

25 January 2024



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

Sent via email: PreBudgetSubmissions@treasury.gov.au

Dear Minister

2024-25 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 (WA). CME is funded by member companies responsible for 41 per cent of Australia's corporate income tax receipts by value in 2021-22.¹

The opportunity to provide input on the Australian Government's priorities for the 2024-25 Budget (the Budget) is welcome. In addition to presenting the priority recommendations of CME members across the WA resources sector, this letter supports the detailed recommendations made in submissions by the Australian Energy Producers (AEP) and the Minerals Council of Australia (MCA). Specific recommendations are highlighted and summarised herein and should be read with those submissions.

We encourage the Australian Government to work with industry in supporting a long-term vision that sustains and grows the world leading industry we have today, and more importantly, attract the investment and know-how needed to capture more of the value-adding opportunities in the downstream battery and critical minerals value chain in Australia.

In preparing this 2024-25 Pre-Budget submission (the submission), CME has sought feedback from member companies across commodities and operational stages as well as contractors and suppliers to the sector on policy, regulatory and financial settings that can improve the sector's ability to compete internationally. The recommendations in this submission are structured into the following three focus areas:

- Competitive and stable fiscal settings
- Boosting productivity
- Unlocking investment.

To sustain current projects and promote future growth of the WA resources sector, the key messages across these focus areas are:

- The pace, scale and content of current federal reforms risk the competitiveness of Australia's resources sector and our ability to provide the minerals and energy the world needs to achieve net zero. Consultation on all proposed reforms must be genuine, transparent and avoid reducing the competitiveness of the WA resources sector. The passing of 'Same Job Same Pay' workplace relations provisions in December 2023 was an example where this did not take place.² Reform timeframes should provide adequate time for development and consultation.
- Industry requires long term certainty and competitive fiscal and policy settings to support the resilience of, and continued investment into our sector. Recent fluctuations in some commodity markets highlight the need for urgent action on these settings, enabling businesses to respond to these external shocks and remain internationally competitive.
- Urgent action is required to address regulatory overlap and inconsistencies between state and federal approval regimes. Nature Positive reforms should be non-duplicative, aligned with national

¹ Australia-wide operations of companies with direct, equity joint venture or subsidiary interests in WA-based member projects. Commonwealth of Australia, [2021-22 Report of Entity Tax Information](#), Australian Taxation Office, 9 November 2023.

² Parliament of Australia, [Fair Work Legislation Amendment \(Closing Loopholes\) Bill 2023](#), accessed 11 December 2023.

decarbonisation objectives, and enable the urgent development of infrastructure critical to the nation's energy transition.

- The provision of a low-emission, reliable and globally cost-competitive energy system is imperative for the resources sector to achieve emissions reduction targets while developing and building strategic industries, including critical minerals and hydrogen. Broader infrastructure, including ports, roads, and rail, is also a critical enabler. Federal policy settings must incentivise the delivery of this future energy system and the Australian Government should ensure the allocation of federal funding programs to WA are proportionate to support the buildout task and reflect the state's importance in achieving national and global decarbonisation ambitions.
- Australia needs to be proactive in attracting and retaining the workforce required for the energy transition, given intense global competition for talent. The Australian Government should ensure migration settings are competitive and attractive, domestic training programs are industry-led and well-funded, and sufficient infrastructure (including housing) is developed to support workforce needs, including in regional areas.

Overview

The WA mining and resources sector is vast and complex, comprising operations across various commodities and project stages, from exploration to construction, production and closure.

The sector plays a key role in the strength and stability of the national and state economies, making a valuable contribution to the Australian Government's fiscal security. In 2022-23, the sector accounted for 64 per cent of Australia's resource exports, half of Australia's resource capital expenditure, and around 8 per cent of national gross domestic product.³

The WA resources sector also makes a considerable contribution to jobs and livelihoods nationwide. In 2022-23, it accounted for 53 per cent of Australian resources employment.⁴ Modelling in 2021-22 estimated direct spending by CME members supported another 493,235 full-time jobs (3.6 per cent of total Australian employment).⁵ The sector's contribution is especially significant in regional areas, where direct and indirect employment regularly accounts for 20 to 40 per cent of total employment.⁶ In addition, CME members directly supported 16,402 Australian businesses and 1,015 community organisations in 2021-22.⁷

There are significant opportunities for the resources sector, and the industry is working hard to maintain globally competitive operations and progress the \$147.2 billion worth of WA resource projects in the pipeline.⁸ Building on the industry's existing strengths in supplying the minerals and energy the world needs, Australia has an enormous opportunity to host a world-leading, sustainable, value-adding battery and critical minerals sector.

However, our sector faces considerable challenges, including deteriorating market conditions for several commodities. Over 2023, lithium prices fell by 80 per cent⁹ and nickel prices fell by over 40 per cent¹⁰, resulting in several project closures and the loss of over 900 jobs in WA in recent months.¹¹ Other challenges

³ Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), [2022-23 Economic Indicators Resource Data File](#), 9 January 2024. Australian Bureau of Statistics (ABS), [5220 Australian National Accounts: State Accounts](#), Table 6. ABS, [5206 Australian National Accounts: National Income, Expenditure and Product](#), Table 1.

