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on Industry and Resources
Submission No: 76
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Australian Chamber of Mines and Energy

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Mr Geoff Prosser MP,
Chairman,
House of Representatives Standing Committee on Industry and Resources,
Parliament House,
CANBERRA ACT 2600

Attn: Mr Fred Cook

Dear Mr Prosser,

Inquiry into Resources Exploration Impediments

Please find attached our submission to the above inquiry, together with attachments.

We look forward to your report in due course.

Yours faithfully,

**Phillip Sutherland
Chief Executive**

26/7/02

THE SOUTH AUSTRALIAN CHAMBER OF MINES AND ENERGY

INQUIRY INTO RESOURCES EXPLORATION IMPEDIMENTS

The following is the submission of the Chamber against the specified Terms of Reference attached to the invitation of the Chairman of the House of Representatives Standing Committee on Industry and Resources.

The South Australian Chamber of Mines and Energy Incorporated is the peak Industry representative of the minerals and petroleum sectors.

1. It is understood that the Department for Primary Industries and Resources, South Australia (PIRSA) will be providing an assessment of Australia's resource endowment and the rates at which it is being drawn down. Our experience has been that, on a wide variety of fronts, the gathering, evaluation and dissemination of data and statistics about the Resources Industry needs a cooperative approach between the Australian Bureau of Statistics and members of the Industry.
2. A list of the 273 individuals and companies kept by PIRSA currently holding exploration licences indicates that the majority are small operators. It is this group that is spearheading exploration in this State with an increase of registrations occurring since the discoveries of Minotaur Resources late in 2001. The exploration industry is characterised by small businesses working in a high risk and high expense environment. This Chamber has contributed to, and is supportive of, a statement about the fiscal status of the Industry, together with suggested solutions, being provided by the Minerals Council of Australia.
3. Although access to capital has improved in South Australia with the Minotaur discovery, the Targeted Exploration Initiative SA (TEISA) and limited Government support for companies negotiating with Native Title claimants, the Industry is still heavily dependent on the market place for capital. Access to capital is influenced by such factors as access to land, duration of negotiations with Native Title claimants, certainty in relation to Aboriginal Heritage matters, commodity prices/fluctuations and to the attitudes of the Government of the day. And this is even before any research is undertaken to ascertain and confirm prospectivity of the licence site.

At the present time, the Industry in this State is concerned at the new State Government's taking a position about the Industry without an appropriate consultative process resulting in its frequently being informed about the State Government's position through the press. One senior Industry leader of a multinational company with an operation in this State has written to say that he would discourage any investment in the State while this approach prevails.

The situation is exacerbated when, according to widespread anecdotal evidence, that infrastructure needs to be developed to support this and other industries particularly in relation to roads, rail, ports, water, power and telecommunications/electronic communications, at realistic prices. An independent study is required.

4. The issue of access to land, including Native Title and Cultural Heritage matters has been identified both within the membership of the Chamber (see attached copy of

the Chamber's paper *Priorities for Growth*) and to the Government Task Force charged in 1999 with looking into, and producing a Plan, on Minerals Resources (the Government's response to the Report was issued in June, 2000 a copy of which is attached for reference).

In an attempt to address this problem, the previous State Government established an initiative to sponsor discussion designed to review the current South Australian Aboriginal Heritage Act and to draft a Statewide Minerals Exploration template. The aim of this proposal was to provide certainty, reach agreements within a reasonable time frame, reduce costs and to share wealth. Although this was a State initiative, the Federal Government supports the participation of both the Chamber and the Farmers Federation.

Four peak bodies have been working on the initiatives (this Chamber, the Aboriginal Legal Rights Movement, the South Australian Farmers Federation and the Government). At the time of writing, proposals to change the Aboriginal Heritage Act are embedded in a Discussion Paper which is now in the community consultation phase (due to conclude in September 2002) from which feedback will be passed to those responsible for drafting legislation. It is hoped to have a new Act before Parliament in Autumn 2003.

