MINERALS COUNCIL OF AUSTRALIA

PRE-BUDGET SUBMISSION 2023-24

27 JANUARY 2023

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10 decadal contributions by Australian mining

$2.4 trillion
EXPORT REVENUE
Australian resources export revenue from 2012-13 to 2021-22.
ABS, *International Trade in Goods and Services*, table 3.

104%
▲ EXPORT REVENUE
Increase in resources export revenue from 2012-13 to 2021-22.
ABS, *International Trade in Goods and Services*, table 3.

21%
▲ GDP GROWTH
Mining share of GDP growth from 2012-13 to 2021-22.
ABS, *Australian System of National Accounts*, table 5.

$143 billion
COMPANY TAXES
Company taxes paid by the mining industry from 2011-12 to 2020-21.
EY, *Royalty & Company Tax Payments*, report prepared for the MCA, 22 June 2022.

$112 billion
ROYALTIES
Royalties paid by the mining industry from 2011-12 to 2020-21.
EY, *Royalty & Company Tax Payments*, report prepared for the MCA, 22 June 2022.

$252 billion
MINING WAGES
Wages paid by the resources industry from 2012-13 to 2021-22.
ABS, *Business Indicators*, table 17.

$24 billion
EXPLORATION
Exploration expenditure from 2012-13 to 2021-22.
ABS, *Mineral and Petroleum Exploration*, table 5.

$246 billion
CAPITAL SPENDING
Mining industry capital expenditure from 2012-13 to 2021-22.
ABS, *Private New Capital Expenditure and Expected Expenditure*, table 19.

82%
▲ CAPITAL STOCK
Increase in real net capital stock from 2012-13 to 2021-22.
ABS, *Australian System of National Accounts*, table 63.

35%▲
WOMEN IN MINING
Increase in females employed in the mining industry from 2012-13 to 2021-22.
ABS, *Labour Force Australia, Detailed*, table 6.

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EXECUTIVE SUMMARY

The Australian Government must put business growth and investment at the centre of its policymaking.

The October Budget revealed that the Australian economy is at risk. Worsening global and domestic conditions and a structural budget deficit that stretches well beyond the next decade present a difficult policy landscape.

Australia's attractiveness as a place to do business is no longer assured. Rising costs, declining productivity, and increasing policy risk are affecting investment decisions. This is occurring at a time when Australia's vulnerability to competition from resource-rich economies will only grow as they seek to seize the opportunity to supply the minerals and metals needed to achieve global net-zero emissions.

A focus on a better business environment is necessary if Australian industry is to unlock its full potential to drive investment and productivity growth. Current policy settings are putting at risk business investment and impairing the future contribution of businesses, particularly mining, that are necessary to grow the economy.

The Australian Government must fully consider the consequences of its policies on the minerals industry to ensure its contribution remains strong. New policies that impose unexpected costs and taxes on the industry threaten the capital investment that underpins its contribution to the economy. Of most concern are:

- Workplace relations rules that increase business costs while undermining conditions for improving productivity
- Environmental policy changes that risk imposing greater costs on project proponents without improving environmental outcomes and considering the broader social and economic impacts
- Climate change and energy policies that risk business not being front and centre in delivering emissions reductions and energy security while not compromising the economy
- And the risk that tax settings will not remain stable and internationally competitive to ensure adequate returns on investment.

The Australian minerals industry has demonstrated its ability to be a major contributor to the economy, and this contribution should not be taken for granted. Over the last decade, the industry contributed to $2.4 trillion in resources export revenue, $252 billion in mining wages, $143 billion in company taxes, $112 billion in royalties, and generated 21 per cent of the economy's growth.

Australia's minerals industry could increase its contribution to the economy with the right policy settings.

The opportunity ahead

The world will need a huge amount of minerals and metals to achieve the goal of global net-zero emissions by 2050. This will require a massive uplift in investment in exploration and mining projects along with improvements in productivity from the adoption of new technologies and a more innovative workforce.

By 2030, to meet demand for electricity storage alone the world will require 50 new lithium mines, 60 new nickel mines and 17 new cobalt mines.[1] Global mining investment is expected to increase by US$100 billion annually from current levels to produce the mineral commodities required for the world

[1] International Energy Agency, Global Supply Chains, July 2022, viewed 15 December 2022.

to achieve net-zero emissions by 2050.[2] The economic opportunity this presents for Australia is significant, but not guaranteed.

Unless the industry has favourable investment conditions the opportunity will be missed given the considerable time it takes from discovery to production for new mines – up to 18 years for a nickel mine. Australia has over 100 prospective mining and processing projects totalling about $50 billion of investment and potentially providing around 30,000 construction jobs and 20,000 operating jobs.[3] Converting these prospective projects into actual investment is dependent on government policy settings not lowering returns on investment.

Growth in Australia's productivity and net capital stock have weakened over the past decade. Annual growth in Australia's net capital stock slowed substantially, falling by almost two and a half percentage points, and is now growing at its lowest rate in 60 years. The minerals industry invested $246 billion in the decade following the end of the mining boom, however growth in the resources sector's capital stock has plateaued since about 2015-16.

Reversing this trend requires policies that improve the industry's productivity and competitiveness. This will attract the investment needed to retain Australia's comparative advantage in mining and minerals exports and expand activity in minerals processing and mining-related manufacturing.

Australia needs more minerals exploration. The industry's long-term success depends on exploration and in particular, the discovery of large deposits of global significance. As a priority, the Australian Government must adequately and permanently fund Geoscience Australia to undertake the geoscientific research and maintain, develop, and enable access to the precompetitive geoscience data necessary to attract investment in exploration.

Australia needs more investment along the entire mining value chain to boost the economy's performance. This will require:

- No new or additional tax imposts on the industry and reducing the company tax rate to the OECD average for all businesses
- Workplace relations rules that enable enterprises to work with employees to lift productivity and increase wages
- Safeguard mechanism changes that achieve a sustainable reduction in emissions by 2030 while maintaining the international competitiveness of industry as part of an effective transition to net zero emissions by 2050
- Project approval processes that are efficient and do not impose wasteful, unexpected costs unrelated to the project, such as a levy on proponents for recovering the cost of the proposed national Environmental Protection Agency (EPA)
- Government working with the industry to expand opportunities for trade and investment, including promoting Australian mining's high environmental, social and governance performance
- Government working with the industry to better target skills and deliver quality education and training to provide satisfy the industry's workforce requirements
- A coordinated approach across federal and state and territory governments to regulating transformative technologies to unlock the productivity gains from innovation.

Australia cannot afford to take the minerals industry for granted and miss out on the opportunity it is presented with to maximise the economic potential of its mineral endowments.

[2] S&PGlobal, Metal producers will need to double capex to meet net zero by 2050: BofA. 30 November 2020, viewed 29 September 2022.
[3] Minerals Council of Australia calculations based on Department of Industry, Science, Energy and Resources, *Resources and Energy Major Projects: 2022*, viewed 20 December 2022.