⁴ ABS, [6291 Labour Force, Australia, Detailed](#), Table 5.

⁵ CME, [2021-22 National Economic Factsheet](#), accessed 6 December 2023. ABS, [6291 Labour Force, Australia, Detailed](#), Table 5.

⁶ In 2021-22, the resources industry supported two in five jobs in the Pilbara and Goldfields-Esperance regions, one in five jobs in the Perth and Peel regions, and one in eight jobs in the South West region. As significant as these contributions are, they are expected to be underestimates of the industry's true impact due to incomplete survey coverage. CME, [Economic Contribution Factsheets](#).

⁷ CME, [2021-22 National Economic Factsheet](#), accessed 6 December 2023.

⁸ Government of Western Australia, [Industry activity indicators: Investment](#), DEMIRS, 10 November 2023 data release.

⁹ Lithium concentrate (spodumene) prices fell 86 per cent between 30 December 2022 and 11 December 2023, while lithium hydroxide futures prices fell 80 per cent between 30 December 2022 and 29 December 2023. Fastmarkets, [Spodumene prices continue to fall amid weaker demand for lithium](#), 12 December 2023, LME, [Historical data for cash settled futures](#), LME Lithium Hydroxide CIF (Fastmarkets MB), accessed 16 January 2024.

¹⁰ Monthly average LME nickel cathode prices fell by 43 per cent between December 2022 and December 2023. The World Bank, [Commodity Markets](#), "Pink Sheet" Data: Monthly Prices, accessed 16 January 2024.

¹¹ Operations at Panoramic Resources' Savannah nickel project were suspended on 8 January 2024, mining operations at First Quantum Minerals' Ravensthorpe nickel mine were suspended on 15 January 2024, Wyloo Metals' Cassini and northern mines will go into care and maintenance from 31 May 2024, BHP Nickel West's Kambalda concentrator will go into care and maintenance from June 2024 and Albemarle will pause construction on Kemerton lithium hydroxide Train 4. FTI Consulting, [Savannah Nickel Project Operations to be Suspended](#), ASX announcement, 8 January 2024, ABC News, [Ravensthorpe nickel mine to cut 30 per cent of workforce as mining suspended amid weaker metal prices](#), 15 January 2024, AFR, [Forrest shuts down WA mines as nickel dominoes tumble](#), 22 January 2024, AFR, [No longer viable: BHP puts part of Nickel West's processing operations into care and maintenance](#), 22 January 2024, and Albemarle, [Albemarle outlines actions to preserve growth, reduce costs and optimize cash flow](#), 17 January 2024.

facing the industry include intense global competition for investment capital, geopolitical tensions, rising costs and persistent skilled labour shortages.

These challenges reinforce the imperative for competitive fiscal and policy settings in Australia, including reforms to lift productivity. We need urgent action by the Australian Government to address these challenges and support a capable and competitive resources industry that continues to contribute significantly to our nation.

1. Competitive and stable fiscal settings

Stability in tax settings is critical as the resources sector is a price taker in global markets and reliant on highly mobile international capital. Maintaining a low-cost operational base is crucial to operational viability and investment attraction.

Australia is a high-cost business jurisdiction. The International Institute for Management Development ranked Australia 19th out of 64 countries on overall competitiveness.¹² Key competitor jurisdictions for resources and energy investment such as the USA (9th), Qatar (12th) and Canada (15th) all scored more favourably. Australia is ranked 25th in tax policy competitiveness, with Australia's effective marginal corporate tax rate of 32.9 per cent in 2022 the eleventh highest among OECD countries, and almost double that of Canada's.¹³

Uncertainty regarding future tax settings alongside significant increases in operating costs is a risk to business and Australia's ability to attract new investment. Economic shocks such as commodity price fluctuations and inflationary pressures throughout supply chains is an important reminder of the need to support the industry's sustainability and resilience through stable and competitive cost settings.

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

- Commit to no new or additional tax imposts on the resources sector, including no further material changes to the Petroleum Resources Rent Tax.
- Provide fiscal settings that reduce financing, capital or operating costs, such as low-cost funding or production tax credits as discussed further below.

2. Boosting productivity

2.1 Improving regulatory efficiency and effectiveness

Approval processes in Australia can be lengthy and duplicative. There can be significant regulatory overlap between state and federal approval regimes and inconsistent assessment processes and approval conditioning. Inefficient application processes and lengthy and often opaque assessment timelines increase investment risk through costly delays. Productivity Commission modelling has shown that a one-year delay to a project could reduce its net present value by between 7 and 18 per cent, depending on the discount rate and the project stage at which the delay occurs.¹⁴ As a result, any unnecessary delays in approval processes can cause a reduction in investment and the jobs and government revenues that flow from it.