Meetings with the first pilot group to discuss the Minerals Exploration Template will commence in early August and continue monthly with the expectation that the first one will be registered by end of year. Others will commence in the meantime and continue for the next 12 months.

Should this strategy break down, the additional cost to each explorer for the cost of Heritage Clearance will continue to be of the order of \$35k to \$50k per exploration site.

As an adjunct to the ILUA Initiative, there is a realisation that there will be a significant shortfall of skilled and trained people in regional and remote areas in South Australia to meet an increase in exploration leading to production. The Chamber is currently awaiting the outcome of its Training Plan submission to the State Government for 2003 to 2005 for funded training places for the Industry. In addition, all parties at the table have contributed to a joint letter to the Office of Premier and Cabinet, seeking special support for training and employment opportunities for Aboriginal people in regional and remote areas. As this is an issue of concern for the nation, it is considered appropriate that the Federal Government could play a leadership role in coordinating and supporting development in this area.

5. Complaints about environmental and other approval processes, including across jurisdictions, are constant. One particular case relates to NPI reporting where it was understood that the Commonwealth had withdrawn funding from the States to continue with this activity. Although the State was continuing with the collection of reports, it is declining to manage the data and is simply forwarding it to the Commonwealth. We have also been lead to understand that neither the State nor the Federal Offices charged with responsibility for this function would provide assistance to companies seeking information or advice. Other examples include the lack of cooperation to achieve consistency of approach in data gathering and management between the two jurisdictions thereby resulting in duplication of effort

for the companies. Within the State sector, concern has been expressed about the quality of staff charged with administering regulations; and with staff turnover and loss of knowledge.

6. In 1998 the previous Government undertook to stimulate exploration by initiating the Targeted Exploration Initiative South Australia (TEISA) public provision of geoscientific data was commenced with a view to stimulating exploration. The project is managed by PIRSA. It is anticipated that PIRSA will provide data about the extent to which it has been effective in its aims.

However, it is a matter of concern that the SA Government has reduced funding for this important project from \$10m to \$7.94m over 5 years. The Industry provides of the order of \$300m a year by way of royalties and other taxes and charges to the State Treasury. Little of this is returned to the Industry.

7. Overall, the Industry has developed good relationships with indigenous communities, particularly those who have negotiated agreements, albeit over protracted periods of time. While it is considered that the ILUA initiatives will stimulate improvements, particularly in regard to the time taken to reach agreement and the associated costs, most members of the Industry have expressed the wish to continue to build those relationships through on-the-ground discussion and interaction. As part of its Training plan submission mentioned above, the Chamber has asked that monies be made available for Train-the Trainer options for indigenous communities to develop benchmark packages in explaining the important components of their culture to those accessing claimant lands.
8. Contributions to regional development, apart from those mentioned above, include the development and maintenance of 'hard' infrastructure as well as contributions to employment and training of people from Aboriginal claim groups where possible. As previously stated, these are areas needing State and Federal Government support to achieve an effective outcome.
9. The SA Government has recently re-proclaimed a major national park to exclude exploration and mining (on environmental grounds). This is a move away from a multiple use policy that has operated successfully since the early 1980s. Banning exploration and mining anywhere is a matter of concern for the industry. There is a considerable body of evidence to demonstrate that exploration and mining can take place in an environmentally sensitive manner. These bans deprive South Australians including traditional owners of the economic and social benefits including employment, education and training that would otherwise be possible from the environmentally sensitive exploration and mining of approved areas within the national park system.

South Australian Chamber of Mines and Energy

SOUTH AUSTRALIAN MINERAL AND PETROLEUM RESOURCES

Priorities for Growth

The South Australian Chamber of Mines and Energy, as the industry representative of the minerals and petroleum sectors, would like all political parties contesting the upcoming State election to give a public commitment to support policies which encourage the further development of the minerals and petroleum sectors in South Australia.

