

To: Commonwealth Treasury

Re: 2024/25 Commonwealth Budget.

25 January 2024

Introduction

AMEC appreciates the opportunity to provide a submission into the development of the Commonwealth Budget for the 2024/25 Financial Year.

About AMEC

The Association of Mining and Exploration Companies (AMEC) is a national industry association representing over 570 member companies across Australia. Our members are mineral explorers, emerging miners, producers, and a wide range of businesses working in and for the industry. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Mineral exploration and mining make a critical contribution to Australia's economy, directly employing over 274,000 people. In 2021/22 industry generated a record high \$413 billion in resources exports, invested \$3.86 billion in exploration expenditure to discover the mines of the future, and collectively paid over \$63 billion in royalties and taxes.

Three Budget priorities:

AMEC has three priorities for the upcoming 2024/25 Commonwealth Budget:

1. Introduce a Production Tax Credit.
2. Geoscience Australia's *Exploring for the Future* program
3. Retain the Fuel Benefit Tax Credit

A Production Tax Credit

The USA's Inflation Reduction Act (IRA) has globally shifted investment in downstream processing of critical minerals to the US and away from Australia. The 10% Production Tax Credit (PTC) component of the IRA reduces the operating costs in the US for eligible projects.

AMEC and ten companies invested in lithium, nickel, vanadium, and rare earths engaged Mandala Consulting to undertake a detailed study of the effectiveness of a Production Tax Credit in Australia.

The AMEC Mandala PTC report quantifies that a 10% Australian PTC will reduce the production cost disadvantage faced by Australian projects.

As Mandala Consulting detail, the report projects that a PTC with a 10 per cent subsidy rate will cost the budget \$340m over the forward estimates to 2027-28, net of the additional \$60m in revenue resulting from increased economic activity due to the additional downstreaming that is brought to Australia from implementing the policy. Across the medium term, the policy would cost the budget \$1,690m net of additional \$1,790m in revenue from the economic uplift resulting from the policy.

Additional investment is expected to peak in 2028 at \$1.6b, with additional construction jobs peaking the following year at 1,800.

The Mandala-AMEC report finds that introducing the PTC may significantly increase the refining of lithium hydroxide (8.4x), nickel sulfate (2.1x), vanadium oxide (6.2x) and rare earth oxides (1.6x). It would also increase further downstream production of active materials such as precursor (+20gwh), cathodes (+10gwh) and vanadium electrolyte (+0.2gwh).

For further detail, please read the [AMEC-Mandala Production Tax Credit Report available at this link](#).

Geoscience Australia's Exploring for the Future program

ASX-listed and entirely equity-funded Australian mineral exploration companies are responsible for over 73% of recent economic mineral discoveries nationally between 2012-2021. Each year, MinEx Consulting have estimated that the chance of a mineral exploration project making an economic discovery is 1 in 135. Mineral exploration is a higher risk investment, but the returns are crucial to Australia's future and critical minerals ambitions.¹

Most geological discoveries that are near surface and near existing infrastructure have been made. The economic discoveries the mineral exploration industry is making are in the ultra-remote, greenfields areas of Australia. Operating in these areas is by geographical realities expensive and challenging. Precompetitive data is crucial to narrow the scope of exploration efforts, so companies can target investors money to the most likely areas to hold mineral rich ore. Precompetitive data de-risks early stage mineral exploration and the work of Geoscience Australia is an international competitive advantage for domestic Australian mineral exploration.

Geoscience Australia's *Exploring for the Future* program creates most of the precompetitive data that substantially reduces the cost of mineral exploration. Precompetitive geological data is the public good that junior mineral exploration companies rely on to narrow their scope of exploration.

Over 80% of Australia is underexplored, and since 2016 Geoscience Australia's *Exploring for the Future* program has marshalled a rigorous scientific effort to generate high quality precompetitive geoscientific data. Exploring for the Future has been both efficient and effective. According to independent research undertaken by Deloitte Access Economics, precompetitive data supported around \$76 billion of added value to the Australian economy and around 80,000 full time equivalent jobs in 2021-22 alone².

The current round of funding ends in 2024, and AMEC considers that annual funding of \$40 million locked across the budget cycle is an investment the Commonwealth Government should make in the future of the mineral exploration industry.

¹ Statistics from MinEx Consulting, <https://minexconsulting.com/>

² Media Release: <https://www.minister.industry.gov.au/ministers/king/media-releases/government-geoscience-data-and-analysis-supports-76b-added-value-economy-report#:~:text=Based%20on%20surveys%20of%20industry,jobs%20in%202021%2D22%20alone.>

The Exploring for the Future programme is crucial for the continuation of Australia's exploration pipeline.

Diesel Fuel Tax Credits

The Diesel Fuel Tax Credits provide critically important support for small industry players and AMEC remains absolutely opposed to any change to the current structure. Hundreds of exploration and mining companies have no choice to use anything other than diesel for mobile and remote operations due to technology and costs. Changes to Diesel Fuel Tax Credit, particularly in an environment of rising costs, would lead to a reassessment for many greenfields mineral exploration projects. Changes to the Diesel Fuel Tax Credit would have a direct impact on jobs and the livelihoods of remote communities in other industries other than mining. In the future, alternatives to diesel are anticipated to be readily available at a cost competitive price, however, that is not currently the reality.

Final comments

If Treasury would like to discuss any of the three priorities, please contact AMEC on the details below.

For further information please contact:

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