

## Resources and Energy

# Minerals To Market

**Minerals to Market** – commits the Coalition to encouraging further development of our internationally competitive minerals, petroleum and energy industries, while ensuring environmental, heritage and cultural protection. It further develops the Coalition’s policy of facilitation in preference to unnecessary regulation.

## Resources and Energy

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## Executive Summary

### Part 1 Portfolio Wide Initiatives

The Coalition will:

- reform the tax system, which will **reduce fuel costs by \$3.5 billion a year and reduce our exporters' costs by \$4.5 billion a year;**
- **provide a fringe benefits tax exemption for employer provided housing in remote areas;**
- **maintain a five year rolling exemption from fuel excise for liquefied petroleum gas; and**
- provide **full and fair opportunities for local suppliers** to participate in major projects.

### Part 2 Minerals

The Coalition will:

- extend the reach of the Regional Minerals Program to **encourage minerals development in the Southern Cross-Forrestania- region**

**of Western Australia, and extend the existing program in central western New South Wales;**

- **provide \$5 million to support infrastructure development in north west Tasmania; and**
- **create jobs and exports by approving new uranium mines and uranium exports subject to stringent environmental and heritage assessments and consultation with affected Aboriginal communities.**

### **Part 3 Petroleum**

The Coalition will:

- **slash government red tape through our tax plan and by reviewing and reforming petroleum taxation, and simplifying the *Petroleum (Submerged Lands) Act*;**
- **spend \$33 million over four years to identify new oil zones in the frontier areas of our waters; and**
- **continue the LNG Action Agenda and the Downstream Petroleum Products Action Agenda.**

### **Part 4 Energy**

The Coalition will:

- **provide \$5.6 million over four years to accelerate the reform of our energy markets;**
- **corporatise the Snowy Mountains Scheme. The headquarters of the Scheme will remain in Cooma; and**
- **spend \$27 million to enable 1000 enterprises to sign Greenhouse Challenge agreements by 2005.**

## **Labor's Record**

### **A Portfolio-wide Initiatives**

### **(i) Taxation**

Diesel excise increased from 6.2 cents per litre to 34.2 cents per litre during Labor's 4,638 days in office. Labor's form points to further increases if it is re-elected.

### **(ii) Major Projects Facilitation**

Labor failed to address the facilitation of major projects in any meaningful way.

## **B Minerals**

Labor's policies of regulatory interference and obstruction represent 13 years of missed opportunities for the minerals and petroleum sectors.

### **(i) Mineral Exploration**

While in Government, the Labor Party:

- unnecessarily reduced access to land for minerals exploration. Land was set aside for single, non-productive use without balancing conservation and economic objectives; and
- initiated the *Native Title Act 1993*. This legislation saw massive industry uncertainty surrounding land title and resources security with developments placed on hold and investment moving offshore.

### **(ii) Export Controls**

Labor maintained export controls on mineral sands, bauxite/alumina and coal. These were an unnecessary impediment to normal commercial activity and resulted in the loss of billions of dollars of export income.

### **(iii) Uranium**

Labor's restrictive 'three mines' uranium policy cost thousands of jobs and over \$5 billion dollars in lost export income from 1985-1995, with Canada the direct beneficiary of this absurd policy.

## **C Petroleum**

### **(i) Liquefied Natural Gas (LNG)**

Labor imposed export controls on liquefied natural gas. This generated volumes of unnecessary paperwork and restricted the flexibility of liquefied natural gas producers to respond to market opportunities.

### **(ii) Downstream Petroleum (Refining)**

Labor ignored the oil refining industry and contributed to the industry's present poor investment outlook by adopting a fragmented approach to the industry.

## **D Energy Market Reform**

Labor state governments have delayed energy market reform. In New South Wales, Queensland, and now Tasmania, electricity privatisation is languishing under Labor. This denies consumers the benefit of lower energy prices and exposes taxpayers' assets to unnecessary risks.

## **Highlights of the Government's Achievements**

### **A Portfolio-wide Initiatives**

#### **(i) Minerals and Petroleum Resources Policy Statement**

In February 1998, the Coalition released the Minerals and Petroleum Resources Policy Statement. This provides a strategic framework for a whole of government approach to sustainable minerals and petroleum development.

#### **(ii) Major Projects Facilitation**

Major project proposals are nationally significant because of their contribution to our national economy, jobs growth and the flow-on benefits to supplier industries.

