



18 March 2022

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
Canberra ACT 2600

By email: jsct@aph.gov.au

Dear Committee Secretary

MCA comments on the Australia-United Kingdom Free Trade Agreement

Thank you for the opportunity to present the minerals industry's comments and recommendations in relation to the Australia-United Kingdom Free Trade Agreement (AU-UK FTA).

The MCA recommends that the Australian Parliament take binding treaty action and implement the agreement as soon as practicable.

Australian mining is a nation builder and global leader. It is Australia's largest exporter and industry, the biggest company taxpayer and investor in infrastructure and equipment, and the world's largest exporter of minerals and metals.

Australia's openness to trade and investment drives innovation and job creation. International investment has helped mining become the nation's most successful global industry, bringing with it new technologies, skills and capabilities.

The AU-UK FTA is a high quality trade agreement that will support Australian mining investment, competitiveness, productivity and jobs. Importantly, the improved investment arrangements and support for business mobility will aid the development of further exploration and project opportunities and help alleviate acute skilled worker shortages the industry has grappled with over the past year.

The UK government views the agreement as a stepping stone to opportunities within the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and greater involvement in the Indo-Pacific region. This interest in our region by a strategic partner to Australia should be welcomed and supported.

Australian mining and the United Kingdom

Australia and the UK are allies that enjoy a close relationship based on historical connections, shared values, security cooperation, people-to-people links and trade and investment.

For Australian mining, the UK is a major source of international investment capital, a significant export market for gold and lead, and a source of innovation and technology.

The UK is a centre of the global financial system. London is home to the London Metals Exchange – the principal platform for trading base metals around the world – and the London Bullion Market Association, a major gold exchange that plays a key role in setting world gold and silver prices.

Many mining companies with significant Australian operations also have presences in the United Kingdom. Rio Tinto, Anglo American and Glencore are examples of major ASX listed mining companies that are also listed on the London Stock Exchange.

The UK is Australia's third largest source of foreign direct investment, valued at \$123.5 billion in 2020. By total value, the UK was the second largest holder of foreign investment in Australia in 2020 with investments totalling \$737.6 billion.

The most recently available data published by the Foreign Investment Review Board indicates that the UK was also the second largest investor in Australia's mineral exploration and development sector in 2019-20, with approvals valued at more than \$1.3 billion.¹

While not a major market for minerals, metals and energy commodities, Australia's total goods exports to the UK in 2020-21 were valued at \$11.9 billion, the majority of which was made up of exports of gold (\$8.9 billion). Lead exports accounted for a further \$518.9 million.

AU-UK FTA support for mining investment

Australian mining relies on recurrent flows of international investment to fund exploration, develop and sustain job-creating projects. It is only through international investment and access to technology that Australian mining can continue to remain globally competitive and support job-creating projects in Australia.

International investment in exploration and project development is important for discovering and developing the minerals, metals and energy resources necessary to support the global transition to a net-zero emissions future. The demand for commodities such as copper, nickel, lithium and cobalt, is projected to grow rapidly over the coming decade requiring a new wave of investment in mining exploration and development – yet Australia has lagged behind in discovering new major deposits.²

Improving Australia's investment attractiveness must be addressed through a comprehensive reform agenda to ensure the economy has the dynamism, resilience and competitiveness to successfully confront the emerging global challenges that could otherwise undermine its economic growth. Analysis by the Centre for International Economics (CIE) shows a modest productivity reform agenda that increases labour productivity by one per cent a year could by 2030 deliver benefits to the economy similar to the expansion of mining from 2005.³

While the AU-UK FTA cannot take the place of comprehensive economic reform, the MCA welcomes the investment protections provided in the agreement's investment chapter. The increase in Foreign Investment Review Board (FIRB) screening thresholds, in line with Australia's other free trade agreement partners, will mean fewer UK investments will be subject to FIRB review, reducing a barrier to investment.

The AU-UK FTA provides investor protections similar to those found in many of Australia's existing trade agreements, including obligations to:

- Treat local and foreign investors equally
- Ensure investors are not subject to discrimination and receive fair and equitable treatment
- Protection from expropriation without prompt, adequate and effective compensation
- Ensure investments are afforded a Minimum Standard of Treatment, and
- Ensure foreign transfers related to an investment can be made freely and without delay.

The MCA notes that the investment chapter also includes provisions which restrict the use of performance requirements by the parties, which might be used to compel investors to locate their headquarters in a particular territory, to supply exclusively to certain markets, or to transfer intellectual property to persons in their territory. These are ambitious commitments consistent with creating an open international trade and investment environment that supports economic growth.

¹ Foreign Investment Review Board, [Annual Report 2019-20](#), table 3.17, p. 39.

² Minerals Council of Australia and Commodity Insights, [Commodity Demand Outlook 2030](#), 2 June 2021.

³ The Centre for International Economics, [Estimating the economic benefits of mining expansion and further productivity reforms](#), prepared for the MCA, 27 May 2021.

Support for digital trade and investment, intellectual property and innovation

Australian mining is a world-leader in developing and adapting transformative technologies, including autonomous equipment and remote operations centres, artificial intelligence, augmented and virtual reality, drones, advanced robotics, the internet of things, digital twinning, electric batteries and advanced data analytics. These transformative technologies are improving safety, increasing productivity and decarbonising the Australian mining industry.