Summary of policy recommendations

Stable and internationally competitive tax settings

- No new or additional tax imposts
- Retain the fuel tax credit scheme in its current form
- Improve Australia's international competitiveness and attract large-scale investment by reducing the company tax rate to the OECD average for all Australian businesses
- Ensure tax transparency measures align with global reporting requirements.

Higher wages and stronger businesses through modern workplace relations rules

- Protect enterprise-based arrangements that provide for productivity-based wage increases
- No further expansion of the availability of protected industrial action
- Prevent the imposition of inappropriate and inefficient industry arrangements across multiple employers.

Facilitate an effective transition to net zero emissions by 2050

- Ensure that changes to the safeguard mechanism maintain the international competitiveness of industry by:
  - Not putting Australian businesses at a competitive disadvantage
  - Accounting for parent company emissions reduction plans in the treatment of covered facilities that are linked to them
  - Ensuring the upside price risk of compliance cost is appropriately managed by government as per comparable international schemes
- Ensure that the Powering the Regions Fund is adequately resourced to support the international competitiveness, decarbonisation and carbon offsetting requirements of a changed safeguard mechanism
- Enable least-cost abatement of CO_2 emissions by promoting all low and zero-emissions technologies, including carbon capture, utilisation and storage and currently prohibited advanced nuclear technologies
- Encourage the uptake of cost-effective abatement opportunities ahead of normal investment cycles through accelerated depreciation allowances
- Enable access to increased supply of credible, verified, low-cost domestic and international abatement following the progress made on Article 6 at COP 26 in Glasgow.

Support timely project approvals and uphold high levels of environmental and heritage protection

- Maintain the minister as the ultimate decision maker for mining projects
- Accredit state and territory regimes for EPBC Act assessments and approvals
- Progress technical reforms to improve EPBC Act assessment and approval processes, including statutory timeframes for post-approval processes, risk-based assessments and flexibility to vary approvals
- Rationalise the water and nuclear triggers and remove the prohibition on nuclear energy
- Support industry engagement in the modernisation of heritage protection safeguards.

Support strong, respectful and mutually beneficial Aboriginal and Torres Strait Islander partnerships

- Fund Indigenous solutions brokers to be located within the Regional Development Australia network to increase capability, capacity and investment of genuine Aboriginal and Torres Strait Islander businesses, emerging leaders and Traditional Owner corporations.

Provide ongoing support for industry-led skills, training and apprenticeships

- Expand the Commonwealth Innovative Places grant scheme (targeting national priority and emerging skills needs) for places commencing in 2024, and increase the number of available allocations from 300 to 600
- Support a mix of modern, accessible education and skills pathways, developed in collaboration with industry – including higher and accelerated apprenticeships, micro-credentials and bridging/stackable, short-burst courses.

Expand opportunities for trade, investment and exploration

- Work with the minerals industry to strengthen support for trade policy that endorses and promotes the value of Australian mining's high environmental, social and governance (ESG) performance and standards – notably Towards Sustainable Mining – and ensure no increase in the cost and regulatory burden on industry
- Work with the minerals industry to ensure the design of the Value-Adding in Resources Fund delivers the greatest value to the economy, including through accelerating growth in critical minerals
- Ensure the Trade 2040 taskforce has mining industry representation to identify export opportunities and areas of competitive advantage
- Ensure foreign-investment fees and penalties policy does not discourage investment in mining, processing and exploration
- Expand and permanently fund the Exploring for the Future program and fund the integration of state geological data into a seamless national system.

Unlock productivity gains by enabling innovation

- Ensure regulatory frameworks are coordinated within the federal government, and where relevant with state and territory governments, to enable the mining industry to adopt transformative technologies such as drones, electrification and internet of things devices
- Resource the Australian Bureau of Statistics to appropriatelly classify new occupations as they emerge and incorporate them into a comprehensive national workforce plan
- Increase resources for collaborative (government, industry and education and training provider) initiatives that improve diversity in the STEM pipeline, and invest in programs that boost STEM teacher quality.

1. PERFORMANCE AND CONTRIBUTION OF AUSTRALIAN MINING

- Effective, comprehensive and complementary productivity enhancing policies are needed to ensure that Australia is an attractive destination for investment in mining and minerals processing. The productivity and competitiveness of Australian mining depends on policies that deliver:
  - Internationally competitive tax settings
  - Productive workplace relations
  - A highly skilled workforce
  - Timely project approvals and high levels of environmental and heritage protection
  - Strong industry and Indigenous partnerships
  - An expansion in trade and foreign investment
  - Increased investment in exploration, innovation and decarbonisation
- The Australian minerals industry is Australia's premier industry with a global reputation as a reliable, responsible supplier that is committed to continuous improvement in its workforce health and safety, and environmental, social and governance performance
- The minerals industry is Australia's largest exporter and industry, and biggest company taxpayer and investor in infrastructure and equipment. It is Australia's highest payer in terms of average wages and is the world's largest exporter of minerals and metals.

Mining and downstream processing investment require internationally competitive and stable policy settings

Australia needs a clear plan, including supporting policies, to ensure it has a competitive advantage in mining, downstream processing and mining related manufacturing, if it is to attract the investment necessary to benefit from growing world commodity demand.

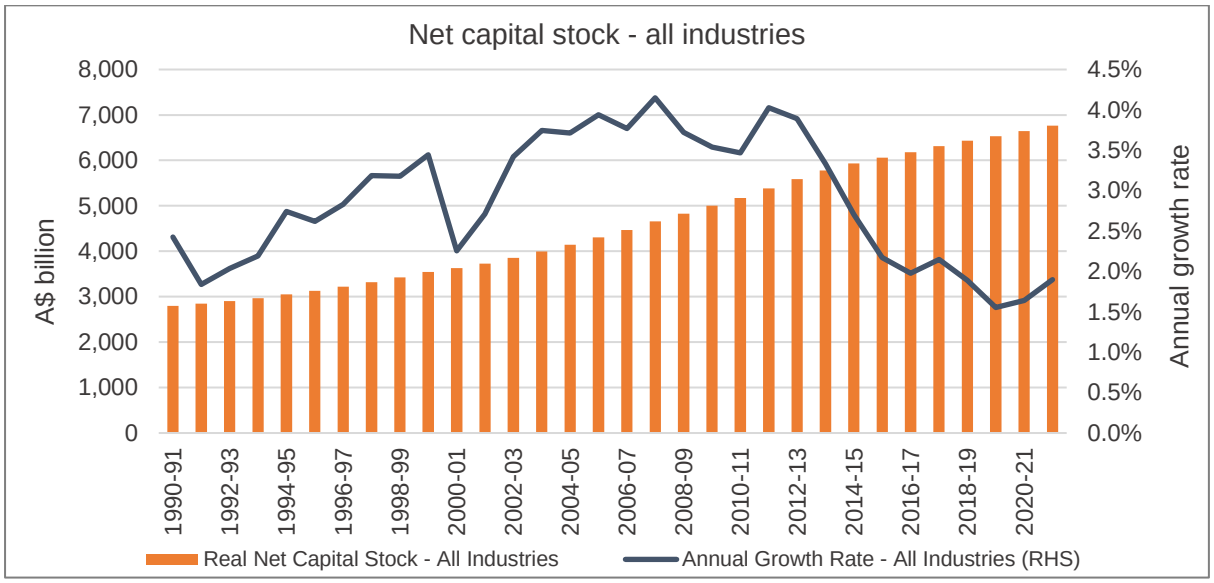
To attract investment in new mining and downstream minerals processing projects, Australia must provide competitive returns with those in other mining countries. Government policies play a large role in creating favourable investment conditions, which include, internationally competitive tax settings, productive workplace relations, a highly skilled workforce, timely project approvals and related environmental and heritage protection, strong industry and Indigenous partnerships, expanded opportunities for trade and foreign investment, and support for investment in exploration, innovation and decarbonisation.