The Coalition has:

- established a Project Facilitation Division within the Department of Primary Industries and Energy to act as a centralised coordination point for key resources and energy projects and to streamline the approval processes between companies, the states and other commonwealth departments; and
- appointed Mr Bob Mansfield as the Government's Strategic Investment Coordinator to work with Invest Australia so that major

projects are not tied up in red tape.

## **B Minerals**

### **(i) Mineral Exploration**

The Coalition Government has:

- introduced a multiple land use policy. Under our Regional Forest Agreements multiple land use allows mineral exploration to occur where this is compatible with conservation objectives;
- amended the *Native Title Act 1993* to ensure certainty for all stakeholders including the resources and pastoral industries and Aborigines and Torres Strait Islanders;

### **(ii) Export Controls**

The Coalition has abolished the restrictive export controls on all minerals (except uranium for nuclear safeguards reasons).

### **(iii) Regional Minerals Program**

The Regional Minerals Program is encouraging a coordinated regional approach to the development of new mines, downstream processing and related infrastructure.

The program has been an outstanding success, and has been strongly supported by industry, state and territory governments and local communities throughout Australia.

Studies of the northern goldfields region of Western Australia and Carpentaria-Mt Isa region in Queensland are now largely completed.

### **(iv) Commodities**

#### Coal

The Coalition has:

- developed a framework for addressing greenhouse gas issues that provides for an effective Australian contribution to emission reduction and which takes full account of our economic circumstances; and
- pursued effective coal export facilitation initiatives, including

reductions in tariff barriers against Australian coal exports, and establishing an advanced black coal gasification research facility in Queensland.

## Gold

The Coalition has:

- addressed the critical gold industry downturn by initiating the Gold Industry Roundtable to improve the gold industry's competitiveness and access to markets; and
- pursued additional gold industry initiatives, including the commissioning of specific industry studies.

## Uranium

The Coalition has abolished Labor's ludicrous '3 mines' uranium policy, and approved the Jabiluka uranium project.

## **C Petroleum**

### **(i) Exploration and Development**

The Coalition has encouraged extensive petroleum exploration and development, including the release of 130 new areas for exploration in Australian offshore regions, resulting in a record number of oil and gas discoveries.

### **(ii) Liquefied Natural Gas**

The Coalition has removed Labor's restrictive export controls on liquefied natural gas, as well as initiating an Action Agenda and passing Commonwealth legislation to deliver security of title.

### **(iii) Alternative Transport Fuels**

The Coalition has kept our election promise to maintain the fuel excise exemption for liquefied petroleum, gas and natural gas.

## **D Energy**

### **(i) Energy Market Reform**

The Coalition has implemented Commonwealth legislation to ensure a

smooth and phased transition to an open gas market. The national electricity market is being introduced progressively with the aim of achieving full competition by 2002.

## **(ii) Climate Change**

The Coalition was successful in putting Australia's case at the Kyoto Climate Change Conference for differentiated greenhouse gas abatement commitments. The Protocol is an equitable, environmentally effective and achievable approach to addressing the global climate change.

## **(iii) Greenhouse Challenge Program**

Under the Coalition, over 265 enterprises have made commitments to reduce greenhouse gas emissions under the Greenhouse Challenge. 100 enterprises have finalised agreements covering more than 45 per cent of the end-use emissions from Australian industry.

## **Part 1 Portfolio wide initiatives**

The minerals and petroleum industries are the backbone of the economy providing 82,000 direct jobs and 327,000 jobs indirectly in related manufacturing and service industries. They are forecast to generate \$40 billion in exports in 1998-99, accounting for 60 per cent of Australia's commodity exports and over 30 per cent of total Australian exports. Mining related goods and services account for an extra \$1 billion in exports annually.

The Coalition's vision is of an aggressively competitive, innovative and growing minerals, petroleum and energy sector. We see it contributing strongly to rising national prosperity and employment, and operating within a legislative and policy framework that:

- offers high levels of certainty to investors about their rights and responsibilities and the processes of public decision-making, including the rules they need to follow;
- provides a highly competitive operating environment;
- supports the industry's efforts to achieve sustained wealth generation;
- implements the principles of ecologically sustainable development and encourages world best practice in environmental, health and safety management;

- allows the industry to respond confidently to international challenges and seize trade and investment opportunities; and
- encourages and facilitates downstream mineral processing projects.

## **A Taxation Reform**

The Coalition's tax plan will greatly benefit the Australian minerals, petroleum and energy industries.