Recent and proposed regulatory changes by the Australian Government across the areas of climate, environment and workplace relations risk further reducing productivity,¹⁵ increasing compliance and other costs, creating duplication or misalignment across state-based requirements and adding to delays.¹⁶ The sheer pace and scale of this change has been and continues to be significant, with firms directing significant resources towards review, compliance, reporting and change management in response. In most of these instances, the consultation processes have not been sufficiently transparent or robust and have not enabled adequate testing of proposed reforms to ensure against adverse impacts beyond the stated intent. It is critical

¹² International Institute for Management Development, [World Competitiveness Booklet 2023](#), 20 June 2023.

¹³ Effective marginal tax rates measure the extent to which taxation increases the pre-tax rate of return required by investors to break even. Canada's EMTR in 2022 was 27.7 per cent. Organisation for Economic Co-operation and Development (OECD), [Compare your country – Corporate Tax Statistics](#), accessed 12 January 2024.

¹⁴ Commonwealth of Australia, [Resources Sector Regulation: Study Report](#), Productivity Commission, December 2020.

¹⁵ Clark L and Davidson S, [The growth of red tape: Causes and solutions](#), Institute of Public Affairs, 6 November 2023. McLaughlin PA, Jonathan N, Stephen S and Michael G, [RegData Australia \(dataset\)](#), QuantGov, Mercatus Center at George Mason University, September 2022.

¹⁶ Concerns regarding regulatory duplication are outlined in Chamber of Commerce and Industry of WA (CCIWA), [Green Web: How environmental approvals could trap Australian investment](#), October 2023.

that reforms of this magnitude undergo proper and transparent consultation with relevant stakeholders. The Parliamentary process should not be used as a proxy for good practice consultation.

This threatens the government's intention to grow the economy and strengthen the budget, and the resources sector's ability to invest and expand production of the minerals required to generate, store and utilise renewable energy.

2.1.1 Climate

CME recognises that climate change is a global challenge requiring coordinated action at international, national and sub-national levels. 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 2050.¹⁷ Australia, as a signatory to the Paris Agreement, must actively contribute to this goal and fulfilment of its Nationally Determined Contributions (NDCs).

In line with this, the federal legislative framework for greenhouse gas emissions (emissions) has strengthened significantly since 2022. Recent updates include changes to Australia's NDCs to align with Australia's commitments under the Paris Agreement, the legislation of the 2030 and 2050 national emission targets in the *Climate Change Act 2022* (Cth) and reforms to the Safeguard Mechanism requiring heavy industry to reduce baseline Scope 1 emissions annually. The Australian Government has also recently instructed the Climate Change Authority to commence development of whole-of-economy sectoral decarbonisation plans to guide the development of Australia's 2035 emissions target as required under the Climate Change Act. The requirements of these federal initiatives will apply to many resource sector projects operating in WA.

The WA Government, WA Environment Protection Authority and the Department of Water and Environmental Regulation (DWER) (with facilitation by the Department of Jobs, Tourism, Science and Innovation and other agencies) are also developing decarbonisation targets, sectoral emissions reduction strategies and emissions policy guidance that will apply to the same WA resource sector projects. These are not always aligned with federal reform objectives, introducing additional, inconsistent and duplicative requirements.

CME supports the objectives of recent reforms to the Safeguard Mechanism but note they have introduced the potential risk of carbon leakage from the Australian economy. We support the current review by the Department of Climate Change, Energy, the Environment and Water (DCCEEW) of policy options that may reduce carbon leakage and protect domestic industries.¹⁸ Additionally, it is important for the Government to continue to review fiscal incentives provided by other countries and assess the effectiveness of support available to Safeguard Mechanism Trade Exposed facilities aimed at minimising the risk of carbon leakage and incentivising resource project investment in Australia.

2.1.2 Environment

In December 2022, the Federal Minister for Environment released the Nature Positive Plan, which outlined major reforms to the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (the EPBC Act).¹⁹ The Australian Government is targeting the implementation of Nature Positive legislation, including six priority National Environmental Standards (NES) during this term of the Albanese Government.²⁰

Official figures indicate there is currently \$131 billion²¹ in potential WA resource sector projects that may trigger assessment under state (the *Environmental Protection Act 1986* (WA) (the EP Act) and *Mining Act 1978* (WA)) and the federal EPBC Act. We expect the application of the proposed Nature Positive reforms to have particular relevance in WA noting 61 per cent of the total resources investment pipeline is located here.²²

Under the current EPBC framework bilateral assessment processes are in place to enable federal matters to be assessed jointly with state matters by DWER in recognition of the overlap in assessment processes occurring across different levels of government. However, while accreditation processes for assessment

¹⁷ CME, [Climate Change: Climate Policy](#), accessed 22 January 2024.

¹⁸ CME, [Carbon Leakage Review: Consultation Paper](#), submission to DCCEEW, 12 December 2023.

¹⁹ Proposed reforms include creation of a federal Environment Protection Australia, development of National Environmental Standards, establishment of an environmental data division (Environment Information Australia) and transition to a full cost-recovery model for federal environmental assessments.

²⁰ The priority standards include standards for Matters of National Environmental Significance, Offsets, Regional Planning, Community Engagement and Participation (Community Engagement), First Nations Engagement and Participation (First Nations) and Data and Information.

