



15 November 2013

Mr Gary Higgins, MLA  
Chair  
Committee on the Northern Territory's Energy Future  
GPO Box 3721  
Darwin NT 0801

Dear Mr Higgins,

**Inquiry into Key Challenges and Opportunities for NT Future Energy Needs**

The Association of Mining and Exploration Companies appreciates the efforts of the Committee to engage with our membership. Following on from the consultation meeting at the AMEC offices in Perth on 8<sup>th</sup> November, 2013 with AMEC members and Executive, we are pleased to offer feedback into your inquiry into the key challenges facing the Northern Territory as it seeks to secure the energy needs for future growth.

AMEC is the largest and most successful peak industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises hundreds of explorers, emerging miners and the companies servicing them throughout Australia, including the Northern Territory.

AMEC's strategic objective is to secure an environment that provides clarity and certainty for mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

As the Committee no doubt understood from the wide ranging discussions and the practical examples given by member companies, this inquiry has implications across a broad scope of issues. In order to give some order to our feedback, we will address each point under the terms of reference below:

- 1. *Impact of cultural, economic, environmental, geographic, regulatory or other factors on:***
  - a. The exploration, development, and production of energy producing resources; and***
  - b. Availability of developed resources for the domestic energy market.***

**Regulation**

The most obvious impact that currently does and will affect the growth of the Northern Territory's energy industry is the current trend toward greater levels of regulation. Whilst

AMEC is committed to high standards of protection for the community, environment and workforces, it is imperative that the competitive advantage that the Territory has possessed is not eroded under the weight of regulatory burden for no additional benefit.

AMEC recommends that all legislation be assessed against a framework of outcome focussed and risk-based regulation. To be explicit, the removal of high entry barriers to exploration and development industry is vital to the health of creating any new projects in the Territory. The Territory needs to concentrate further on compliance measure to ensure proponents are operating in a responsible manner, rather than blocking entrants with lengthy and expensive approval, compliance and regulatory processes.

### Land Access

Time spent negotiating land access and the uncertainty that title will eventually be granted does not encourage investment into the capital intensive industries that the Territory's energy future depends upon.

Whilst there are stated pathways to address both Native Title and ALRA negotiations the experience of explorers and potential investors into the Territory is that the outcomes are uncertain, opaque and lack clarity due to the vagaries of the process and the lack of clarity. There is a strong belief amongst industry members that the process needs reforming to ensure that Traditional Owners have direct input into negotiations determining their future. It is acknowledged that this may not necessarily reduce negotiating time, but would remove variables from the process.

### Port and Rail Access

Due to the mineral exploration and mining sector in the Northern Territory operating in a growth phase, many potential projects are widely dispersed. Coupled with the relatively limited coverage of infrastructure across the Territory, a significant impact is the availability of useable rail and port access.

A world-class deposit is relatively worthless without a clear path to market and the Northern Territory is at present limited with regards to competitive rail operators and also port access. AMEC recommends the Territory will need to develop a strong infrastructure plan to provide access for new mining exports, and provide for multi-user infrastructure that will accommodate future needs.

Whilst at present this is seen as a constraint, the provision of infrastructure to link other Australian states with Australia's closest port to Asia is an opportunity for the Territory to exploit the unique geographic position it possesses.

## Environmental Offsets

Over the last few years, environmental offset frameworks have developed throughout Australia at both a state and national level. The concept of offsetting disturbed areas from mineral exploration and mining needs careful consideration and designing to ensure there is co-ordination and a clear outcome in mind.

Another issue requiring attention is the alignment of environmental offset regimes across all Australian jurisdictions. AMEC is already taking a leading role in seeking increased clarity, certainty, accountability and transparency in respect of the implementation of environmental offsets on mining activities in other states. Noting that the Commonwealth Government has previously released the EPBC Act environmental offsets policy and accompanying offsets guidelines it is critical that there are no inefficiencies or duplication in offset assessments.

AMEC recommends that any environmental offsets policy be formulated with industry consultation to determine a workable approach that satisfies both national and state requirements, without duplication and results in a register of offsets that answer the clear policy objectives.

## Environmental Bonds

To encourage investment within the Northern Territory, there is a need to maintain the most appropriate mechanism to provide protection for the community and environment without laying extra costs on industry. At present, the Northern Territory has not implemented the best strategy available by compounding costs on the mining and exploration industry.

The imposition of a 1% levy on the rehabilitation costs for projects, without removing the requirement of security bonds is simply raising the costs of operating in the Territory. This reduces the competitiveness of the Northern Territory, as it competes globally for investment capital. AMEC recommends that this policy be reviewed to deliver a more appropriate model that provides the same environmental protections without increasing the costs of explorers and miners in the Territory. Such a model is now being applied in Western Australia through the Mining Rehabilitation Fund. The Northern Territory should revisit the current policy/legislative arrangements with a view to improving the outcomes for industry and Government. AMEC would be pleased to be engaged in this process.