### **(i) Removing Tax on Business Inputs**

These industries will no longer pay the hidden wholesale sales tax (WST) on many business inputs. The minerals, petroleum and energy industries will be able to claim *input tax credits* for GST paid on all business inputs, including the GST paid on fuel. All exports will be *GST-free*.

### **(ii) Lower Fuel Costs**

Off-road use of diesel by industry will be effectively excise free for the first time. This will include diesel and fuel oil used for remote power generation.

In addition to the *GST input tax credit* for diesel, on-road business use in vehicles over 3.5 tonnes gross vehicle mass (loaded weight) and railways will also get a GST credit equal to around half the excise paid on the diesel. This will reduce the effective excise rate by 25 cents per litre from about 43 cents per litre to 18 cents per litre.

### **(iii) Lower Industry Costs**

The new tax system will see minerals, petroleum and energy industry costs fall by 4.4 per cent.

A fringe benefits tax (FBT) exemption will be introduced for housing provided by employers in the minerals, petroleum and energy industries to their employees in remote areas. This exemption will extend the same treatment to the minerals and energy industries as currently applies to remote area housing provided by primary producers.

### **(iv) Review of Business Taxation**

The Government has appointed Mr John Ralph to conduct consultation on the business tax reform proposals released as part of

the Government's tax package. He will be assisted by the Tax Reform Task Force located in the Treasury.

### **(v) Exemption of Petroleum Products Excise on Alternative Transport Fuels**

The Coalition will continue our five year rolling excise exemption for LPG. Other alternative fuels will also remain excise-free.

## **B Local Content**

The Coalition Government is committed to full and fair opportunity for local suppliers to participate in the supply of equipment and services for major resources projects.

Reports by the House of Representatives Standing Committee on Industry, Science and Technology and the Chamber of Commerce and Industry of WA have identified strategies to enhance the opportunity for Australian industry participation. A further study by the Northern Territory Government is underway identifying business opportunities and impediments to industry development and growth.

The Coalition will respond to these reports following their completion and after a thorough consideration of their recommendations. At the present time, many of these issues are under discussion between governments and industry through the Commonwealth initiated LNG Action Agenda process.

## **Part 2 Minerals**

### **A Mineral Exploration**

Exploration is the lifeblood of the minerals industry. However, it is a high risk activity in direct competition with prospective sites around the world. Explorers will move overseas if Australia does not maintain an internationally competitive investment regime giving reasonable access to land and basic geological research data.

Exploration for minerals is a significant industry in itself, with over \$1.1 billion spent in Australia in 1996-97.

The Coalition Government is committed to the continuation of a strategic framework that encourages growth, sustainable development, and investment in vital minerals exploration.

### **B Regional Minerals Program**

The Regional Minerals Program is creating jobs by coordinating the development of new mines, downstream processing, and related infrastructure in regional areas.

We will extend the reach of the program to cover the Southern Cross-Forrestania Region of Western Australia, where there could be undiscovered deposits of gold and nickel. We will also extend the central western New South Wales program to cover new areas.

The Coalition will provide \$5 million to support infrastructure development in north west Tasmania, to implement the infrastructure study currently underway.

## **C Mine Safety**

The Coalition is very concerned about the high incidence of mining related deaths.

The regulation of mine safety is primarily a state and territory government responsibility. The Coalition has used the Australian and New Zealand Minerals and Energy Council (comprising federal, state and territory ministers with mines and energy responsibilities) to work with state and territory governments to address the issues involved.

In August 1997, the Council agreed to investigate the feasibility and benefits of developing a strategic safety management framework to guide the evaluation of mining safety management in Australia, and established a Mine Safety Taskforce. The Taskforce has since identified a range of areas to facilitate continuous safety improvements at individual mines.

The Coalition will continue to use meetings of Council Ministers to encourage reforms that will ensure a safe and healthy working environment for mine workers.

## **D Uranium**

The Coalition will approve new uranium mines and uranium exports subject to stringent environmental and heritage assessments and consultation with affected Aboriginal communities.

# **Part 3 Petroleum**

## **A Secondary Taxation of Petroleum**

The Coalition will conduct a review of the administrative

arrangements applying to the collection and disbursement of petroleum taxation revenue derived from onshore petroleum production areas. The objective will be to streamline Commonwealth-State royalty sharing arrangements and reduce administrative costs.

## **B Exploration and Development**

### **(i) Increased Exploration**

The Coalition will spend an additional \$33 million over four years to help identify new offshore oil zones in the frontier areas of Australia's exclusive economic zone, including the southern continental margin of the Great Australian Bight.