²¹ Publicly announced and advanced feasibility projects as of 31 October 2023 which have not received all necessary government approvals yet. Commonwealth of Australia, [Resources and Energy Major Projects](#), Department of Industry, Science and Resources, 18 December 2023.

²² Publicly announced, advanced feasibility and committed projects as of 31 October 2023. Commonwealth of Australia, [Resources and Energy Major Projects](#), Department of Industry, Science and Resources, 18 December 2023.

elements are proposed to be provided for under the Nature Positive regime, it is unclear how this process will be implemented in practice or the likely timeline required to obtain accreditation in line with the new NES. Whole-of-assessment and approval accreditation processes are considered essential by the resources sector to maximise efficiency in both assessment efforts and to ensure costs are not recovered twice across different levels of government.

The proposed approach to regional planning and offsets under the Nature Positive reforms suggests that there may be a significant overlap between regional planning and the application of offset funds at a state level. On-ground biodiversity offset project implementation under the EPBC Act and the Western Australian EP Act is currently significantly hampered by a lack of transparency in offset requirements, inconsistent obligations and inconsistent conditioning between federal and state agencies.

We continue to emphasise the need for decision-making under the Nature Positive reforms to be consistent with the principle of ecological sustainable development (ESD). The decision-making model must enable environmental, social and economic factors to be considered at the same time. The inclusion of environmental objectives only in the draft National Environmental Standards does not enable this. Our sector has decades of experience with decision-making for resource projects under the EPBC Act and WA EP Act. This experience confirms that resource project assessment decisions inherently involve trade-offs and require the decision maker to be informed and accountable for balancing environmental, social and economic factors. Design of the Nature Positive decision-making model must recognise this and ensure that ESD principles are incorporated at all stages of the decision-making process, to ensure the reform delivers outcomes for the environment and business that are good for our nation now and into the future.

The federal approvals system for offshore oil and gas projects also urgently needs reform. As a result of recent case law, regulations are too open to interpretation and there is an ongoing lack of clarity over consultation requirements. The resulting backlog of project approvals is delaying potential gas supply to contracted customers in Australia and Asia, and impacting decommissioning projects. Nature positive reforms must ensure that consultation requirements set out in the NES are clear to avoid similar issues.

The government's formal and rigorous environmental regulatory processes should not be left open to spurious claims by taxpayer-funded organisations like the Environmental Defenders Office.

2.1.3 Workplace relations

The *Fair Work Legislation Amendment (Closing Loopholes) Bill 2023* will significantly and unnecessarily increase compliance costs for employers, introduce uncertainty, reduce productivity and add to the cost-of-living pressures facing Australian households.

The passing of the 'Same Job Same Pay' provisions on 7 December 2023, before the completion of the Senate inquiry into the Bill's provisions, showed a lack of due regard for its implications on the broader economy.²³ It is at odds with the Australian Government's desire to foster a more productive economy and improve living standards. CME continues to oppose the remaining elements of the Bill and strongly urges against its progression.²⁴

2.1.4 A way forward

All of the above reforms are significant for the WA resources sector. While some include a stated intent to streamline, there is a risk that failure to realise this objective or appropriately target the reforms via consultation with Western Australian stakeholders will lead to further reductions in productivity, increasing costs and adding to delays.²⁵

Beyond the specific impacts of proposed changes, the sheer scale and pace of reform increases regulatory uncertainty and risks investment. Consultation on these changes must be robust and genuine, allow adequate time for informed decision-making, and include early consideration of adequate transition processes to provide certainty.

²³ Parliament of Australia, [Fair Work Legislation Amendment \(Closing Loopholes\) Bill 2023](#), third reading agreed to on 7 December 2023.

²⁴ CME, [Fair Work Legislation Amendment \(Closing Loopholes\) Bill 2023](#), submission to the Senate Standing Committees on Education and Employment, 29 September 2023. [Public hearing evidence](#), 6 October 2023. [CME says Federal Government's IR deal is deaf to industry, business and voter concerns](#), media release, 7 December 2023.

²⁵ CCIWA also raised concerns regarding the EPBC Act reform; [Green Web: How environmental approvals could trap Australian investment](#), October 2023.

CME asks that the Australian Government work with the WA Government to:

- Ensure proposed reforms at a federal level do not duplicate robust state-level approvals assessment processes.
- Align federal regulatory requirements and processes with the WA approach to minimise duplication, remove inconsistency in conditioning and reduce assessment timeframes across all levels of government.
- Ensure WA can implement an accreditation process as soon as possible and before WA projects are required to navigate the additional assessment and decision-making processes proposed under the Nature Positive reform. This extends to supplementary state-based schemes related to offsets and regional planning.
- Ensure WA's state offset requirements facilitate implementing on-ground biodiversity offset projects that align with federal requirements under Nature Positive reforms and can be accredited.
- Ensure Nature Positive reforms and policy settings are non-duplicative, aligned with national decarbonisation objectives and enable the urgent development of infrastructure critical to the nation's energy transition.

