23 February 2022

Mr Michael Barnes
Under Treasurer
Locked Bag 11
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Sent via email

Dear Michael

2022-23 PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in WA. CME is funded by member companies responsible for more than 89 per cent of the State's mineral and energy workforce employment,[1] ranging from mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and other support services (electricity, gas and professional services).

Embargoed preliminary results from our recent 2020-21 Economic Contribution survey shows a sample of 62 CME member companies directly supported more than 60,000 full-time employees with over $10 billion in wages. These companies also supported 14,000 businesses, 900 community organisations and 80 local councils with a combined supply chain spend of over $30 billion across WA.[2]

The value of royalties received from the sector totalled $12.7 billion in 2020-21, accounting for 31.7 per cent of general government revenue.[3] In addition to contributing 47 per cent to WA's gross state product in 2020-21,[4] resilience in the resources sector is expected to continue to flow through and underpin higher receipts of state-federal government revenue in the medium term.

Overview

In preparing this 2022-23 pre-Budget submission (the submission), we have taken the opportunity to incorporate priorities of our Economics and Productivity Committee, Advisory Board and reiterate fiscal strategy and budgetary recommendations from our past three submissions.[5] This submission is structured to make specific recommendations under the following priority areas:

1. Certainty of operating (and living) with COVID-19 in future
2. Competing to attract workforce talent
3. No new or increased costs on business and industry to maintain a competitive investment environment
4. Streamlining regulation to reduce the burden of doing business in WA and drive long-term growth
5. Encouraging economic diversification in WA to capitalise on the global energy and digital transition.

1. Clarity and confidence in operating with COVID-19

The announcement of a new reopening date of 3 March is welcomed and provides much-need certainty to plan for the future. CME has appreciated the government's continued engagement with our sector, including immediately following the deferral of original reopening date, to enable member companies to plan for safe ongoing operations in anticipation of the increased spread of COVID-19 in the WA community. The release

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[1] Government of Western Australia, *2020-21 Economic indicators resources data*, onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 10 October 2021.
[2] CME, *2020-21 preliminary member survey of direct expenditure*, provisional draft figures prepared by an economic consultancy as of 17 February 2022.
[3] Government of Western Australia, *2020-21 Annual report on State finances*, Department of Treasury (TSY), 24 September 2021, pp 167-168.
[4] Australian Bureau of Statistics, *5204.0 Australian National Accounts: State Accounts*, 2020-21 financial year reference period, 19 November 2021 release.
[5] CME, *2020-21 pre-Budget submission*, submission to TSY, 6 January 2020; CME, *2020-21 deferred pre-Budget submission*, submission to TSY, 10 September 2020; CME, *2021-22 pre-Budget submission*, submission to TSY, 9 July 2021.

of WA's Safe Transition Plan, COVID Transition (Border Requirements) Directions, and more recently, the COVID Transition (Critical Worker) Directions has provided some clarity on the transition to a higher caseload environment. However, CME and our members seek ongoing clarity on:

- Ensuring continuity of essential and critical work irrespective of the external caseload environment, including ensuring COVID-positive, asymptomatic essential workers can safely undertake critical tasks under modified work arrangements.
- Safe and efficient transportation of workers to and from remote operations, where required, including:
    - close contacts and registered critical workers during critical work furlough; and
    - COVID-positive cases to appropriate facilities for isolation and treatment (ie in metropolitan centres) as required, with appropriate risk-based controls in place.

The reopening of our borders and the progressive unwinding of public health restrictions is key to normalising the economy in WA and Australia more broadly, allowing freer mobility of capital, goods and services and preventing long-lasting structural effects on the labour market. After two years of constrained and closed state and international borders, businesses – and more broadly, society – need enduring certainty and confidence the Reconnect WA package will lay the ground for investment and growth.