Over the last decade, Australia has gone from one of the best performing OECD countries for private sector capital investment to one of the poorest performing.[4] In the absence of another mining investment boom, or something similar, Australia is at risk of experiencing continued weakness in business investment, which in-turn will further weaken productivity growth and economic growth.

Growth in the economy's capital stock has substantially slowed over the last decade, falling by 2.4 percentage points and is now growing at its lowest rate in 60 years (chart 1).

[4] P. Bazel and Mintz, J., Corporate tax reform to help address Australia's weak investment performance, Research report prepared for the Minerals Council of Australia, School of Public Policy, University of Calgary, 2022, p.5.

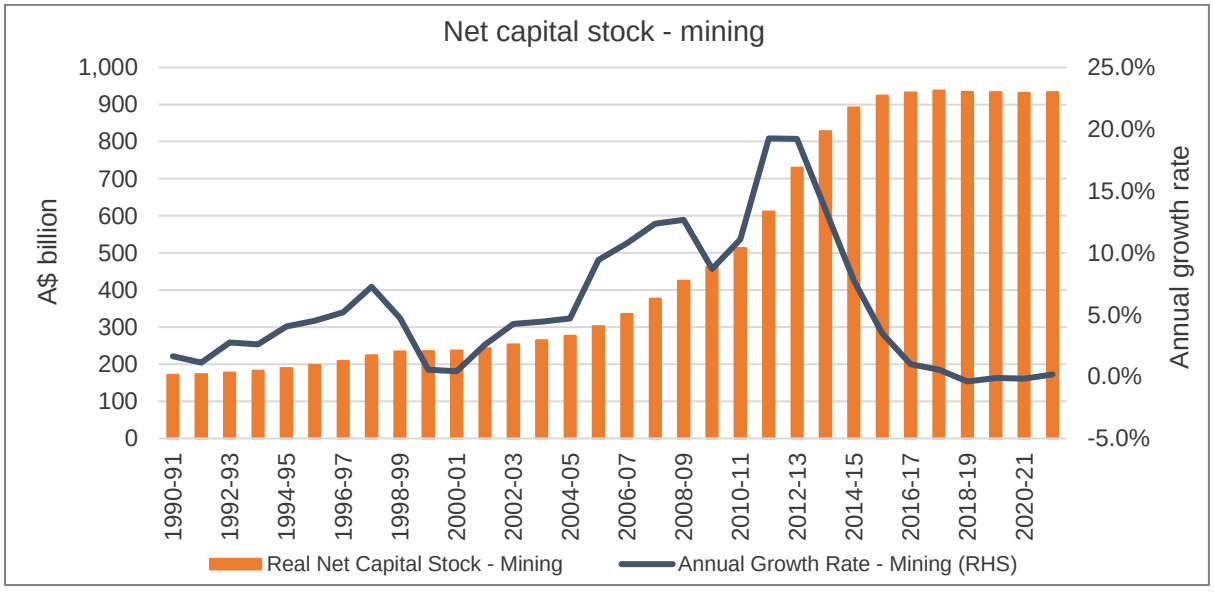
Chart 1: A slowdown in capital deepening is putting a handbrake on economic growth



Source: Australian Bureau of Statistics, Australian System of National Accounts, released 28 October 2022.

The minerals industry invested $246 billion since the end of the mining boom, however the resources sector's capital stock plateaued from about 2015-16 (chart 2).[5] This highlights that over recent years, most capital expenditure was on plant and machinery, which includes spending on sustaining capital, compared to expenditure on new projects.[6]

Chart 2: Mining's capital stock has plateaued



Source: Australian Bureau of Statistics, Australian System of National Accounts, released 28 October 2022.

A decade after the end of the mining boom, Australia could undergo another expansion in mining to supply the growing global demand for mineral and energy commodities arising from increasing urbanisation and incomes, and the need for economies to digitalise and transform to net-zero emissions.

[5] Australian Bureau of Statistics, *Private New Capital Expenditure and Expected Expenditure, Australia.*
[6] See, Department of Industry, Science and Resources, *Resources and Energy Quarterly, June 2022*, p.11.

It is estimated that over the next three decades, the world is on track to consume more minerals and metals than have been consumed over the last 70,000 years.[7] By 2050, the minerals and metals required globally each year to decarbonise the electricity sector could be two to nine times the amount produced in 2015, and three and a half to seven times for the transport sector, depending on the speed of emissions reductions.[8]

Australia is fortunate to have the mineral resources, stable political system, world leading exploration geoscience, and the processing technologies and environmental management systems needed to sustainably help meet this growing global demand. However, these advantages are not enough to ensure the minerals industry is globally competitive in attracting and securing investment in new and expanded projects.

In the last decade mining investment has resulted in increased production for some commodities, such as Australia's bauxite mining increasing 41 per cent, iron ore production increasing 84 per cent and lithium output rising nearly 400 per cent. However, other commodities have not fared as well. For example, over this period Australia's copper production declined by 12 per cent and nickel production declined by 50 per cent, while global copper production increased by 25 per cent and nickel production by 36 per cent.[9] This occurred despite Australia ranking 2nd in the world for copper resources and has 22 per cent of the world's nickel resources.[10]

Australia has over 100 prospective mining and processing projects totalling about $50 billion of investment and potentially providing around 30,000 construction jobs and 20,000 operating jobs.[11] Converting these prospective projects into actual investment greatly depends on how policy settings affect their return on investment compared to opportunities in other mining countries.

Global commodity markets are highly competitive and there is strong international competition for investment in exploration, mine development and downstream processing facilities. Mineral provinces in other countries that offer high-grade deposits or lower construction costs, energy costs and taxes on projects are providing superior capital returns for investors. Furthermore, analysis comparing effective tax and royalty rates on mining investment shows that Australia faces strong competition from other mining jurisdictions.[12]

International competition applies both between and within companies. When an Australian division of a global company makes the case for progressing a local mining project to its board, predicable and competitive policy settings are crucial to assessing the risk profile of that project favourably against other investment opportunities in the company's international portfolio. Although several factors influence the allocation of scarce capital, policy settings are instrumental in the decisions of mining companies to commit to complex projects with high upfront costs, but multigenerational benefits.