CME also asks the Australian Government to:

- Extend the Nature Positive reform timeframe to provide adequate time for development, consultation and testing of key legislative and non-legislative elements of the reform that are essential to implementation and to manage the transition.
- Urgently reform the approvals system for offshore oil and gas projects, taking immediate action to progress the backlog of current approvals and creating a framework that supports future development of all offshore projects, including renewables.

On workplace relations, CME supports the following recommendation outlined by the MCA and AEP:

- Refocus workplace relations policy on reviving productivity, supporting enterprise bargaining, and enabling access to diverse forms of employment to achieve wages growth. Proposed changes in the Fair Work Legislation Amendment (Closing Loopholes No. 2) Bill 2023 should not proceed.

2.2 Migration and skills

The WA resources sector invests heavily in the safety, health and capability of its local workforce. Strong current and projected labour demand means ongoing access to skilled workers from overseas remains critical.

With labour and skills shortages continuing to constrain industry, short-term action is vital to alleviate skills pressures, including improving the efficiency and effectiveness of the skilled migration system. The Australian Government's Migration Strategy aligns with CME's recommendations for more frequent updates of occupation lists, streamlined labour market testing, and improved timeliness of visa processing.²⁶

With regards to medium- and long-term skills, CME welcomes the \$12.6 billion investment by the Australian Government to expand and transform access to the Vocational Education and Training (VET) sector, support quality training and implement reforms to address critical skills needs, including \$414 million already committed for the delivery of 300,000 fee-free TAFE places from 2024.²⁷ Increasing the number of trainers embedded in the VET sector is required to assist with the current large number of enrolments and commencements.²⁸ However, for regional and remote Australia, this will need to be coupled with attraction and retention measures.²⁹

For the resources sector more broadly, workplace upskilling and reskilling priorities over the next five years will include 'systems thinking' and 'analytical thinking'.³⁰ Technologies adopted for climate change mitigation

²⁶ Commonwealth of Australia, [Migration Strategy](#), Department of Home Affairs, 11 December 2023. CME, [Australia's 2024-25 Permanent Migration Program](#), submission to the Department of Home Affairs, 14 December 2023.

²⁷ Prime Minister of Australia, [Landmark National Skills Agreement to unlock billions](#), 17 October 2023.

²⁸ Closely following heavy truck drivers, VET trainers are projected to be the third largest in job growth over the next five years globally. World Economic Forum, [The Future of Jobs Report 2023](#), 30 April 2023, figure 3.4, p 31. Trimboli D, [Skilling Australia's current and future workforce](#), National Centre for Vocational Education Research, 32nd National VET Research Conference, discussion paper, 12 July 2023, p 5.

²⁹ This could include relocation assistance, living allowances and changes to remote area taxes as described in section 2.3.

³⁰ Instances where the mining and metals industry assigned a higher focus above the global mean. World Economic Forum, [The Future of Jobs Report 2023](#), skill profiles, 30 April 2023, pp 255-284.

are the most likely to drive industry transformation and job creation in the sector globally.³¹ With the skills profile changing and to build capacity in the sector, there needs to be a greater focus on modernising STEM subjects for broader uptake and developing skills for lifelong learning.³²

CME welcomes the review of tertiary education settings that encourages greater cooperation between VET and higher education providers to develop a broader range of course offerings and industry partnerships, such as regional and metropolitan hubs, and support for universities to remove barriers to providing micro-credentials. To support labour market participation and maximise productivity, more work could be done to identify transferable skills between jobs and improve recognised prior learning.

CME recommends that the Australian Government:

- Provide WA with increased allocations under temporary and permanent skilled migration programs, reflecting the state's labour requirements and relative importance to the national economy and net zero ambitions.
- Educate and consult with industry regarding the implementation of Australia's Migration Strategy, especially in relation to key actions planned in 2024.
- Collaborate with industry educators and trainers on workforce reskilling and job transition programs, including developing national standards for adopting artificial intelligence and incentives for energy transition-related workforce retraining and development.

2.3 Supporting regional economic participation

Mining and resource operations stimulate regional development by creating economic activities in remote areas. In 2021-22, the WA resources sector supported 2 in 5 jobs in the Pilbara and Goldfields-Esperance regions, 1 in 5 jobs in the Perth and Peel regions and 1 in 8 jobs in the South West region.³³

The industry's ability to attract and retain a skilled workforce in regional areas depends heavily on regional liveability considerations, including but not limited to the availability, affordability and diversity of housing stock and early childhood education and care. The latter is especially important in supporting the economic participation of women and advancing equality for both parents.

To improve equity in gender employment outcomes and access to housing, CME recommends the Australian Government expand the fringe benefits tax (FBT) treatment of the following employer-provided assistance:

- Extending the FBT exemption for on-premises childcare assistance to off-premises.
- Providing a full FBT exemption on housing incentives offered to employees to reside in regional and remote locations.