With double-dose vaccination rates now above 95 per cent and the booster program well underway, this should provide foundational confidence for WA to safely reopen and remain open. Coupled with robust risk-based health and social mitigation measures,[6] there should be predictability and consistency on responses to localised cases and the emergence of new virus variants. This should include clear definitions of what and when the government may trigger different types of targeted restrictions across jurisdictions.[7]

The Department of Treasury (Treasury) should also consider the likelihood and implications of further withdrawals from the workforce exceeding the current observed ten per cent in critical supply sectors, with an additional five per cent withdrawal forecasted due to potential school closures.[8] Additionally, higher than normal workplace absenteeism due to the transmissibility of the Omicron variant or other issues related to COVID-19 (reported absences due to self-isolation, quarantine, COVID-19 symptoms or illness)[9] has the potential to compound acute labour shortages and may lead to pressures on wages and consumer prices. Global supply chains are yet to adjust to COVID-19 related disruptions fully. We could see further inflationary pressures and reductions in economic output into 2022-23.

In relation to vaccination access, should the trials led by Maritime Safety Queensland and NSW Ports be successful, CME strongly encourages the government to consider supporting voluntary vaccination of international seafarers arriving at WA ports to reduce the risk of disruption to our supply chains and progressively support more risk-based COVID-19 controls at port. Given our proximity to countries with low vaccination rates, broadening access to vaccines through the availability at our ports could help address the inequity of two-track vaccination patterns and assist in the recovery of global supply chains, for which the state's commodity exports are intrinsically linked.

2. Workforce mobility and skills

It is a testament to the resilience of the WA economy that it has recorded its lowest underemployment rate in 13 years whilst amid a global pandemic.[10] Equally impressive has been record workforce participation in the WA resources sector exceeding 149,469 workers onsite[11] and the highest growth in national apprenticeships and trainees taken on by businesses since 2011,[12] collectively supported by government investment stimulus and industry commitment. However, as economies worldwide acclimatise to a new normal, intense competition for skilled and scarce talent is occurring. In this context, the challenge of attracting and retaining human capital in WA cannot be understated, especially when considering economy-wide skills shortages with decadal lows in productivity growth across the broader Australian economy.[13]

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[6] Government of Western Australia, *WA Safe Transition Plan: Modelling report*, Department of Health, 4 November 2021.
[7] Commonwealth of Australia, *National plan to transition to Australia's national COVID-19 response: Economic impact analysis*, The Treasury, 3 August 2021.
[8] Advice by the Secretary of the Treasury. Commonwealth of Australia, *National Cabinet Statement*, media statement by the Prime Minister, 13 January 2022.
[9] ABS, *Staff absent in 22% of businesses due to COVID-19*, media release, 11 February 2022.
[10] Government of Western Australia, *WA's successful economy continues to drive down unemployment*, media statement, 20 January 2022.
[11] Government of Western Australia, *Industry activity indicators*, Department of Mines, Industry Regulation and Safety, 10 October 2021.
[12] Minister for Employment, Workforce, Skills, Small and Family Business, *Number of Australian businesses putting on apprentices at highest levels in over a decade*, media release, 3 February 2022.
[13] Productivity Commission, *PC Productivity insights: Recent developments*, 17 June 2021.

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To support and sustain the establishment of value-adding industries in WA, there needs to be an ongoing policy and funding support to increase the quantity, quality, and transferability of skilled labour – both home-grown and, critically, through attracting international skills. CME, therefore, recommends the government consider the following to promote workforce participation, flexible work arrangements, training and development in the workforce:

- Reinstate payroll tax exemptions for in-demand training occupations, with appropriate parameters to ensure it is not '*used as a tax avoidance measure… [but] targeting real skills gaps in the economy*'.[14] CME also notes our annual tax payable for employers with over $100 million in payroll is higher than comparable labour markets in New South Wales, Victoria, Queensland and South Australia.
- Like in Victoria and Queensland, apply a payroll tax rate discount for eligible regional-based employers to boost employment in regional and remote WA, where skills gaps are often acute.
- Advocate for reforms to fringe benefits tax to provide full exemptions on housing incentives offered to employees to reside in regional and remote locations permanently.
- Ensure the state's housing strategy targets the bringing-forward of land and housing release in areas of highest demand, including regional locations where a lack of housing availability is a major constraint to filling critical in-demand roles.
- Streamline and simplify requirements of the Skilled Nominated and Regional (Provisional) Skilled Nominated visa categories to encourage permanent residency transition, work in collaboration with the Commonwealth Government, and increase recognition of resource sector occupation categories. In addition, applying a cost rebate for migration visas would make it easier for small-to-medium sized businesses to access international migration pathways.
- Expand the Skills Recognition Apprenticeship Program to include qualifications in-demand by the resources sector.
- Further extend placements under the Adult Apprenticeship Employer Incentive, bringing forward the 2023-24 allocation to support longer-term training outcomes given the significant pipeline of public and private sector infrastructure projects currently underway.

