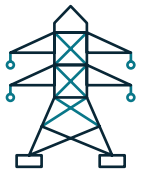
It is essential that Australia's cultural heritage framework enables First Nations peoples to actively manage and safeguard their cultural heritage while simultaneously supporting sustainable industry development and social and economic opportunities for First Nations peoples. Continued support for capacity building for First Nations representative bodies is required to deliver these outcomes.

The Australian Government's recent industrial relations reforms will reduce productivity while increasing costs, thereby worsening Australia's international competitiveness. While tangible adverse impacts have already arisen, the full negative impacts of these reforms are yet to come.

CME recommends the Australian Government:

- Commits to assessing the proposed Nature Positive reforms to determine whether they deliver the 'better for the environment' and 'better for business' objectives, and adjusts settings to achieve both reform objectives.
- 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 National Environmental Standards, to support Stage 3 reform development that enables ongoing, in-person consultation and testing in WA.
- Co-designs development of WA Regional Plans under the EPBC Act with state-based stakeholders to support effective 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 allows robust stakeholder testing and reform adaptation prior to the introduction of Stage 3 Nature Positive reforms.
- Provides ongoing funding to support capacity building of Traditional Owner representative bodies, who are central to the identification and safeguarding of First Nations cultural heritage.
- Engages with the WA Government to assess the interaction between the WA and Australian cultural heritage regimes to reduce duplication of consultation demands on Traditional Owners and ensure alignment on the representative organisations to be consulted.
- Repeals recent industrial relations reforms including: the 'single interest' stream of involuntary multi-employer bargaining; the ability for unions to force employers into bargaining without any need for employee support; the ability for persons who are not 'fit and proper' persons to enter sites if they are 'assisting' a health and safety representative; and intractable bargaining amendments in the Secure Jobs, Better Pay Act and the Closing Loopholes No. 2 Act.

3 Energy security and transition



A low emission, reliable and globally cost-competitive energy system is critical to the ongoing viability and decarbonisation pathways of the WA resources sector, as well as being a critical enabler of globally competitive future industries including critical and battery minerals and low-carbon hydrogen, ammonia and metals.

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 program and expanded Capacity Investment Scheme (CIS) and National Energy Transformation Partnership. CME is also supportive of the Australian Government's early indications of support, through the Future Gas Strategy, for fuel-switching to low-carbon liquid or gaseous fuels in the short term.

Third party modelling from Endgame Economics¹³ indicates that substantial investment in new transmission, renewable generation and gas firming capacity will be required to meet future demand in WA's South West Interconnected System (SWIS). In the Pilbara, decarbonisation and new industry development will require flexible funding support for new common-user transmission infrastructure, and similar support may also be required for the potential development of a Goldfields regional electricity network.¹⁴

As Australia increasingly experiences the physical impacts of climate change, including extreme weather events and chronic changes such as sea-level rise and a drying climate, a roadmap to proactively improve our resilience is required.

To support Australia's energy transition and security and climate resilience, CME recommends the Australian Government:

- Focuses CIS tenders in the SWIS on renewable generation capacity rather than storage over coming years, as modelling indicates current and under-construction 4-hour battery storage capacity will likely be sufficient until 2030.
- Engages with the WA Government throughout 2025 on progressing the Goldfields Regional Network project and, should the project culminate in an expression of interest process, allocates additional funding under the Rewiring the Nation fund towards new common-user infrastructure.
- Supports 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.
- Considers supporting the WA Government's Pilbara Energy Transition Plan through funding from the Northern Australia Infrastructure Fund. Future Rewiring the Nation funding could therefore be made available for the proposed Goldfields Regional Network.
- Develops and implements 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.
- Releases the final National Climate Risk Assessment report and, in collaboration with the WA resources sector, uses the findings to inform development of the new National Adaptation Plan.

¹³ CME, *Energy costs in transition: Decarbonising Western Australia's South West Interconnected System (SWIS)*, September 2024.

¹⁴ WA Government, *Goldfields Regional Network*, November 2024.

4 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.¹⁵ With the labour market remaining tight and a large future pipeline of potential resources and renewable energy infrastructure projects it is critical that industry and the Australian Government remain focused on addressing current and anticipated skills shortages.

Achieving WA's and Australia's decarbonisation and economic diversification ambitions over the coming decades will require large, skilled workforces. Developing this workforce is likely to require a substantial increase in temporary and permanent migration, as well as enhanced local training opportunities.

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. In doing this, it is essential to consider the expanded use of digital and advanced technologies, as well as the road map to net zero, on the required skills and the increased volume of trades needed to achieve our industry's decarbonisation ambitions.

National work health and safety regulatory and policy frameworks must be appropriate for the WA context. They should embody a risk-based approach and encourage innovation and continuous improvement to support enhanced health and safety outcomes.

To support the ongoing development of a skilled, productive and safe resources sector workforce CME recommends the Australian Government:

- Streamlines and simplifies requirements of the Skilled Nominated and Regional (Provisional) Skilled Nominated visa categories.
- Works 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.
- Requires Safe Work Australia to:
 - conduct and release robust regulatory impact assessments for all major consultations and decisions
 - provide sufficient consultation periods for proposed regulatory changes to enable stakeholders to provide considered and constructive feedback, and
 - increase its engagement with the WA resources sector to ensure that policy is fit for purpose and leads to improved safety outcomes.

¹⁵ CME, *Diversity and Inclusion in the Western Australian Resources Sector*, September 2024.

5 Regional economic development



Western Australia's resources sector is anchored in the regions. The adequate provision of economic and social infrastructure across regional and remote Australia is pivotal to safeguarding our nation's prosperity. This includes the economic building blocks of land, water, energy, waste, telecommunications and transportation; and the community building blocks of affordable housing, education, childcare, training and community health and wellbeing services.

CME welcomes the recent determinations of First Point of Entry (FPOE) status for the Ports of Wyndham, Ashburton and Dampier,¹⁶ in addition to the earlier determination of FPOE status for the Port of Broome.¹⁷ Timely implementation of these announcements will improve supply chain flexibility and reduce costs and emissions related to trucking goods over long distances from other ports.

CME urges the Australian Government to prioritise regional liveability as a key driver of economic success and diversification. The inadequate provision of essential infrastructure including housing, early childhood education and healthcare services – in addition to ongoing community safety issues – across many regional areas can stunt regional economic opportunities and disincentivise private investment.

To drive regional economic development and enhance regional liveability, CME recommends the Australian Government:

- Expedites the implementation of the FPOE determinations for the Ports of Broome and Wyndham. This should include the design and development of essential security and biosecurity infrastructure and a resourcing plan to facilitate international vessels and cargo.
- Works with the WA Government to develop a sustainable funding model for local government infrastructure requirements, including improved financing mechanisms to strengthen the climate resilience of infrastructure investments.
- Invests in improved port and road capacity in the Pilbara to support decarbonisation investment. This should include bridge upgrades, expanding the Great Northern Highway between Port Hedland and Newman to dual lane, and developing a new import-focused port if required.
- Targets financial and social support incentives to attract early childhood education and care (ECEC) providers and workers to regional areas through health, wellbeing, housing and professional development opportunities. Targeted attraction strategies for experienced tertiary and vocational lecturers and trainers to live and work in the regions are also required.
- Increases the 50 per cent fringe benefits tax (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 to incentivise workers to build or own homes.

¹⁶ Prime Minister of Australia, *Albanese Government building future of WA*, media release, 9 January 2025.

¹⁷ The Hon Catherine King MP, *Green light towards enhanced border services at Port of Broome*, 26 February 2024.

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