3. Unlocking investment

Recent years have seen a resurgence in mining activity buoyed by favourable terms of trade and emerging market opportunities related to decarbonisation. Capital expenditure data shows spending by the WA resources sector increased by 60 per cent between June 2019 and June 2023.³⁴ Looking ahead, there is \$147.2 billion worth of WA resource projects in the pipeline as of September 2023.³⁵

To ensure these planned projects come to fruition there is an urgent need to improve Australia's cost competitiveness relative to other jurisdictions. The need to streamline approvals and avoid duplication and inconsistency has been discussed above. Further complementary actions include ensuring value from government funding mechanisms, delivering a low-emission, reliable, and cost-competitive energy system, and supporting the development of strategic industries are discussed below.

³¹ Ibid, mining and metals industry profile, p 221.

³² Commonwealth of Australia, [5-year Productivity Inquiry: From learning to growth](#), Productivity Commission, inquiry report, vol 8, 7 February 2023, pp 85-92.

³³ As significant as these contributions are, they are expected to be underestimates of the industry's true impact due to incomplete survey coverage. CME, [Economic Contribution Factsheets](#).

³⁴ Capital expenditure based on Gross Fixed Capital Formation figures. ABS, [5220 Australian National Accounts: State Accounts](#), Table 25.

³⁵ Government of Western Australia, [Industry activity indicators: Investment](#), DEMIRS, 10 November 2023 data release.

3.1 Ensuring value from government funding

Resources sector projects are capital intensive and face significant price volatility over their lifespan. Project proponents looking to venture into new markets often face difficulties accessing debt through traditional means due to the under-explored nature of their commodity and developing market maturity (including liquidity and transparency).

We therefore welcome key funding mechanisms to support the energy transition and strategic industry development, including the Powering the Regions Fund, Rewiring the Nation, and the National Reconstruction Fund. They represent a clear investment signal and opportunity for cooperation with private sector proponents.

Continued investment in the planning and provision of productive, climate-resilient port, road and rail infrastructure is required across all levels of the government to facilitate trade and support the competitiveness of the WA resources sector. CME recommends that infrastructure funding, such as what might be considered under the recently announced Strategic Critical Minerals Hubs,³⁶ be prioritised in consultation with the WA Government in areas where it can boost productivity and sustain economic growth.

Broader infrastructure, including ports, roads and rail are also critical enablers of these objectives, stimulating regional economic activity. As one example, CME supports the provision of First Point of Entry status to WA ports including the Ports of Broome and Wyndham, along with adequate resourcing for implementation (e.g. biosecurity officers). This status will improve supply chain flexibility and reduce emissions related to trucking goods over long distances from other ports.

The Australian Government should ensure the design of federal funding programs and the allocation of these funds to WA reflects the state's unique opportunities and importance in achieving national and global ambitions regarding decarbonisation and developing strategic industries. This is particularly relevant for the expansion of WA's renewable electricity generation and transmission networks, and strategic production hubs for hydrogen and battery and critical minerals.

CME recommends that:

- Federal infrastructure funding should be strategically prioritised in consultation with the WA Government in areas where it can boost productivity and sustain economic growth.

3.2 Decarbonising Australia's energy system

Providing a low-emission, reliable and cost-competitive energy system is imperative for the resources sector to achieve emissions reduction targets by 2030. Low-emission, reliable, and cost-competitive electricity is also a critical enabler of globally competitive industries that support the energy transition, including critical and battery minerals, hydrogen and manufacturing industries, and creates opportunities to reduce emissions further through future process electrification.

Supplying the low-emissions electricity WA industry needs to decarbonise while providing the minerals and energy the world needs. It is expected to require an additional 4,000 kilometres of transmission line and 50 gigawatts (GW) of new generation and storage by 2042.³⁷

Measures such as the Australian Government's provision of up to \$3 billion in concessional loans and equity investments for WA transmission projects under the Rewiring the Nation program,³⁸ and the expansion of the Capacity Investment Scheme (CIS) and National Energy Transformation Partnership (NETP) to deliver 32 GW of renewable generation and dispatchable capacity,³⁹ are positive steps. It is important that the entry of the Australian Government as a sizeable buyer in the power purchase agreement (PPA) market does not result in insufficient availability of renewable electricity for private industrial customers' decarbonisation projects.

However, further urgent action is required for Australia to deliver a low-emission, reliable and cost-competitive energy system in time to meet its emissions reduction targets. This includes ensuring efficient, non-duplicative approvals frameworks for energy infrastructure projects, ensuring the training and importing of the skills required for electricity grid decarbonisation, and transparent communication of the costs of the energy

³⁶ Australian Government, [Government backs critical minerals for energy, jobs and defence](#), media release by the Minister for Resources, 16 December 2023.

³⁷ Government of Western Australia, [SWIS Demand Assessment 2023 to 2042](#), DEMIRS, May 2023.

³⁸ Prime Minister of Australia, [\\$3 billion Rewiring the Nation deal to power WA jobs and growth](#), 29 August 2023.