CME welcomes the $1 million boost for local governments to attract and retain regional childcare workers.[15] However, planning and delivery of early childhood education and care services should be more coordinated to avoid unnecessary competition and demand for a finite supply of workers. Reiterating our support for the Chamber of Commerce and Industry WA recommendations last year,[16] CME recommends the government focus on measures to reduce under-employment in the existing workforce, including:

- Moving responsibility for policy, funding and regulation of all early childhood education and care under a single Minister and Department.
- Review how Universal Access National Partnership funding is directed.
- Adopt National Quality Framework's requirements for staffing ratios.

3. Maintaining cost certainty and competitiveness

a. Stable and strong fiscal management

With significant revenue collections booking a record surplus into 2021-22, it is essential public spending (inclusive of agency resourcing and infrastructure stimulus) remains prudent and disciplined in anticipation of a reversion of commodity prices to long-run averages, most prominently iron ore. Such an approach will help mitigate the risk of future fiscal imbalances and maintain a sustainable debt trajectory, ensuring the AA+ credit rating can be retained into the future.

As Treasury is aware, commodity and energy prices are susceptible to industrial demand and global economic activity. For example, an unexpected decline in the domestic demand in China could result in lower global prices for metals by approximately ten per cent[17] and, in turn, negatively impact government royalty revenue. Protracted retrenchment in China's property sector is also expected to revise down global growth[18],

[14] Government of Western Australia, *Changes to payroll tax exemption for trainees announced*, media statement, 30 November 2017.
[15] Government of Western Australia, *McGowan Government provides $1 million boost for regional childcare*, media statement, 10 January 2022.
[16] CCIWA, *Making paid work pay for families with children: Addressing workforce participation disincentives*, January 2021, p 45.
[17] OECD, *OECD Economic outlook*, vol 21, iss 2, preliminary version, 1 December 2021.
[18] IMF, *World Economic Outlook Update: Rising caseloads, a disrupted recovery and higher inflation*, 25 January 2022.

with correlated impacts on the demand for steel and our iron ore. Maintaining a medium-to-long-term focus on disciplined budget management and business-led growth should be central to reducing exposure to the risks of repeated price cycles.

b. No new or materially increased costs on business and industry

As described further below in the economic diversification section, focusing on international competitiveness will encourage new or expanded project investment into WA. With $91 billion of planned or possible projects in investment pipeline across the resources sector currently[19] and global foreign direct investment flows more than doubling from pre-pandemic levels in most OECD countries,[20] there is a substantial opportunity for WA to attract and secure investment in response to increasing material-intensive demand through to 2030.[21]

Cost certainty over the medium term will be essential to providing the industry with the necessary confidence to invest in future growth against the ongoing risks of supply chain disruptions, labour and materials price escalation and tightening of financial conditions. Furthermore, as a price taker in a global market, maintaining a low-cost operational base is fundamental to the competitiveness of the WA resources sector. A material change in this cost structure can significantly affect cash flows across the life of an asset, bringing forward the end of life and reducing the ability to use margins to expand existing projects or invest in new projects. As Australia's terms of trade are expected to decline, certainty in a stable, low-cost structure is needed. The government should not take for granted the current export-led fiscal strength. CME requests the government extend its commitment to no new or increased costs (royalties, taxes, levies, fees or other standing and specific charges) on business and industry.

c. The cumulative cost of doing business

CME continues to be alert to inequitable or unreasonable fee increases, which pose a disproportionate burden on the sector and notably affect WA's global competitiveness. Sensitivities to isolated increases in the cost of individual inputs and its cumulative effect across several agencies (a 'death by a thousand cuts' scenario) negatively influence financial sustainability and can present barriers to unlocking new opportunities.

