**Mining and Petroleum Investment – Update as at March 2015**

The Australian Bureau of Statistics (ABS) private new capital expenditure statistics indicate that the State’s mining industry invested $46 billion in 2014. This represents a slight fall of one per cent compared to 2013 of $47 billion. The decrease in the resource sector investment is due to major projects transitioning from their construction phase to an operational phase.

Western Australia once again topped the nation’s leading mining investment destination in 2014 attracting 55 per cent of total capital spending by the industry in Australia valued at $83 billion. Fuelled by strong demand for resource commodities from Asia, new capital expenditure by the State’s mining industry has grown at an annual rate of 16 per cent during the five years to 2014.

In 2014, new capital expenditure in Western Australia by mining, manufacturing and other selected industries decreased slightly to $56 billion and accounted for 36 per cent of the Australian total. The majority of this investment is attributed to the mining industry which represented 83 per cent of the State’s total private new capital expenditure in 2014.

It is important to note that the figures reported above by the ABS do not capture all mining investment. The ABS uses classifications specified in the 2006 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC) (ABS catalogue number 1292.0). Accordingly, mining is broadly defined as the extraction of minerals occurring naturally as solids such as coal and ores, liquids such as crude petroleum and natural gas. Downstream mining activities such as smelting of minerals or ores (other than preliminary smelting of gold) or refining are classified as manufacturing activities under the ANZSIC. Products such as coke and alumina are also included in the ANZSIC manufacturing category.

In monitoring resource investment activity in Western Australia, the Department of Mines and Petroleum also collects information on mineral and petroleum projects to estimate actual and possible investment. Where possible, information is collated relating to expected capital expenditure, project timing and employment during both construction and operation phases.

Information is obtained from various sources including the Bureau of Resources and Energy Economics’ (BREE) list of major mineral and energy projects, Deloitte Access Economics’ Investment Monitor, EnergyQuest, REPS’ Major WA Projects Listing, on-line company research consultancy systems, media announcements and company websites. Currently, information on mineral and petroleum projects comprises approximately 90 projects.

Projects are ranked according to understood project potential and level of advancement towards production. Mineral and petroleum projects are categorised as follows:

* **Projects Under Construction are those actually under construction at the time of updating the estimates of total capital expenditure.**
* **Committed Projects have company commitment including a final investment decision (FID) but are waiting for approvals to proceed with construction.**
* Planned Projects encompass those undergoing advanced feasibility studies including definitive and bankable feasibility studies. For oil and gas projects, the planning phase typically involves detailed engineering design which is also referred to as Front End Engineering and Design (FEED).
* Possible Projects comprise those raising capital and not yet as advanced as those projects conducting definitive and bankable feasibility studies as well as projects on hold for various reasons.

Based on information available at the end of February 2015, a summary of total capital expenditure by commodity is provided in the table below. It should be noted that investment in a number of the projects is publicly reported in US dollar terms and the data may therefore vary over time in line with movements in the US/A$ exchange rate. The rate used in February 2015 is 15 per cent lower than that used for the September 2014 investment summary.

Investment in the State is currently led by major export orientated liquefied natural gas (LNG) and iron ore projects under construction or expansion.

The $69 billion Gorgon LNG project continued to lead resource construction followed by the $37 billion Wheatstone LNG project. Also, Shell is constructing the $16 billion Prelude project - the world’s first floating LNG facility.

Major iron ore projects under construction include Hancock Prospecting’s Roy Hill mine ($10 billion), Rio Tinto’s expansion of Yandicoogina, Western Turner Syncline and their Cape Lambert port and rail expansion ($11.5 billion) and construction of CITIC Pacific’s Sino Iron production lines three to six ($2.5 billion).

In summary, as at the end of February 2015, Western Australia had an estimated $179 billion worth of resource projects under construction or in the committed stage of development. A further $118 billion has been identified as planned or possible projects in coming years.

**Investment in Major Projects**

(as at 28 February 2015)

|  |  |
| --- | --- |
| **MAJOR PROJECTS** | **CAPEX MILLIONS** |
| **Commodity** | **Committed/ Under Construction** | **Planned/ Possible** |
| Gold | 117 | 3,430 |
| Iron Ore | 13,946 | 15,658 |
| Nickel | 471 | 3,350 |
| Other Minerals and Infrastructure | 12,234 | 20,277 |
|  Sub Total | **26,768** | **42,715** |
| Crude Oil and Condensate | 683 | 1,114 |
| Gas | 2,971 | 117 |
| LNG | 148,403 | 73,820 |
| Pipelines and Infrastructure | 140 | 635 |
| Other | 300 |  |
| Sub Total | **152,497** | **75,686** |
| **Total Forecast Investment** | **179,265** | **118,401** |

Source: Department of Mines and Petroleum