The \$33 million will fund the collection of basic geoscientific information, which will provide the offshore petroleum industry with the support it needs to undertake commercial exploration.

### **(ii) Legislation**

The *Petroleum (Submerged Lands) Act* is the primary legislation for the administration of Australia's offshore petroleum resources. The Act is over thirty years old and has become complex and unwieldy.

The Coalition will rewrite the Act to reduce compliance costs for governments and the industry.

## **C Liquefied Natural Gas Industry**

Liquefied natural gas exports earn Australia more than \$1.5 billion a year, with enormous potential for future development of this industry from major projects presently under consideration.

Currently, the liquefied natural gas industry faces fierce international competition for new projects and the expansion of existing projects.

### **(i) LNG Action Agenda**

The Coalition Government is addressing the issues facing the industry through the preparation of the LNG Action Agenda to ensure all aspects of industry and government processes are world's best practice.

The Action Agenda is being prepared by a working group comprising government and industry representatives. The group is examining a number of key issues, such as making sure that Australian suppliers

participate in LNG projects, and ensuring that taxation arrangements are internationally competitive.

## **(ii) Excise Arrangements**

The Coalition will maintain the existing excise/royalty regime applying to companies engaged in petroleum production in the North West Shelf region.

## **D Downstream Petroleum (Refining)**

With direct employment of 8,000 Australians and annual expenditure of up to \$A1 billion, the oil refining industry makes a major contribution to our economy. It also adds substantial value to our petroleum resources and is the basis for further jobs in the retail marketing sector.

Currently, the industry is challenged by a wide range of issues which taken together, have resulted in low profitability and reduced the industry's ability to adopt the new technology required to remain internationally competitive. These issues include increasing import competition, the need for retail sector reform and improved environmental standards.

The Coalition is addressing the problems facing the industry through the Downstream Petroleum Products Action Agenda. The Action Agenda has been welcomed by industry and is already making substantial progress.

## **PART 4 Energy**

Australia's substantial energy resources and our relatively low energy costs are vital to our industrial development. Exports of energy commodities, technologies and services make a major contribution to our export earnings. The Coalition will continue to promote policies that recognise the essential role of energy in determining our economic prosperity, international competitiveness and our standard of living.

### **A Energy Efficiency**

Energy efficiency is a key policy objective of the Coalition. By improving the efficiency of the energy sector we will improve the international competitiveness of the goods that we produce, creating jobs and wealth.

### **(i) Energy Efficiency Package**

The Coalition introduced an Energy Efficiency package as a central component of the Coalition's \$180 million Greenhouse Response featuring \$60 million in programs supporting the use of renewable energy technologies, mandatory renewable energy targets for electricity retailers and the acceleration of energy market reform.

### **(ii) Energy Best Practice**

Through the Energy Best Practice Program the Coalition has committed \$10.3 million to promote voluntary actions within particular industry sectors to enhance energy efficiency, economic performance and international competitiveness. The program will establish benchmarks for best practice energy performance and monitor and report on sectoral progress towards improved energy efficiency.

## **B Energy Market Reform**

The Coalition is committed to reforming our electricity and gas sectors to produce an integrated national energy market that will deliver broader competition between energy sources. This will result in lower energy prices and greater choice for consumers. It will also help unlock our gas and renewable sector's substantial potential to reduce Australia's greenhouse gas emissions.

### **(i) Acceleration of Energy Market Reform**

The Coalition is providing \$5.6 million over the next four years to accelerate competition reforms in energy markets to ensure that the economic and environmental benefits of reform are realised as soon as possible.

### **(ii) Corporatisation of the Snowy Mountains Scheme**

The Coalition will corporatise the Snowy Mountains Hydroelectric Authority in conjunction with New South Wales and Victoria.

The Hon Robert Webster is conducting an inquiry into the Scheme's water release arrangements, which is expected to be completed in late October. The Coalition will not corporatise the Scheme until the Minister for Resources and Energy is satisfied with the conduct, outcome, and planned implementation of the inquiry, having regard to the viability of the Scheme.

The Coalition will keep the headquarters of the Snowy Hydro

Corporation in Cooma.

## **C Greenhouse Challenge**

Under the Coalition, over 265 enterprises have made commitments to reduce greenhouse gas emissions under the Greenhouse Challenge.

The Coalition is providing \$27 million of additional funding to Greenhouse Challenge to enable 1000 enterprises to sign agreements by 2005. The expanded program will cover more than 80% of Australian industry's emissions.

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