As outlined in earlier submissions,[22] CME recommends the government implement increased oversight and transparency of cumulative costs imposed on business by government. We reiterate our recommendation for a Minister or senior equivalent to review the cumulative effects of these costs and compliance activities imposed by multiple agencies. In addition, we consider the inclusion of a 'basket of fees and charges' equivalent to the cost of doing business would increase transparency and value in the WA budget.

For material increases in fees above the relevant price index, we reiterate our previous recommendation that government require government trading enterprises (GTEs) to be subjected to accountability and governance requirements as per the *Financial Management Act 2006* arrangements.[23]

4. Regulatory cost of doing business

a. Service delivery and resourcing

CME acknowledges the McGowan Government's continued funding commitment to supplement regulatory resourcing, additional surge resourcing capacity and the StreamlineWA initiative. However, it must be acknowledged that current service levels across the major regulatory departments have fallen below defined key performance indicators (KPIs) and cross-agency end-to-end timeframes continue to decline. The government has also indicated an expectation these negative trends will fail to improve in the next 18 to 24 months.

The government should recognise within an enduring skills-constrained market that a significant number of vacant roles will probably remain unfilled, and therefore agencies will need to ensure appropriate contingencies and reprioritisation plans are in place. In this context, available resourcing should be allocated to its highest and best use in response to the immediate demand for efficiency improvements, while maintaining progress on priority service delivery reforms over the medium to longer-term.

As the government moves to adopt cost recovery for certain regulatory functions, duplication and inefficient overlap of assessment processes should be addressed as a priority. This is required to prevent a market

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[19] Government of Western Australia, *Industry activity indicators*, Department of Mines, Industry Regulation and Safety, 21 October 2021.
[20] OECD, *FDI in figures: Global FDI flows rebound to exceed pre-pandemic levels*, 29 October 2021.
[21] IEA, *World Energy Outlook 2021*, October 2021.
[22] See footnote #4 above, ibid.
[23] Parliament of Western Australia, *Second review of the Financial Management Act 2006*, Joint Standing Committee on Audit, report 1, May 2019, p 31.

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distortion where proponents progressively contribute more financially for an inefficient and lesser quality service. If the cost charged exceeds efficiency, proponents will be required to spend disproportionately more on assessment and compliance processes, distorting the allocation of public and private resources and leading to market failure.

Like the Digital Capability Fund, a similar fund or budgetary incentive mechanism should be considered to support resource allocation to various reforms currently pursued by separate departments and agencies. This will allow reform proposals to be assessed consistently, ensuring a priority focus on interagency decision-making processes and, therefore, achieving whole-of-government improvements for both regulators and proponents - as aspired under StreamlineWA.

b. Extracting near term efficiencies from an ambitious reform agenda

CME has been actively engaged in StreamlineWA since its inception over the last three years. However, the transparency of its progress and impact has been limited and, crucially, is yet to deliver tangible reductions to the regulatory burden imposed on the resources sector. Going forward, it will be essential to provide real benefits under this initiative through the prioritised assessment of benefits (opportunity costs) to be gained from a reduced administrative burden and forgone delays to schedules. For enduring success, reform should reinvigorate productivity and efficiency as core drivers, underpinned by a shared culture of regulatory stewardship, accountability and understanding of the cumulative regulatory burden imposed on proponents across a project lifecycle. Specifically, CME strongly supports the following initiatives:

- Continued allocation of appropriate funding and resourcing towards productivity enhancements such as Environment Online to ensure timely and successful delivery. While somewhat delayed, Environment Online is an excellent example of a digital transformation that should deliver productivity benefits for both government and proponents in time. However, such reforms must be built on a foundation of streamlined and efficient processes, not as a means to an end. For example, the overuse of perverse 'stop the clock' and 'request for information' processes is counterproductive to government, business and industry objectives.
- Immediately following the Commonwealth election, establishing the federal-state bilateral agreement and delivery of 'single touch' environmental approvals should remain a top priority.
- CME welcomed the McGowan Government's passage of the landmark *Aboriginal Cultural Heritage Act 2021* (the ACH Act).[24] Effective implementation through dedicated and recurring funding, including co-design of regulations and capacity building of the Local Area Cultural Heritage Services (LACHS), will be crucial to the ultimate success of the new ACH Act regime. Our sector is committed to supporting the crucial transition process, however the complexity of the implementation process and resourcing required should not be underestimated.