The Resources Task Force Report was presented in December 1999 to the South Australian Government, to which it responded in June 2000. While there is recognition that some progress has been made, and that where change is significant there can be prolonged periods before outcomes are achieved, we wish to re-iterate the most important areas as perceived by Industry.

1. CREATING WEALTH FOR SOUTH AUSTRALIA

The minerals and petroleum sectors are significant creators of wealth for South Australia. In the 2000-01 financial year, these sectors paid more than \$106 million in royalties to the State Government - up 39% on the previous twelve months. This came from record levels of resource production in South Australia.

Companies participating in the mineral and petroleum sectors believe there is significant potential for further growth (including significant employment growth) provided policies are in place which encourage investment and provide a regulatory regime reflecting a sensible balance of economic, environmental and social needs.

As mentioned above, the Chamber, member companies and other Industry participants contributed to the Government's Resources Task Force and resulting Minerals Resources Plan issued in 1999. The Task Force confirmed the potential for growth as follows:

- *Minerals* – The Resources Task Force Report identified that funding by private industry, with strong, high-quality technical and administrative support from government, opportunity has been identified to produce minerals worth \$3 billion, processed mineral output of another \$1 billion, and exploration and development investment of \$300 million a year by 2020. With growth supported by the following policy regime, the minerals sector could contribute up to \$28 billion to the State economy over the next twenty years, supporting 40,000 jobs.
- *Petroleum* – It is estimated that a known, proven and probable reserve of some \$10 billion exists with potential for further new discoveries of up to 3500 Peta Joules of gas and 130 million barrels of oil ⁽¹⁾. Petroleum production from within the State during the calendar year 2000 was some 165 Bcf (billion cubic feet) of sales gas and

over 6 million barrels equivalent of hydrocarbon liquids ⁽²⁾. This was the result of prior investment in the State of over \$10 billion by the petroleum industry which to date has produced more than \$16 billion worth of petroleum and generated royalties to the State of over \$1 billion. This industry currently directly employs approximately 900 people in South Australia with another 1500 employed indirectly in consultancies and contracting. ⁽¹⁾

[⁽¹⁾ Source PIRSA ⁽²⁾ Source APPEA]

2 KEY PRIORITIES FOR THE MINERALS AND PETROLEUM SECTORS

The Resources Industry Taskforce which incorporated the resulting Minerals Resources Plan identified three priority objectives to create the environment necessary to obtain the goals for growth. These are:-

- Reducing the time and cost for securing access to land
- Stimulating vigorous exploration activity
- A supportive and responsive government

This paper describes the actions recommended to fulfil these objectives.

2.1 Reducing the time and cost for securing access to land

Support for government/industry/Aboriginal co-operation to reconcile Native Title and Aboriginal Heritage issues with industry needs must occur so that more land is more readily accessible for responsible exploration and development and, in turn, economic development opportunities are created for regional and remote communities while Aboriginal Heritage is protected. Currently, legal and other processes result in significant delays in securing access to land and impose considerable costs.

The Chamber recommends that this can be achieved by:

- Ensuring South Australia's legislation relating to Native Title and Cultural Heritage is fair, workable and competitive with other States.
- Amending the Native Title section of the Mining Act to define and facilitate exploration to the fullest extent permitted by Section 26A of the Commonwealth Native Title Act.
- Developing a blue print for the negotiation of Indigenous Land Use Agreements which address the interests of all stakeholders.
- Empowering and resourcing a statutory authority to undertake prompt assessment and registration of Aboriginal Heritage sites of significance, supported by an accurate and accessible register of all Heritage sites.
- Ensuring equitable treatment between all parties seeking access to land commensurate with the activities undertaken [e.g. pastoralists, tourism operators and mining].

2.2 Stimulating vigorous exploration activity

Continual stimulation is required to encourage the risk-taking and experimentation that characterises exploration. Terrains and jurisdictions that do not provide incentives for new ideas, opportunity recognition and cost-effective testing will not compete with other opportunities. For South Australia, therefore, the TEISA Program must continue with adequate funding to stimulate exploration through the provision of pre-competitive data and quality lead-ins. Financial incentives are sought to also stimulate exploration including offsets of exploration expenditure against future royalty obligations and royalty holidays for new developments. Similarly, the necessary environment needs to be provided to attract sufficient investment from the petroleum industry, to explore and develop these new reserves whilst managing environmental and public interests.