The amount of mining investment required to meet future global demand for minerals will have to almost double to US$160 billion annually to achieve net zero by 2050,[13] and the economic opportunity for Australia depends on the share of this investment it can attract. Expanding the capacity of existing mines, opening new mines and expanding downstream minerals processing and high-tech manufacturing will require a substantial increase in capital investment.

[7] G. Pitron, *The Rare Metals War: the dark side of clean energy and digital technologies*. Scribe Publications, 2020.
[8] T. Watari et al., Total material requirement for the global energy transition to 2050: A focus on transport and electricity. Resources, Conservation & Recycling 148, 2019, pp.91-103.
[9] Department of Industry, Science and Resources, *Resources and Energy Quarterly, June 2022*, Historical Data, viewed 5 July 2022.
[10] ibid.
[11] Minerals Council of Australia calculations based on Department of Industry, Science, Energy and Resources, *Resources and Energy Major Projects: 2022*, viewed 20 December 2022.
[12] P. Bazel and Mintz, J., Corporate tax reform to help address Australia's weak investment performance, Research report prepared for the Minerals Council of Australia, School of Public Policy, University of Calgary, 2022
[13] S&PGlobal, 2021, Metal producers will need to double capex to meet net zero by 2050: BofA . 30 November, viewed on 29 September 2022.

Despite the size of the opportunity for expanding mining and downstream processing, Australia may miss out on fully capturing its potential share of new investment in projects if policies are not stable and make Australia less competitive at attracting investment.

The Australian minerals industry has demonstrated its ability to be a major contributor to capital investment and productivity growth owing to the expansion of mining that began in the 2000s. The industry can again make a substantial contribution to the economy if policy settings support Australia being a competitive destination for large-scale investment in mining and minerals processing projects.

For the Australian minerals industry to help the world successfully achieve the major transformations underway it is important that policy settings support investment. It is this investment that will determine the contribution the minerals industry can make to the future prosperity of Australians.

The economic contribution of the Australian minerals industry

Australian mining is a nation builder and global leader.

The minerals industry has been an integral part of the Australian economy and is firmly embedded in the nation's future. It is a global leader in providing the essential elements of modern life while growing the economy and sustaining regional communities and supporting the economic aspirations of Indigenous Australians through local commerce and employment, and the provision of community services.

Australia is the world's largest exporter of minerals and metals, making it an essential part of global supply chains. The country ranks as the top exporter of iron ore, metallurgical coal, alumina, lithium and mineral sands, and is a prominent exporter of uranium (second in the world), thermal coal (second), nickel (fourth) and copper (sixth). Furthermore, Australia is the second-largest producer of gold and a leading producer of critical minerals including lithium, rare earth elements and cobalt. The minerals industry produces these minerals and metals through world leading sustainability standards, including best-practice environmental management and community engagement.

Australian mining is the largest contributor to the Australian economy accounting for almost 10 per cent of GDP, the largest source of export income, and supports over 1.1 million jobs at over 200 operating mine sites and in supply chains across the country. Mining uses less than 0.1 per cent of Australia's land area and undertakes continuous rehabilitation of land disturbed during operations.

Since the peak of the mining investment boom in 2013, the industry has produced $2.4 trillion in resources export revenue, $252 billion in mining wages, $143 billion in company taxes, $112 billion in royalties, and generated 21 per cent of Australia's GDP growth.

The minerals industry's substantial contribution to the economy over the last decade resulted from the large investment in exploration, mining projects and sustaining capital that was made since the early 2000s. It was this investment that ensured Australia had the mine production capacity, supporting infrastructure, services and skilled workers to enable the industry to meet growing global demand for commodities. The minerals industry's expenditure on new mines, equipment and infrastructure over the last decade totalled $246 billion taking the resource sector's net capital investment to $933 billion.

Analysis by the Centre for International Economics shows that Australian households were $14,800 better off in 2020 owing to the expansion of mining. Put another way, Australia's economic growth would have been 13 per cent lower in 2020 – the first year of the COVID-19 pandemic – had there not been a permanent increase in the size of the mining industry from 2005.[14]

In 2021-22, resources generated a record high $413 billion of export revenue (chart 3), which accounted for 69 per cent of total exports.[15] This was underpinned by robust exports of:

[14] Centre for International Economics, *Estimating the economic benefits of mining expansion and further productivity reforms*, report prepared for the Minerals Council of Australia, Canberra, 31 May 2021, pp. 1f, 10fff.
[15] Australian Bureau of Statistics, *International Trade in Goods and Services, Australia*, table 3, released 6 October 2022.

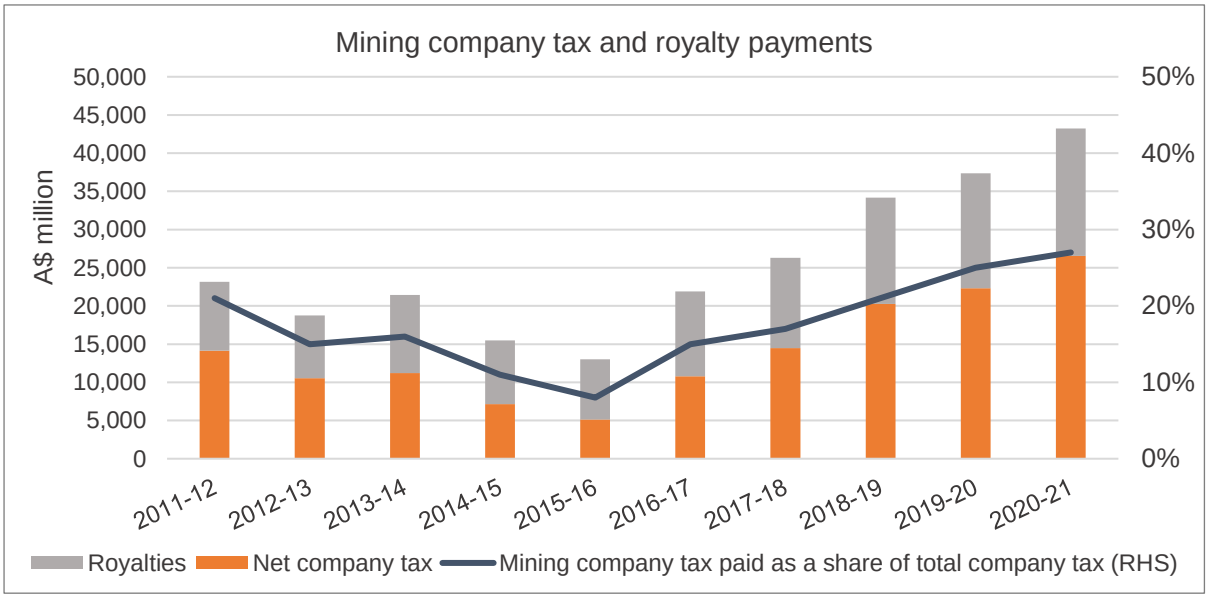
- Iron ore - $134 billion
- Coal - $113 billion
- Gold - $25.8 billion
- Aluminium, alumina and bauxite - $15.9 billion
- Copper - $12.5 billion.