c. Transparency and consultation

Further to CME's recent submission on implementing cost recovery for *Environmental Protection Act 1986* (the EP Act) Part IV environmental impact assessment services,[25] CME supports genuine and transparent consultation processes on regulatory reform with affected stakeholders. Given the quantum and extent of costs to be charged, the previous consultation should have been underpinned by thorough regulatory impact assessments and cost-benefit analyses, supported by transparent modelling and predictable KPIs. Disappointingly, the abbreviated consultation undertaken ahead of the introduction of the Part IV fee-for-service model failed to meet these expectations. As a result, the cost quantum has not been justified, nor tied to defined performance improvements.

CME recommends government fee-for-services models are based on an efficient unit cost, and not historical actuals, and directly tied to KPIs. Consistent with the government's commitment to driving cross-agency efficiencies under StreamlineWA, CME recommends that proponents should not bear the cost of current inter- and intra-agency inefficiencies due to regulatory duplication and internalised constraints. CME would also like to highlight it is unsustainable to separately treat cost recovery from regulator efficiency or productivity initiatives such as StreamlineWA. This approach does not promote agency accountability, responsiveness or continuous improvement in service delivery.

CME looks forward to the post-implementation review of EP Part IV cost-recovery which must thoroughly review these above factors. Where departments receive revenue from cost recovery charging mechanisms,

[24] Government of Western Australia, *Historic laws passed to protect WA's Aboriginal cultural heritage*, media statement, 15 December 2021.
[25] CME, *Implementing cost recovery for Part IV of the Environmental Protection Act 1986 (WA)*, submission to the Department of Water and Environmental Regulation, October 2021.

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CME and its members will keenly monitor the resulting improvement in customer service delivery performance (timeframes) and environmental outcomes.

5. Seizing the low-carbon and economic diversification opportunities

a. Strategic opportunities

Further to CME's climate policy position,[26] CME and its members support the Paris Agreement and its goal of limiting global warming to well below two degrees Celsius by reducing emissions to net zero no later than 2050. In this context, CME welcomes clarity on how WA's economy will transition to low carbon intensity across all sectors of the economy, inclusive of GTEs. Any WA-based policies or regulations on emissions abatement such as those developed under the Sectoral Emissions Reduction Strategies (SERS) will need to be the least cost, flexible and consistent with national approaches to drive an efficient market. A coordinated, sustainable development approach between government, GTEs and industry across similar but competing objectives such as grid transformation, emissions reduction and environmental protection will be required for WA, together with improved national coordination.[27]

With the global energy and digital transition already underway, the market opportunity for the WA resources and energy sector to supply the commodities needed to support increased global demand through to 2050 is enormous. This should include increased demand for wind turbines, solar panels, lithium-ion batteries, semiconductors, electrolysers and fuel cells, which will be additional to the existing demand from appliance manufacturing, automotive, industrial and defence applications. However, based on their complex and opaque nature, these markets are prone to price volatility with intense competition for reliable access. Offtake contracts for these products are highly competitive, sensitive and typically negotiated long-term to underpin capital investment. CME, therefore, continues to support initiatives that can grow participation and maturity of these existing supply chains and, in turn, improve WA's competitiveness to move downstream.

To expand the value chain and create complementary high-value jobs in WA, a targeted multiplier analysis for a permanent reduction in the royalty rate on strategic second-tier intermediary and beneficiated products should be explored by the government. The presiding ad valorem netback method has stood the test of time and served the state of Western Australia well over many decades and provided a stable foundation in which to invest and operate. However, it does not contemplate the higher capital investment intensity, processing complexity of modern secondary or tertiary treatments, or increased operating costs associated with producing highly processed and high value saleable products in today's environment, including modern mineral-derived chemicals, concentrates and pellets.[28] As outlined in our previous submissions,[29] magnetite was expressly excluded from the last royalty review and is one example opportunity for WA to invest further up the value chain if duly incentivised by a modernised rate.