The Chamber recommends that this objective of exploration stimulus can be achieved by:

- Ensuring that the systems in place for planning and allocation of land take due regard of the requirements of the minerals sector.
- Providing access, free of charge, to all geoscientific information and data accepting that the underlying principle is to promote the State's mineral potential.
- Continuing to generate basic data such as updated geological maps and geophysical data.
- Providing interpretation of regional data sets.
- Encouraging and rewarding innovation in exploration through such strategies as, for example, support of the Chamber's Excellence and the Innovation Awards.
- Continuing to enhance Internet facilities to give access to information and services relevant to exploration and development and ensure Internet access to tenement information and title applications matches services available from the State's competitors.
- Identifying and implementing appropriate incentives to stimulate exploration activity.
- Lobbying national support for a system which allows company exploration expenditure to flow through to shareholders as a tax deduction.
- Introducing certificates for exploration expenditure, deductible against future royalties.
- Promoting joint venture opportunities between explorers.
- Embodying South Australia's mineral potential in the next generation of explorers by offering cadetships for geoscientific mapping.

2.3 A supportive and responsive Government

The exploration and development of resources requires a streamlined and more effective technical and administrative services to the Industry so as to support development whilst monitoring compliance with environmental and other obligations.

The Chamber recommends that this can be achieved by:

Ministerial and Departmental

- Recognising the importance of the minerals sector by designating an appropriate Cabinet Minister to be the Minister for Mines and Energy.
- Ensuring a clearly identifiable agency combining all mining, petroleum and energy interests of government.
- Maintaining a Head of Mines and Energy with wide industry experience, directly reporting to the Minister on matters of priority and policy
- Focusing project approvals and regulation in the Mines and Energy agency to streamline and ensure coordination across government in a 'one stop shop' process, especially to facilitate major developments.
- Adequately resourcing the Resource Industry Development Board (RIDB) to champion the implementation of the Mineral Resources Plan, and providing on-going strategic advice to relevant Ministers.
- Ensuring a collaborative relationship between RIDB and the Chamber to maximise mutual opportunities.

Legislation

- Reviewing and amending legislative processes to ensure that the State's assessment and approvals processes receive Commonwealth accreditation under the Environmental Protection and Biodiversity Conservation Act 1999 and that equal weight is given to the economic, social and environmental importance of the minerals sector in the negotiation of bilateral agreements.
- Providing five year royalty holidays and other incentives for new developments, initially until 2010.
- Regularly reviewing arrangements for royalties and charges to encourage development.
- Ensuring new incentives and/or enhancements are available to encourage junior explorers/smaller companies.

Energy - exports, price and alternatives

- Recognising South Australia's emergence as a uranium producer of world significance and the world's need to reduce greenhouse gases, encourage further uranium exploration and the development of environmentally responsible uranium mining and processing operations to supply the international nuclear electricity industry.
- Recognising the benefits generated by the petroleum industry with gas as a clean fuel.
- Ensuring the State's energy policy places a high priority on delivering competitive energy pricing while reflecting a responsible attitude towards Greenhouse gas emissions.
- Encouraging the development of alternative energy options with potential for economic and environmentally acceptable application.

Infrastructure

- Ensuring an overarching strategy is developed for the coordinated deployment of infrastructure.