Chart 3: Australia's resources export revenue sets a new record

Source: Australian Bureau of Statistics, International Trade in Goods and Services, Australia, table 3, released 6 October 2022.

Mining companies paid a combined $43.2 billion in company tax (almost 30 per cent of total company tax paid) and royalties in 2020-21, which was a 16 per cent increase from the $37.3 billion paid to federal, state and territory governments in the previous financial year (chart 4).

Chart 4: Mining's contribution to government revenues continues to grow



Source: Ernst & Young, *Royalty and Company Tax Payments*, Report prepared for the Minerals Council of Australia, June 2022.

Mining investment remained strong in 2021-22 at $30.5 billion, largely a result of ongoing expenditure to sustain production levels at existing mines rather than new capital investment, and exploration expenditure increased to $3.9 billion, almost returning to record levels.

The outlook for the Australian minerals industry is broadly positive, providing it remains competitive at both attracting investment and being able to diversify to other export markets as required. The industry faces growing competition from other mining jurisdictions. Policies that deliver internationally competitive and stable investment settings are essential for positioning Australia for the next wave of mining investment, including in downstream processing, and maintaining its position as the largest exporter of minerals and metals in the world.

2. POLICY PRIORITIES TO SUPPORT PRODUCTIVITY GROWTH AND BUDGET REPAIR

Stable and internationally competitive tax settings

- Stable and internationally competitive tax settings are essential to attracting investment in innovative, lasting and large-scale projects in mining and minerals processing
- Australian mining consistently pays high company tax and royalty receipts to federal, state and territory governments throughout the business cycle
- Mining investment and jobs should not be put at risk through additional tax imposts or changes to long-standing policy, such as the fuel tax credit scheme.

Recommendations

- No new or additional tax imposts
- Retain the fuel tax credit scheme in its current form
- Improve Australia's international competitiveness and attract large-scale investment by reducing the company tax rate to the OECD average for all Australian businesses
- Ensure tax transparency measures align with global reporting requirements.

Mining investment and highly paid jobs should not be put at risk through any move to increase the already high tax burden on the industry. There should be no additional tax imposts or changes to long-standing tax policy, such as the fuel tax credit scheme, which is essential to competitive mining businesses, attracting investment in innovative, lasting and large-scale projects in mining and minerals processing and securing jobs in regional and remote Australia.

The minerals industry consistently pays significant taxes and royalties to federal, state and territory governments throughout the business cycle, contributing a total of $255 billion between 2011-12 and 2020-21. Ernst & Young estimates the industry made record tax and royalty payments to governments in 2020-21 amounting to $43.2 billion, which consisted of $26.5 billion in company tax – almost 30 per cent of total company tax receipts – and $16.7 billion in royalties.[16]

Australia's tax settings for mining and downstream processing companies must be internationally competitive to maximise Australia's share of the global mining investment needed to drive the major transformations the world's economies are undergoing.

A reduction in the company tax rate to the OECD average is needed to turn around the declining growth in business investment, particularly capital investment. Australia's corporate income tax rate is among the least competitive in the world, ranking the third highest among OECD countries and well above the OECD GDP-weighted average of 26.3 per cent and the G7 rate of 27 per cent.[17] It is important that policy settings encourage innovative, lasting and large-scale projects that will have multi-generational benefits; and this requires Australia having a globally competitive, well-structured business tax system that offers a reasonable after-tax rate of return and does not further distort investment decisions.

A comparison of marginal effective tax and royalty rates with major mining jurisdictions in other countries shows that Australia's mining companies typically pay more tax and mining levies on their gross profit compared to Canadian companies and, in the case of copper, gold and iron ore, the

[16] Ernst & Young, *Royalty and Company Tax Payments*, Report prepared for the Minerals Council of Australia, June 2022.
[17] ibid, p.7.

United States.[18] Leaving aside Brazil, China, India and Russia, Australia's fiscal system is less competitive than most countries for copper, gold and iron ore.

Australian mining companies transparently report the taxes and other payments they make to governments through the Australian Taxation Office's voluntary tax transparency code. Any changes to reporting requirements should align with global standards and not increase the compliance burden on the minerals industry.

The fuel tax credit scheme must be retained in its current form. Fuel tax credits are critical to a diverse range of regional industries reliant on diesel including mining, agriculture, tourism and fishing. Fuel tax credits are not a subsidy and are based on the fundamental tax policy principle that business inputs should not be taxed – the same principle that underpins the goods and services tax – and the fuel excise is essentially imposed to fund the cost and maintenance of public roads.

Internationally competitive and stable company tax settings are essential to Australia attracting investment in innovative, lasting, and large-scale projects in mining, minerals processing and mining-related manufacturing. Mining is a cyclical industry and a price-taker on international markets. High profits at one part of the cycle must be balanced against large and irreversible amounts of expenditure at other parts of the cycle, including exploration, mine development and expansion, replacement investment, introduction of new technologies, and rehabilitation.

[18] P. Bazel and Mintz, J., *Corporate tax reform to help address Australia's weak investment performance*, Research report prepared for the Minerals Council of Australia, School of Public Policy, University of Calgary, 2022

Higher wages and stronger businesses through modern workplace relations rules

- Increasing wages requires increasing productivity in Australian workplaces and enabling businesses to reward higher performance
- Access to a range of employment options at each workplace allows for a more efficient and innovative workforce where pay is linked to performance
- Australian mining is the nation's highest paying industry. It requires a modern workplace system that allows for businesses to continue to provide the most competitive terms and conditions to attract and maintain workers.

Recommendations

- Protect enterprise-based arrangements that provide for productivity-based wage increases
- No further expansion of the availability of protected industrial action
- Prevent the imposition of inappropriate and inefficient industry arrangements across multiple employers.

For high-paying industries like mining, policy settings should make enterprise bargaining more attractive by improving its capacity to support real wages growth through productivity gains.

The mining industry leads the nation in the range of agreement options used to drive productivity and incomes, with 99 per cent of mining workers earning above-award wages and conditions. In 2021-22, the average full-time adult total earnings in mining was $144,000, compared to $95,000 across all industries.[19]

In 2021-22, the mining industry (including oil and gas) directly employed 285,400 highly skilled, highly paid workers across Australia, more than triple the number employed in 2001-02 (81,400). Eighty-eight per cent of mining workers are permanently employed and 96 per cent are full-time.

Across the industry, there is a trend towards more secure, longer-term employment. Over the past decade, the share of casual workers in mining across Australia has averaged 13 per cent, compared to 24 per cent for all industries.[20]

Mining companies adapt their employment arrangements to suit very different locations, ore bodies, production techniques, occupations and worker preferences. Service contractors perform specialist tasks, ranging from the removal of overburden to planned maintenance shutdowns. By necessity, this requires a workforce that includes a combination of ongoing direct employees as well as service providers to perform specific tasks on a non-ongoing basis. Some companies use labour hire to manage temporary expansions and increases in demand, while others deploy specialised teams of employees for specific safety, environment and productivity projects.