³⁹ Australian Government, [Delivering more reliable energy for all Australians](#), media release by the Minister for Climate Change and Energy, 23 November 2023.

transition to Australian households (including the costs of the expanded CIS and NETP). The OECD estimates Australia will need to invest around 1 per cent of GDP per annum in low-carbon electrical capacity over the second half of this decade under an energy transition scenario, and carbon mitigation costs could amount to 5 per cent of potential GDP by 2050.⁴⁰

Natural gas and LNG have an established role in facilitating the global energy transition to net zero in this decade.⁴¹ Gas plays a significant role in providing critical energy security during electricity market turbulence and meeting incremental increases in baseload power supply in markets with declining shares of coal-fired generation.⁴² For some hard-to-abate sectors with high-temperature heat requirements, gas may also be an interim transition fuel for reducing emissions in the medium term.⁴³ The Australian Government's Future Gas Strategy should maintain Australia's international cost-competitiveness, support a flexible pathway to least-cost abatement and be consistent with the development of federal and state sectoral decarbonisation plans.⁴⁴

In line with recommendations by AEP and the MCA, CME recommends⁴⁵ the Australian Government:

- Commit to technology neutral, least-cost abatement of CO₂ emissions that supports the development and deployment of all proven low and zero-emissions technologies, including carbon capture and storage.

3.3 Incentivising strategic industry development

3.3.1 Critical minerals

In addition to ensuring the continued competitiveness of our traditional commodities such as iron ore and gold, there is an enormous opportunity for WA and Australia to have a world-leading, sustainable, value-adding critical and battery minerals sector.⁴⁶ WA hosts almost all the specified minerals on Australia's Critical Mineral List and Strategic Materials List. In 2022, WA was the world's largest producer of lithium, the third-largest producer of rare earths, the fourth-largest producer of cobalt, and a top five producer of battery-grade nickel.⁴⁷ More than half of the nation's critical minerals projects are located in WA.⁴⁸

However, these are complex energy- and resource-intensive projects with capital spending often greater than \$1 billion per project.⁴⁹ To realise the governments' objective of moving further along the critical minerals value chain, attracting international investment from strategic partners with technical capability will be critical to acquiring and building capacity.

Investment choices are made in an increasingly competitive global context for highly mobile funds, with some jurisdictions providing significant incentives and concessions for critical and battery minerals processing and downstream value chains to be established domestically. The most notable example is the United States Inflation Reduction Act of 2022,⁵⁰ with other jurisdictions responding with packages like the European Union's Green Deal Industrial Plan,⁵¹ Republic of Canada's Canada Growth Fund⁵² and Made in Canada Plan, and the Republic of Korea's range of tax incentives for qualifying investments in critical mineral and battery industries.⁵³

⁴⁰ OECD, [Long Term Scenarios: Incorporating the Energy Transition](#), Economic Policy Paper No. 33, December 2023.

⁴¹ Peak demand for coal, oil and natural gas is expected before 2030. International Energy Agency (IEA), [World Energy Outlook 2023](#), 10 October 2023.

⁴² IEA, [Electricity Market Report 2023](#), 1 February 2023, pp 72 and 98. IEA, [Australia 2023: Energy Policy Review](#), 19 April 2023, p 151. AEMO, [Quarterly Energy Dynamics Q1 2023](#), 28 April 2023. ABC News, [Alinta calls for new gas, green energy capacity as coal exodus threatens supply crunch in WA](#), 22 February 2023.

⁴³ Australian Industry Energy Transitions Initiative, [Pathways to industrial decarbonisation: Positioning Australian industry to prosper in a net zero global economy](#), phase 3 report, February 2023.

⁴⁴ CME, [Future Gas Strategy](#), submission to the Department of Industry, Science and Resources, November 2023.

⁴⁵ See also CME's climate and energy policies, available at CME, [Infrastructure: Energy Policy](#), accessed 22 January 2024, and CME, [Climate Change: Climate Policy](#), accessed 22 January 2024.

⁴⁶ CME, [Accelerating opportunities in WA's critical minerals sector](#), position paper, June 2023.

⁴⁷ DEMIRS, [2022-23 Major Commodities Resource Data File](#), accessed 12 January 2024.

⁴⁸ 52 of 100 projects as of 31 October 2023. Critical minerals projects account for approximately \$10 billion of the \$29 billion pipeline of publicly announced, feasibility and committed projects in WA. Commonwealth of Australia, [Resources and Energy Major Projects](#), Department of Industry, Science and Resources, 18 December 2023.

⁴⁹ For example, Covalent Lithium's Mt Holland lithium project and associated lithium hydroxide plant in Kwinana is estimated to cost \$2.4 to \$2.6 billion. Wesfarmers, [2023 Half-year results briefing presentation](#), February 2023, slide 15.

⁵⁰ See IEA, Policy, [Inflation Reduction Act of 2022: Sec. 13502 Advanced Manufacturing Production Credit](#), last updated 23 May 2023, and The White House, [Treasury releases guidance to drive investment in critical minerals and battery supply chains in America](#), 31 March 2023.

⁵¹ European Commission, [The Green Deal Industrial Plan](#).

⁵² Canada Development Investment Corporation, [Innovative funding to help accelerate Canada's decarbonization strategy](#)

⁵³ PwC, [Worldwide Tax Summaries: Korea](#).