- Ensuring that there are mechanisms in place that would enable different operators sharing adjoining permits, to share such infrastructure as roads, trucks and people (contractors).
- Ensuring that the State's water policy provides for adequate supplies of useable water for mineral development at competitive prices, including compilation of an inventory of the water resources in targeted areas and identification of potential new water resources.
- Liaising with industry, State Government agencies and other levels of Government to identify impediments to the delivery of infrastructure for major project proposals and resource developments.
- Encouraging the Federal Government to provide financial incentives for infrastructure development.
- Assisting industry in exploring opportunities for private sector investment in infrastructure, and identifying impediments to attracting capital to regional areas.
- Facilitating timely provision of competitively priced utilities infrastructure including electricity, gas and water and examine possible synergies.
- Implementing appropriate recommendations in the Gawler Craton Infrastructure Report.
- Identifying key areas and undertake advance planning studies for other areas of the State, complementing the Gawler Craton Infrastructure report.
- Examining the potential benefits of connecting the Darwin-Alice Springs gas pipeline to Moomba and elsewhere.
- Encouraging research and development to make saline water useable.
- Ensuring that, where permits overlap, there is shared responsibility relating to land access and infrastructures.

Promotion

- Developing marketing strategies and materials and an investment attraction program which promote South Australia's mineral prospectivity and competitive advantages.
- Promoting South Australia's prospectivity, capability and investment potential through appropriate mechanisms incorporating a business directory for the resources and financial sectors and stage events that create a focus on the potential diversity of South Australia.
- Utilising local knowledge and experience to promote opportunities to mining companies and stockbrokers.
- Promotion to, and education of, the South Australian public, including support of the Chamber's programs.
- Marketing specific investment opportunities incorporating industry success stories and best practice.
- Identifying and encouraging local company re-investment, import replacement and value adding processing.
- Promoting world-wide the capacity and capability of the South Australian support and service sector.
- Ensuring investment opportunities are not lost or deterred by delays in access to land and amenities (and this is also an issue relating to Land Access and to Collaboration).

Collaboration

- Matching business development programs to emerging resource companies' requirements to foster improved business planning, marketing, networking and access to finance.
- Encouraging alliances and clustering between companies to develop critical mass and enhanced capability to win major national and international projects.
- Creating a web site listing suppliers and service providers for the minerals sector.
- Promoting a local content policy for the support and service sector. Creating mechanisms to provide advice on local company capabilities and monitoring local industry participation in resource projects in collaboration with industry and the Industrial Supplies Office.
- Enhancing the business matching program between South Australian and Northern Territory supply and service companies.
- Establishing processes under the Memorandum of Understanding to ensure the Northern Territory is a partner location with South Australia for mineral developments.

Training

- Recognising and supporting the Resources Industry Training Plan prepared by the SA Chamber of Mines and Energy on behalf of the industry for the State Training Authority.
- Identifying opportunities in South Australia to fulfil both national and international demands for skilled and innovative staff and professionals.
- Investigating the opportunity to create a specific focus in South Australia for education and training in exploration techniques, particularly in the technology for exploration of covered basement rock and business elements of exploration.
- Training a workforce with both specialised and broad based skills for the support and service industry.
- Supporting the Chamber in assisting Industry in the development of relevant VET programs.

Technology, Research and Development

- Supporting trials and demonstrations of new technology relevant to South Australia's minerals sector.
- Investigating and implementing actions to support new enterprises in mineral industry research and development.
- Stimulating the flow of knowledge between the private and public sectors and seeking opportunities for commercialisation.
- Supporting commercialisation of government owned research and development in the minerals industry.
- Developing a collaborative approach between the industry, research bodies and Government to foster research activities relevant to the minerals industry.

Communication and Consultation

- Developing an Industry Communication Plan to ensure appropriate and factual information is targeted to relevant community, media and industry groups.
- Ensuring that Government and industry consultation processes meet the requirements of all stakeholders and build support for resource projects.
- Recognising companies that voluntarily exceed Government requirements for environmental and social responsibilities.
- Providing relevant information to the community on the economic, environmental and social contribution made by the minerals sector to South Australia.

South Australian Chamber of Mines and Energy

October 2001

Included with submission no. 76 was the following attachment which has been taken as Exhibit 6:

Attachment 1. Government of South Australia. June 2000, South Australian Government response to the Resources Task Force Report, 37p. (Exhibit 6)