The MCA is opposed to any so-called 'same job same pay' legislation or regulation that would:

- Expand the definition of 'labour hire' beyond the existing accepted definition of a business whose purpose is to supply employees to perform work for another business
- Extend to businesses that are not 'labour hire', such as service providers, independent contractors, or related entities within a corporate group
- Inhibit the use of 'labour hire' for legitimate purposes, such as 'surge' capacity in response to temporary increases in demand, or seasonal or project-based work of less than 12 months.

[19] Australian Bureau of Statistics, *Employee Earnings and Hours, Australia, May 2018,* released 22 January 2019, data cube 7; *Average Weekly Earnings, Australia,* May 2022, released 18 August 2022, table 10H.
[20] Australian Bureau of Statistics, *Labour Force, Australia, Detailed,* October 2021, released 18 November 2021, table 6, *Characteristics of Employment, Australia* (latest issue August 2021, released 14 December 2021); *6359.0 - Forms of Employment, Australia* (discontinued).

The MCA is opposed to an expansion of ‘permitted matters’ in enterprise agreements that would expand the availability of protected industrial action for matters not directly related to the employment relationship.

Every employee, business and industry cannot and should not be expected to flourish under the same workplace settings.

Facilitate an effective transition to net zero emissions by 2050

- Internationally competitive mining and minerals processing requires technology-neutral policies to deliver affordable and reliable energy with zero emissions
- A stable policy framework is required to achieve the mining industry's ambition of net zero emissions by 2050
- The scale of the technology-led transformation required cannot occur without the minerals and raw materials provided by the mining sector.

Recommendations

- Ensure that changes to the safeguard mechanism maintain the international competitiveness of industry by:
  - Not putting Australian businesses at a competitive disadvantage
  - Accounting for parent company emissions reduction plans in the treatment of covered facilities that are linked to them
  - Ensuring the upside price risk of compliance cost is appropriately managed by government as per comparable international schemes
- Ensure that the Powering the Regions Fund is adequately resourced to support the international competitiveness, decarbonisation and carbon offsetting requirements of a changed safeguard mechanism
- Enable least-cost abatement of CO_2 emissions by promoting all low and zero-emissions technologies, including carbon capture, utilisation and storage and currently prohibited advanced nuclear technologies
- Encourage the uptake of cost-effective abatement opportunities ahead of normal investment cycles through accelerated depreciation allowances
- Enable access to increased supply of credible, verified, low-cost domestic and international abatement following the progress made on Article 6 at COP 26 in Glasgow.

Internationally competitive mining and minerals processing – which will make decarbonisation possible – requires technology-neutral policies to deliver affordable and reliable energy with zero emissions.

The MCA has confirmed the industry's ambition to achieve net zero emissions by 2050.

Australia has substantial energy resources including coal, gas, renewables, and uranium, as well as the minerals and metals needed for energy storage, hydrogen and ammonia production. All fuels and technologies can play a part in maximising opportunities for Australia, and Australian mining and minerals processing, by facilitating an effective transformation to reliable, competitive, zero emissions energy.

The Australian Government must ensure that changes to the safeguard mechanism put the country on a course to achieving its emissions reduction targets while maintaining the international competitiveness of industry. Australian businesses must not be put at a competitive disadvantage to businesses in other countries that are not subject to similar emissions constraints, and the obligations placed on covered facilities need to account for parent company emission reduction plans. The safeguard mechanism must appropriately treat export industries competing in global markets and facilities linked to parent company emissions reduction plans. It must also include an effective cost containment measure to give business certainty over maximum compliance costs as occurs in comparable international schemes.

Changes to the safeguard mechanism to drive emissions reduction by declining baselines must be accompanied by well-resourced industry policy to support covered facilities through the transition.

Declining baselines will incentivise facilities to deploy low emissions technologies if they are available and commercially viable. However, where investment in emissions reducing technologies is not an option and alternative abatement through offsets is not commercially sustainable, accessible and appropriate government support through mechanisms such as the Powering the Regions Fund must be available to reduce the risk of facility closure and carbon leakage.

The Australian Government should encourage least-cost abatement of CO_2 emissions by promoting, including through funding, the development and deployment of all low and zero-emissions technologies, including carbon capture, utilisation and storage (CCUS), renewable energy technologies, advanced storage, hydrogen from various zero-emissions production sources, and advanced nuclear.

In addition to reducing emissions in power generation, CCUS technology can reduce emissions in the production of cement, iron and steel, and alumina and aluminium, which require large amounts of energy from fossil fuels.

Accelerated depreciation should be considered to incentivise the uptake of cost-effective abatement opportunities ahead of normal investment cycles.

Following on from the progress made on Article 6 at COP 26 in Glasgow, the Australian Government must ensure emissions intensive industries that have either no, or limited opportunity, to invest in emissions reduction technologies, can access an increased supply of credible, verified, low-cost abatement.

Support timely project approvals and uphold high levels of environmental and heritage protection

- The MCA supports the Australian Government's aim to change the EPBC Act to achieve better environment and business outcomes
- Addressing inefficiencies, delays and uncertainty in national environmental regulation will boost minerals investment, supporting jobs and businesses in regional communities and the energy transition while upholding environmental standards
- Australian mining is committed to protecting the country's unique environment through leading practice based on science and robust risk-based approaches.

Recommendations

- Maintain the minister as the ultimate decision maker for mining projects
- Accredit state and territory regimes for EPBC Act assessments and approvals
- Progress technical reforms to improve EPBC Act assessment and approval processes, including statutory timeframes for post-approval processes, risk-based assessments and flexibility to vary approvals
- Rationalise the water and nuclear triggers and remove the prohibition on nuclear energy
- Support industry engagement in the modernisation of heritage protection safeguards.

The MCA supports the Australian Government's aim to change the EPBC Act to achieve better environment and business outcomes. Addressing duplicative, complex and inefficient processes, including reducing delays and uncertainty in national environmental regulation, will reduce project costs and improve the investment conditions for exploration and mining. Greater investment will support jobs and businesses in regional communities and supply the minerals critical for the energy transition while upholding high environmental standards.

Australian mining is committed to protecting the country's unique environment through leading practice based on science and robust risk-based approaches. Australian mining's expertise on environmental protection is exported around the world.

Successive reviews of national environmental regulation by the Productivity Commission have found that unnecessarily complex, uncertain or disproportionate environmental regulation imposes delays and costs on mining and minerals processing projects, without delivering any environmental gains.[21] These findings were echoed by the independent review of the EPBC Act.[22]

Cost recovery under the EPBC Act must not deter minerals investment. Substantial increases in assessment fees along with an Environmental Protection Agency (EPA) levy will significantly impair new projects such as critical minerals at a time where Australia's minerals can significantly contribute to net-zero emissions.

Companies already pay regulatory fees at the state, territory and national levels, in addition to often multi-million costs for undertaking environmental assessments. Significant increases in assessment costs will impact on investment decisions, particularly smaller to mid-size companies, which include most critical mineral explorers.

A levy to provide for a national EPA should not be imposed. Proponents should not subsidise government and public interest policy outcomes unrelated to the project as it puts at risk the significant returns to the federal budget and the Australian economy from the industry's investment.