The announcement of an additional \$2 billion of low-cost finance available under the Critical Minerals Facility⁵⁴ is positive. However, more needs to be done to ensure the project economics of value-adding critical minerals projects in Australia stack up relative to other jurisdictions. Government strategies and policies should also recognise that enabling scale and resilience in the up-and midstream segments of the value chain is critical to fostering the longevity and competitiveness of a future value-adding downstream industry.

CME recommends the Australian Government:

- Immediately progress discussions with industry to design and introduce a production tax credit for critical and battery minerals projects in Australia, both new and existing.

This measure should be introduced in conjunction with other complementary actions including:

- Streamline federal-state approvals processes.
- Invest in a low-emission, reliable and cost-competitive energy system.
- Facilitate global investor and customer partnerships to support technology transfer and explore the potential for international partners and Australian companies to access incentives offered in partner jurisdictions.
- Work with our key trading partners to support the development of price and environmental, social and governance transparency in critical and battery minerals markets.
- Ensure access to the required skills through appropriate migration and domestic training settings.

CME also supports the following MCA recommendations:

- National Cabinet should prioritise coordinated zoning policy, infrastructure mapping, and funding agreements across state and territory boundaries for critical minerals and strategic materials.
- Streamline the rules and process for investment proposals for future facing materials projects from strategic partner countries under the Foreign Investment Review Board and Foreign Acquisitions and Takeovers Act.

3.3.2 Hydrogen

Hydrogen is a potentially significant contributor to Australia's net zero transition and almost a quarter of Australia's planned and operating hydrogen projects are in WA.⁵⁵ Hydrogen could also create economic diversification opportunities through its potential use in the production of 'green' iron and steel.⁵⁶ Our members believe hydrogen demand will naturally evolve as commercial hydrogen pathways are realised and developed.⁵⁷ However, numerous barriers to a successful hydrogen industry will require considered and substantive support from the government. Measures that assist low or zero-carbon hydrogen adoption by end users are likely to be required in the near to medium term for some sectors with a hard-to-abate task.⁵⁸

On the supply side, CME believes government support should focus on developing supply at sufficient scale to be internationally competitive in the medium to longer term, with the commercial viability of low or zero-carbon hydrogen a key barrier to industry development. This will likely involve strategic investment to reduce project risk and costs in the hydrogen supply chain, including essential infrastructure, manufactured componentry and innovative commercial models.⁵⁹ CME strongly supports the hub model for industry as a way of improving the bankability of projects to increase innovation and information sharing while decreasing cost and waste.

Like all resource projects, hydrogen will require comprehensive energy infrastructure planning and timely and certain approvals processes across all levels of the government.

The Australian Government's announcement of the \$2 billion Hydrogen Headstart program⁶⁰ to support the commerciality of renewable hydrogen projects, along with over \$500m in funding for regional hydrogen

⁵⁴ The Hon Madeleine King MP, [\\$2 billion critical minerals boost crucial to energy transition](#), 25 October 2023.

⁵⁵ 25 of 104 active projects, with an additional 10 projects archived. CSIRO, [Hydrogen projects spreadsheet](#), derived from the HyResource Projects – Active webpage, last updated 11 January 2024.

⁵⁶ CME, [National Hydrogen Strategy Review](#), submission to DCCEEW, 22 August 2023. Minerals Research Institute of Western Australia, [Western Australia's Green Steel Opportunity](#), 19 June 2023.

⁵⁷ CME, [Towards Clean Competitive Hydrogen](#), November 2021.

⁵⁸ CME, [National Hydrogen Strategy Review](#), submission to DCCEEW, 22 August 2023. [WA Renewable Hydrogen Strategy Refresh](#), submission to the WA Department of Jobs, Tourism, Science and Innovation, October 2023.

⁵⁹ This could include leveraging the CIS model to lower costs for domestic consumers and additional funding rounds under Hydrogen Headstart.

⁶⁰ Commonwealth of Australia, [Hydrogen Headstart program](#), DCCEEW, 10 October 2023.

hubs⁶¹ (including in the Pilbara and Kwinana in WA), are positive steps, and we look forward to continuing engagement with the industry to ensure further policies and initiatives are well-informed, responsive, and targeted to industry's needs as outlined above.

Conclusion

The WA resources sector is working hard to continue supplying the minerals and energy the world needs, and contributing to the economic stability and prosperity of all Australians in a way that is economically, socially and environmentally sustainable. Alongside the enormous opportunities ahead are significant challenges that can only be overcome through industry and government working together.

CME calls for the Australian Government to act on the recommendations in this submission to deliver competitive and stable fiscal settings, boost productivity and unlock investment.

Should you have questions on the views and recommendations raised in this letter, please do not hesitate to contact Aaron Walker, Manager – Industry Competitiveness and Economics, on 0477 679 195 or at A.Walker@cmewa.com.

Yours sincerely



Adrienne LaBombard
Acting Chief Executive Officer
The Chamber of Minerals and Energy of Western Australia

⁶¹ Commonwealth of Australia, [Building regional hydrogen hubs](#), DCCEEW, 26 October 2023.