CME supports the government's initiative to grow the nascent hydrogen sector and has put forward constructive ideas on how this progress can be solidified incrementally and accelerated.[30] The competition will be fierce between national and international jurisdictions. Whilst WA has its comparative advantages; success cannot be taken as a given. CME supports the implementation of iterative pathways to attract investment and establish sustainable, long-term industries. The government can play a key role in strengthening domestic demand and investment certainty for our developing hydrogen, battery and critical minerals proponents - and CME, therefore, supports the following reforms:

- Implementing a practical multi-land use framework to support large-scale development emerging in renewables, hydrogen development and other private market opportunities like carbon farming. The framework should consider the value of land use whilst facilitating other land uses, both temporally and spatially, for the benefit of the various interest holders and the people of WA more broadly. Policy and funding to support pending land-use reforms should be urgently developed to provide visibility on how the legislation will be applied in practice.

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[26] CME, *Climate change*, policy areas, updated 24 September 2021.
[27] CME, *Energy and governance legislation reform – Consultation paper*, submission to Energy Policy WA, 1 November 2021; CME, *State Infrastructure Strategy – Discussion paper*, submission to Infrastructure WA; CME, *Climate change in WA – Issues paper*, submission to the Department of Water and Environmental Regulation, November 2019.
[28] CME, *Mining Amendment Regulations (No. 5) 2019 – Consultation draft*, submission to the Department of Mines, Industry Regulation and Safety, 24 January 2020; AVC, *A case for building resilience into WA's lithium industry*, commissioned by CME and AMEC, June 2020.
[29] See footnote #4 above; CME, *Inquiry into intergenerational challenges and opportunities for the WA economy*, submission to the Economics and Industry Standing Committee, 15 September 2021.
[30] CME, Toward Competitive Clean Hydrogen, Position Paper, November 2021.

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- Prioritise legislative change and allocate industry support resourcing in a way that is technology neutral. For example, it should be recognised that WA has strengths across several clean hydrogen technologies – irrespective of 'colour'; green, blue or other.
- A streamlined approvals process for existing facilities to expand into new or emerging types of land use and technologies. As highlighted earlier in this submission, regulatory streamlining and modernisation need to ensure the scaling up of new, emerging or expanded industries is not inadvertently disincentivised or restricted by existing regulations. This will also help ensure the value of existing infrastructure can be leveraged. For example, the Australian Gas Infrastructure Group has identified five key pieces of legislation that will need some amendment to facilitate hydrogen blending.[31]

b. Investment and attraction frameworks

To activate the market and provide targeted support for new strategic industry opportunities across hydrogen, critical and battery minerals, CME recommends:

- A clear alignment between strategic focus areas and government initiatives that tangibly support investment and development of critical energy materials and hydrogen projects. The history of industrial development in WA demonstrates that strong public-private partnerships are required for establishing new, value-adding industries. A competitive, targeted and measured investment attraction framework for the emerging hydrogen and battery materials economy is further encouraged. Recent announcements are encouraging, including the proposed investments by Singapore sovereign wealth fund GIC into WA-based hydrogen projects. However, global competitors measure their industry support in the billions of dollars, and state jurisdictions like New South Wales offer comparably attractive propositions.
- A framework for government's role in activating low carbon market opportunities, such as hydrogen blending into gas networks. In the context of delivering policies to reduce emissions across the economy to meet national Paris Agreement goals, CME is supportive of options where the State Government can act as an off-taker and facilitate demand through changes to economic regulation. In the specific case of energy-intensive materials like steel, aluminium, cement and chemicals – WA's comparative advantage rests on focusing on particular stages of the existing production value chain to perform most efficiently.