[21] Productivity Commission, *Major Project Development Assessment Processes,* Research report, Canberra, November 2013, released 10 December 2013, p. 2; *Shifting the Dial: 5 Year Productivity Review*, Canberra, released 24 October 2017, p. 236; *Resources sector regulation,* Study report, 30 November 2020, released 10 December 2020, Canberra, p. 2.
[22] Samuels. G, *Independent Review of the Environment Protection and Biodiversity Conservation Act 1999*, Canberra, November 2020, p. viii.

An expanded remit for the proposed national EPA to approvals, risks additional duplication and uncertainty for proponents while not accounting for the social and economic benefits of mining. To ensure adequate consideration of all factors, the Minister should continue to be the decision maker for mining projects.

Other proposed changes including national environmental standards and regional planning should be developed in consultation with industry to ensure these are practical at delivering both policy and business outcomes.

State and territory processes should be accredited under the EPBC Act for undertaking assessment and approvals, integrating Commonwealth requirements.

Technical reforms to improve the efficiency of the EPBC Act should be progressed, including statutory timeframes for post-approval processes, risk-based assessments and flexibility to vary approvals.

Duplicative triggers should be fully rationalised by abolishing the water trigger for coal developments and removing uranium mining, milling and decommissioning from the nuclear trigger within the EPBC Act.

The current prohibition on nuclear energy in the EPBC Act has no scientific basis and should be removed. Removing the prohibition will allow all zero-emissions technologies to participate in Australia's future energy mix based on their merits in cost-effectively transforming the economy to net zero emissions.

The MCA supports modernisation of Australia's Indigenous cultural heritage framework to improve protections. Modernisation should result in protection-focused, robust and equitable state and territory regimes with transparent and predictable Commonwealth safeguards. Involvement of major land users, such as the minerals industry, will be critical to ensure practicality and predictability for proponents.

Support strong, respectful and mutually beneficial Aboriginal and Torres Strait Islander partnerships

- Mining is integral to the economic aspirations and plans of Aboriginal and Torres Strait Islander people, communities and businesses in many remote and regional areas
- Mining employs a larger share of Indigenous Australians than any other industry and the Aboriginal and Torres Strait Islander business and mining sectors are closely linked
- Governments have an important role in enabling strong and equal partnerships between industry and Aboriginal and Torres Strait Islander communities.

Recommendations

- Fund Indigenous solutions brokers to be located within the Regional Development Australia network to increase capability, capacity and investment of genuine Aboriginal and Torres Strait Islander businesses, emerging leaders and Traditional Owner corporations.

Aboriginal and Torres Strait Islander landholders, communities and organisations are fundamental partners in Australian mining.

Access to funding from companies and governments and delivering improved outcomes can be challenging for communities.

For decades, Australia's minerals industry has been a major stakeholder in supporting the economic aspirations of Traditional Owners and communities. This includes working together to provide tailored opportunities for young people, for people to return and to work on country, and for local skills to enhance career and business development opportunities.

Government grant programs can appear out of reach to Aboriginal and Torres Strait Islander communities and opportunities from Native Title Agreements can appear exclusionary due to the confidential nature of the agreement.

An Indigenous solution broker is an advocate for a community, located within the Regional Development Australia network to increase capability, capacity and investment of genuine Aboriginal and Torres Strait Islander businesses, emerging leaders and Traditional Owner corporations. These advocates can establish relationships along the supply chain of the mining community and with governments to assist in finding the right and bespoke solutions for the outcomes desired by the community.

Indigenous solutions brokers may assist local mining communities by:

- Providing access to small scale funding programs / grants
- Delivering skills and capacity building initiatives for Traditional Owner business ventures
- Assisting in developing business cases for loans through Indigenous Business Australia.

The MCA recommends the Australian Government prioritises funding for Indigenous solutions brokers on the basis that:

- Co-design initiatives must include communities, governments and key industries like mining to increase the opportunities to create inter-generational health and wealth outcomes for Aboriginal and Torres Strait Islander Australians
- Aboriginal and Torres Strait Islander Australians know what will create tangible, long term and sustainable opportunities for their communities
- Overcoming disadvantage and creating genuine opportunities for regional and remote Aboriginal and Torres Strait Islander Australians, requires programs and initiatives to be developed by communities not for communities.

Provide ongoing support for industry-led skills, training and apprenticeships

- Partnering with industry is the most effective way for governments to identify skills shortages and anticipate future workforce requirements
- Success of Australian mining depends on a highly skilled, flexible and resilient workforce
- Rapid changes in innovation and technology require training courses focused on contemporary and future skills to provide job-ready graduates.

Recommendations

- Expand the Commonwealth Innovative Places grant scheme (targeting national priority and emerging skills needs) for places commencing in 2024, and increase the number of available allocations from 300 to 600
- Support a mix of modern, accessible education and skills pathways, developed in collaboration with industry – including higher and accelerated apprenticeships, micro-credentials and bridging/stackable short-burst courses.

The Australian economy is facing the worst skills and labour shortage in a generation and the minerals industry is experiencing severe shortages in a range of occupations, from drillers and drivers to mining engineers, geologists and metallurgists. Addressing these problems requires government support.

The modern mining workforce increasingly require leading edge technical skills including, advanced engineering and mathematics, digital, artificial intelligence, robotics and communications. This is in addition to significant traditional employment in engineering, trades, chemistry and environmental science.

Accessible, responsive, functional and cohesive tertiary education (VET and higher education) are central to providing learners with the diverse pathways required to develop skills, knowledge and capabilities necessary to thrive in modern workplaces. Integrity and stability across VET and higher education support participation, stimulate the talent pipeline and improve labour market outcomes. The Australian Government should partner with industry to develop a skilled workforce to support innovation and productivity for current and future needs of the economy.

The MCA will work with Jobs and Skills Australia, Skills Councils and training providers across VET, and the Universities Accord Ministerial Reference Group, industry and institutions across higher education, to strengthen tertiary education systems and modernising pathways.

The Australian Government should continue and expand the Commonwealth Innovative Places grant scheme beyond 2023 commencements, increasing allocations from 300 to 600. Commonwealth supported university places for study in an area of national priority or skills need are a valuable mechanism for stabilising the skills pipeline in occupations forecast to remain in acute shortage, such as mining engineers.[23]

Government support for modernising pathways (in collaboration with industry) will better align the needs of industry and aspirations of contemporary learners and be more accessible for cohorts underrepresented in the national workforce, including women, mature aged workers, people with a disability and Indigenous Australians. Rigid four-year apprenticeships no longer serve the needs of job seekers or employers – best practice, proactive models that lead to outcomes need to be the focus.

[23] National Skills Commission, *2022 Skills Priority List and Key Findings Report*, Australian Government 2022, viewed 7 October 2022.

The MCA will work closely with the established Skills Councils, including AUSMESA to provide intelligence on industry issues, identify skills and workforce needs, map career pathways across education sectors, and contribute as appropriate to the development of VET training products.