## ***2. Demand and supply-side management strategies and incentive initiatives to improve productivity, cost effectiveness, energy efficiency, consumer and supplier participation in the energy market.***

## Collaborative Infrastructure

Due to the remote locations and limited infrastructure that is available to proponents throughout the Territory, it is often necessary for projects to be self-sufficient with regards to energy, linear infrastructure and transport. In an effort to improve the cost-effectiveness and productivity of projects in remote areas, the Territory Government should promote the establishment of collaborative infrastructure between geographically aligned projects. This may involve projects where infrastructure and even energy supply could straddle State boundaries.

This incentive can be through various means, such as taxation relief, regulatory assistance or access guarantees. In this manner, support for new industries is promoted and individual project costs can be incrementally reduced. AMEC recommends the Northern Territory Government identify specific projects that are suitable to collaborative solutions around areas of high exploration activity.

#### Royalty and Rate Relief

An obvious strategy that should be investigated is to provide relief from royalties and potentially input costs for new producers within the Territory. The early years of production are often when companies are under great strain to maintain the capital expenditure that is necessary to gain and maintain full production levels.

Exemption from royalties for a start-up period, or relief on energy costs for those companies undertaking secondary processing in the Territory would provide a distinct competitive advantage in comparison to other jurisdictions. Further to this, it has a potential offsetting effect on the additional infrastructure costs that will undoubtedly be borne by these projects.

In order to ensure that these benefits were received by the companies that most need them, there could be clear thresholds on company size, location or commodities produced to direct investment toward energy production in the Territory.

The South Australian government provides for a reduction in the rate of royalty where an application has been made and approved by the Minister. The declaration of a new mine will, for a period of 5 years (commencing on the date the first royalty is due and payable), be subject to a discounted royalty rate of 2%.<sup>1</sup>

AMEC supports such an initiative as it provides the applicant with essential cash flow to pay off debt to fund capital expenditure and further grow the business in the early stage of the mine life. The resultant economic and social dividends from such a proactive concession would provide significant 'payback', particularly in regional areas of the State.

**3. *Off-grid power generation alternatives for commercial and remote applications, including funding and investment options for the development of emergent and enabling technologies, infrastructure and commercial scale demonstration projects.***

Government Partnerships for Infrastructure and Power Generation

The issue for government and industry alike when considering the vital element of energy generation or network infrastructure is obviously funding projects within budget constraints. AMEC considers that the Territory Government has a role to play in supporting key infrastructure through the establishment of partnerships with private sector proponents, or groups of proponents to support collaborative solutions.

The scope of the Territory Government support should range from providing regulatory and permitting certainty through to debt or equity positions in projects that will supply key infrastructure to regions in co-operation with the companies operating in that area. In this manner, the risk of participation in an infrastructure project is reduced for investors and the Territory community reaps benefits from upgraded services, employment and economic development.

Extensive consultation must occur to prioritise the infrastructure needs for the Territory, and those projects that will deliver most benefit across a long term horizon. It is imperative that infrastructure projects are delivered with a long term strategic focus beyond a typical electoral cycle.

Harnessing Australia's Superannuation Funds

AMEC considers that structured planning for regional transport, roads, rail, ports, water, energy and communication is essential for the mining and mineral exploration sector, as

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[http://outernode.pir.sa.gov.au/minerals/licensing\\_and\\_regulation/resource\\_royalties/mineral\\_royalties](http://outernode.pir.sa.gov.au/minerals/licensing_and_regulation/resource_royalties/mineral_royalties)

is the provision of essential public services to encourage regional employment and growth.

AMEC notes the large number of stakeholders involved in regional infrastructure planning at the regional, state / territory and federal levels. Unfortunately, much of that planning appears to lack clear strategic leadership or a coherent and effective planning strategy to meet the increasing demands of the Australian resources sector, with the result that many remote regional resource projects and their assets are 'stranded' as they are uneconomical due to the lack of, or access to appropriate infrastructure.

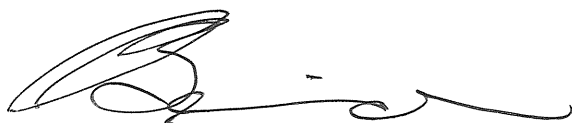
This is a critical issue that must be addressed by governments (e.g. through Infrastructure Australia) providing leadership and strategic planning to meet the infrastructure needs of the Australian mining industry. In doing so, consideration should also be given to increased collaborative funding models involving 'public-private partnerships' and other alternatives (such as superannuation funds).

As mentioned to the Committee, AMEC supports the recommendation that has been suggested through the Australian finance industry, that Australian superannuation funds should be encouraged to increase their involvement in the delivery of infrastructure.

As both superannuation funds and infrastructure projects seek to deliver long term outcomes, there appears to be a natural affinity to their objectives. Infrastructure projects are inherently involved in building future capacity of Australia, and the Northern Territory has the opportunity to harness these resources in order to develop as Australia's conduit to Asian markets.

AMEC would be pleased to provide any further information in relation to this submission, if required, please contact myself or Mr Bernie Hogan, AMEC Regional Manager at [bernie.hogan@amec.org.au](mailto:bernie.hogan@amec.org.au) or 0402 142 367.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Bennison', with a stylized flourish at the end.

**Simon Bennison**  
Chief Executive Officer