The above measures will assist the sector to become a secure, reliable and sustainable supplier internationally, ahead of the forecasted price peaks for energy materials predicted around 2030[32] and the maturation of nascent hydrogen markets.

c. Productive and efficient infrastructure investment

Further to comments above on disciplined budget management, CME recommends that major infrastructure funding be prioritised in areas where it can boost productivity and sustain economic growth. Whether it be physical multiuser or social infrastructure with demonstrated sustainable benefits (e.g. improvements to the quality of life indicators), public infrastructure development should deliver transformative outcomes across an asset's lifecycle rather than seek to solve singular or current generational problems.

Recent initiatives to secure two prospective hydrogen industrial hubs in the Pilbara and Mid-West and the request for Commonwealth funding to complement state investment are welcomed.[33] CME also understands DevelopmentWA has submitted a business case for increased appropriation to carry out SIA Gaps Analysis recommendations to improve project 'turn-key' readiness. CME encourages the government to share learnings of this analysis and invite industry feedback more broadly. Investing upfront in the required assessments and approvals for unlocking strategic estates will help reduce the time and effort of prospective proponents seeking to invest private capital into WA.

The ease and security of bringing existing or new delivered energy sources to customers needs to evolve competitively, including reforms to encourage greater market competition, transparency and de-risk funding of emerging firming and storage technologies. While CME recognises there is a government focus to lower the cost of energy as part of the household basket of goods, more could be done on facilitating a whole-of-government strategic vision on energy transformation and its transition across WA for both business and industry. For example, provide the industry with certainty on the decarbonisation trajectory of electricity and

[31] Australian Gas Infrastructure Group, *Dampier to Bunbury Natural Gas Pipeline: Public knowledge sharing report*, DBP-Z-REP-013-01, January 2022.
[32] 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*, IMF Working Paper WP/21/243, October 2021, p 26.
[33] Government of Western Australia, *New $10.5 million road paves way for Port Hedland investment*, media statement, 7 January 2022; *$117.5 million to progress two renewable hydrogen hubs*, media statement, 25 November 2021.

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all GTEs (including ports and water utility providers) and their associated asset investment or divestment strategies beyond the current budget cycle.

While CME strongly supports the investment in renewables and battery energy storage systems, there needs to be greater consideration of repurposing existing infrastructure assets, particularly where it enables technology-agnostic and cost-effective pathways.[34] For example, there is the potential to make effective use of existing energy and long-distance transport infrastructure across WA for hydrogen, extending their application and useful life (as we see with the blending trials of hydrogen into the natural gas distribution network). Similarly, it may be possible to retrofit gas-fired power plants to use ammonia, hydrogen and/or biofuels as a fuel source, allowing these assets the potential to continue as synchronous generators to provide inertia and facilitate more intermittent renewables to penetrate government-owned electricity systems. CME recommends this should be considered in GTE asset plans, and be transparently linked with Energy Policy WA's broader transformation strategy.

CME also supports a further review of the Asset Investment Program's timing and construction schedule beyond 12 months to reduce existing labour and materials supply pressures. With business investment levels and growth rates expected to be higher than forecasted from 2022-23 onwards, we consider it inevitable both public and private project schedules will be pushed out under these capacity constraints.

Conclusion

As the date for WA's border opening draws closer, CME recommends the government focus on promoting WA as an attractive and stable destination for investing and doing business. This will require a continued commitment to promoting skills attraction and mobility, reducing unnecessary red tape on the industry, ensuring medium to longer-term stability in cost structures, and de-constraining GTE infrastructure and land for strategic industry development. Optimising this combination of factors will encourage medium to longer-term investment in WA, fuelling organic job creation, economic diversification and fiscal sustainability.

To discuss the matters raised in this submission in more detail, please contact Rob Carruthers, Director – Policy & Advocacy. CME also consents Treasury to share this submission with other agencies.

Yours sincerely

Paul Everingham

Paul Everingham
Chief Executive Officer
The Chamber of Minerals & Energy of Western Australia

[34] Estimates that a refurbished natural gas pipeline could be 67 per cent lower in cost per kilometre than a new hydrogen pipeline: *European hydrogen backbone – How a dedicated hydrogen infrastructure can be created*, July 2020.

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