Expand opportunities for trade, investment and exploration

- Australian mining relies on international investment to fund exploration, develop and sustain job-creating, large, long-life projects, and gain access to technology
- Additional investment in exploration and greater access to international markets and recognition of Australia's high quality, responsibly mined and processed minerals and metals will drive growth in jobs and wages
- Australia's foreign investment regime must manage national security risks while maintaining a strong economy with globally competitive industries.

Recommendations

- Work with the minerals industry to strengthen support for trade policy that endorses and promotes the value of Australian mining's high environmental, social and governance (ESG) performance and standards – notably Towards Sustainable Mining – and ensure no increase in the cost and regulatory burden on industry
- Work with the minerals industry to ensure the design of the Value-Adding in Resources Fund delivers the greatest value to the economy, including through accelerating growth in critical minerals
- Ensure the Trade 2040 taskforce has mining industry representation to identify export opportunities and areas of competitive advantage
- Ensure foreign-investment fees and penalties policy does not discourage investment in mining, processing and exploration
- Expand and permanently fund the Exploring for the Future program and fund the integration of state geological data into a seamless national system.

The Australian Government's strong support for both established and emerging mining exports is important for maximising opportunities for the minerals industry arising from increased global demand for minerals and metals.

Greater economic value from the Australian minerals industry can be captured by differentiating its competitive advantage from other mining jurisdictions. There is the opportunity for the Australian Government to work with the industry to promote mining's high environmental, social and governance (ESG) performance and other high standards in trade discussions. This can be achieved through accountability frameworks, notably Towards Sustainable Mining, while ensuring there is no increase in the cost and regulatory burden to industry from duplication or overlapping of global standards with Australian or industry standards.

Effective consultation between the government and the minerals industry on the design of the Value-Adding in Resources Fund is essential to ensuring the benefits from the opportunity to expand the minerals industry are maximised, including accelerating the growth of Australia's critical minerals sector.

The Australian Government must remove mining from the additional requirements imposed in 2021 on the foreign investment review and assessment process, except where an operation overlaps or is adjacent to defence land or a defence installation. It should also ensure foreign-investment fees and penalties policy does not discourage foreign investment in mining, downstream processing and exploration.

The Australian Government should establish the Trade 2040 taskforce with mining industry representation to identify export opportunities and areas of competitive advantage. The Australian Government should work with the MCA to identify and develop opportunities to expand trade and investment by better operationalising existing trade agreements, including with Indonesia, India, Japan, Korea, Malaysia and Vietnam. Maintaining stable supply chains remains an immediate task.

Pre-competitive geoscience data is critical to maximising the economic returns to Australia from exploration. The Australian Government should expand and permanently fund the *Exploring for the Future* program and fund the integration of state geological data into a seamless national system that would improve access to precompetitive data and assist in identifying potential mineral systems. Exploration is risky and fundamental to mining's success. The provision of high-quality information by government is essential to mining's ability to provide returns to the Australian people from the nation's resource endowment. Improved access to national precompetitive data will uncover new opportunities for minerals development and incentivise investment in exploration, particularly in more remote areas.

Unlock productivity gains by enabling innovation

- Government collaboration with industry on regulations, research priorities and STEM education initiatives is necessary to develop the policy and regulatory settings, and workforce to realise the productive potential of digital transformation
- Australian mining is a world-leader in developing and adapting transformative technologies, including automated trucks, trains and drills, drones, remotely operated vehicles and robotic processes automations to perform repetitive tasks
- Australian mining and its workforce will be critical to the global clean energy transition – both in terms of reducing emissions and the materials the industry provides.

Recommendations

- Ensure regulatory frameworks are coordinated within the federal government, and where relevant with state and territory governments, to enable the mining industry to adopt transformative technologies such as drones, electrification and internet of things devices
- Resource the Australian Bureau of Statistics to appropriatelly classify new occupations as they emerge and incorporatethem into a comprehensive national workforce plan
- Increase resources for collaborative (government, industry and education and training provider) initiatives that improve diversity in the STEM pipeline, and invest in programs that boost STEM teacher quality.

The Australian mining industry is rapidly undergoing a digital transformation that is enhancing existing occupations and creating new ones. Digitalisation and new emerging technologies drive improvements along supply chains and through the mining lifecycle from exploration, development and operations to closure and rehabilitation.[24]

Critically, this transformation is making mining safer, more productive and more sustainable.

Crucial levers for the industry to maximise benefits of the digital transformation include government policy and regulatory systems, and access to a skilled workforce.

Updated government policy and regulatory settings are required to encourage the necessary investment for the digital transformation to occur. For example, amending regulations to keep pace with emerging technologies, taking risk-based approaches such as those proposed by The Centre for International Economics for the Civil Aviation Authority in the regulation of drones in agriculture.[25]

Adequate resourcing must be provided to the Australian Bureau of Statistics to appropriately classify new occupations as they emerge. Ensuring the Australian and New Zealand Standard Classification of Occupations (ANZSCO) is up to date will assist with curriculum and qualification development, career pathway promotion and labour mobility.

With predictions that STEM occupations will increase 12.9 per cent by 2026, the narrowing pipeline to STEM careers needs to be reversed to ensure the minerals industry can secure the workforce needed now and into the future.[26] Concerns include the volume of STEM subject being taught by 'out-of-field' teachers in schools, teacher quality in vocational education and training, declining enrolments in

[24] Minerals Council of Australia, *The Digital Mine: A review of Australia's mining innovation ecosystem,* September 2022, p. 7.
[25] NSW Productivity Commission, *Research and Discussion Paper Regulating emerging technologies*, 2021, p. 29, viewed 21 September 2022.
[26] National Skills Commission, *Australia's shift to a higher skilled, services-based economy*, Insights web page, 7 December 2021; and Sue Thompson, *Student educational aspirations and attitudes towards STEM*, Article from the Australian Council for Educational Research, Teacher Magazine, 7 June 2021 – all viewed 24 November 2022.

STEM subjects/courses (senior secondary through to tertiary), and the lack of diversity in the STEM pipeline.[27]

Increased resourcing is needed for collaborative (government, industry and education and training provider) initiatives that improve diversity in the STEM pipeline, and investment in programs that boost STEM teacher quality. Examples include support for initiatives:

- to inspire the aspiration of the next generation of STEM professionals such as the International Mathematical Olympiad, which Australia is hosting in 2025, or
- that improve diversity in critical education pathways for STEM students, such as expanding James Cook University's successful STEM capability program to improve STEM outcomes through diagnostic tests to determine missing elements of curriculum concepts.

The industry's ability to attract the new investment needed to increase output and meet demand for minerals and metals is critical to the world achieving net-zero emissions by 2050. This will require the industry to fully access the emerging technologies needed for the energy transition, and secure the requisite technical, specialist and operational workforce.

[27] School News Australia, *STEM classes taught by teachers outside of their field of expertise*, May 12 2020; Steph Delaporte, *STEM education in Australia*, 9 June 2020, World Strides Educational Travel & Experiences; Op. cit. Sue Thompson, 7 June 2021 – all viewed 24 November 2022; and, op. cit. Minerals Council of Australia, September 2022, pp. 8-10.