The digital transformation of the mining industry will require tens of billions of dollars of investment by mining companies and investors. This investment will make existing mines more productive and previously uneconomic mineral deposits commercially viable. It is essential that government policy frameworks support and encourage the investment necessary for the digital transformation to occur.

The AU-UK FTA's digital trade, innovation and intellectual property chapters contain provisions that support innovation and drive further economic growth through technology-led productivity gains.

The MCA welcomes the establishment of a Strategic Innovation Dialogue in the chapter on innovation. This dialogue encourages collaboration on the development and adoption of emerging technologies, and facilitating trade in related products and services.

The UK's service-based economy is supported by a highly developed university and research sector, which is at the forefront of the development of many digital technologies of relevance to Australian mining. Companies based the UK currently hold and are improving technologies in rare earth magnet manufacturing, alloying to produce magnets, and the use of block chain technology to support chain of custody tracking of mineral products.

Enhancing investment, people to people links and trade flows between the Australia and the UK will work to stimulate the competitiveness of Australia's mining industry, drive innovation and bring new technologies and services to the Australian market.

Improved business mobility will help address critical skills shortages and support investment

The Australian mining industry is committed to employing Australians, while recognising the value of an agile and responsive skilled migration program that addresses critical skills shortages, recognises emerging occupations and removes barriers to innovation.

Australia cannot continue to supply the booming global minerals demand without highly skilled workers to competitively extract, process and refine our minerals. Yet skills shortages have been a constant theme for mining companies (and the broader economy) over the past year, affecting production and future developments.

In the Australian mining industry, skilled migration is only used to address skills in critical shortage and skilled migrants are only a very small component at less than 0.6 per cent of the industry's workforce.⁴

Australian mining continues to work hard to upskill our workforce and be an employer of choice. This includes investing more than \$65 million through the MCA's Minerals Tertiary Education Council delivering innovative education and training initiatives to match the evolving skills demanded by the industry.

Additionally, as part of the COVID-19 economic recovery, the mining industry commenced 3,800 new apprenticeships towards a target of 5,000.⁵

The AU-UK FTA makes the international transfer of skilled workers and investors more streamlined by providing a pathway for short stays for business visitors, installers and servicers. These provisions will support minerals industry investment through, for example, providing businesspeople with a simple pathway to enter Australia for periods of up to 3 months for investment purposes.

⁴ MCA analysis of the Department of Home Affairs, Temporary resident (skilled) report, as at 30 September, viewed 7 December 2021.

⁵ MCA analysis of National Centre for Vocational Education Research VET statistics, viewed 21 October 2021; Australian Bureau of Statistics, Labour Force, Australia, Detailed, October 2021, released 18 November 2021, table 6.

In addition, intra corporate transferees, independent executives and contractual service suppliers will, subject to employer sponsorship, be able to enter Australia for a period of stay of up to four years with a possibility of extension. This includes a commitment that neither the UK nor Australia will require economic needs tests including labour market tests to be made a condition for temporary entry.

The Australian minerals industry welcomes the streamlined pathways the AU-UK FTA will provide for critical skills including engineering services, integrated engineering services, mining advisory and consulting services, environmental services, and technical testing and analysing services.

Pathways for computer-related services and telecommunications services will further support the ongoing digital transformation of mining. Improved access to skilled workers in these critical areas will help ensure cyclical skills shortages do not develop into structural deficits.

More streamlined processes for intra-corporate transfers, covering executives, senior managers and specialists with advanced trade, technical or professional skills are also a welcome improvement for mining companies with a presence in both Australia and the UK.

Opportunities to grow secure minerals supply chains and contribute to a low-emissions future

The AU-UK FTA affirms each party's commitment to address climate change including under the Paris Agreement, and to cooperate to address matters of mutual interest such as emission reduction opportunities, technology development, energy efficiency and climate change adaptation and resilience.

The Australian mining industry supports and encourages this cooperation, noting the industry's ambition to achieve net-zero emissions by 2050 in support of the goals of the Paris Agreement, and industry's activities and investments already made towards this goal.⁶

This cooperation will also complement the technology partnership already established between the Australian and UK governments, which is focused on developing globally scalable and commercially viable low emissions solutions for clean hydrogen, carbon capture and use, carbon capture and storage, small modular reactors including advanced nuclear designs and enabling technologies and low emissions materials including green steel and soil carbon measurement.

Australian mining has a comparative advantage in sustainable and responsible mining and will be essential to providing the raw materials necessary for modern and emerging economies to flourish in a decarbonised future. The industry is also a leader in clean energy investment, deploying electric vehicles on mine sites and streamlining operations to improve efficiencies and reduce waste.

These advantages position Australian mining to contribute to the global energy transition through reliable and responsible supply of minerals, metals and energy commodities to economies such as the United Kingdom, which are shifting rapidly towards the adoption and manufacture of zero emissions energy and transport systems.

Yours sincerely



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⁶ Minerals Council of Australia, website, [Mining towards net zero 2050](#), viewed 9 March 2022.