

# Significant Issues Impacting the Agency

## A BURGEONING RESOURCES SECTOR

In the year ending December 2010, the value of production from Western Australia's resources sector exceeded expectations by growing 48.8 percent to reach a new high of \$91.6 billion. Of this value, \$48.5 billion (53 percent) was accounted for by iron ore. Gold (\$7.8 billion) and petroleum products (\$22.9 billion) also continued to perform strongly, accounting for 33.5 percent of the total value. All major resources experienced growth in tonnage except petroleum condensate, which experienced a minor decrease of 4 percent, although its sale value increased by 15 percent to \$3.7 billion.

The Australian dollar remained robust against other currencies, appreciating against the United States (US) dollar to average US92 cents in 2010. The Australian dollar reached parity with the US dollar for the first time on 15 October 2010 and has traded close to or above the parity mark into 2011. The strengthening Australian dollar has not affected growth in demand for Western

Australian mineral and petroleum resources as commodity prices continue reaching new highs.

Mineral and petroleum exports contributed a significant proportion (91 percent of Western Australian and 44 percent nationally) towards total merchandise exports in 2010. China was Western Australia's leading export market, accounting for 40 percent of the State's total merchandise exports. Developing economies including China and India continue to grow strongly and are expected to maintain a steady demand for Western Australian resources in the future.

Western Australian mineral exploration expenditure continues to recover following the Global Financial Crisis (GFC), with expenditure increasing 22 percent from 2009 levels to \$1.4 billion in 2010. This level was only marginally short of the pre-GFC high and accounted for 57 percent of the national total of \$2.5 billion. Western Australian petroleum expenditure fell to its third highest level at \$2.5 billion (Consumer Price Index adjusted), a 12 percent decrease from its 2009 record high.

## CARBON CAPTURE AND STORAGE

The Gorgon LNG Project includes the world's largest commercial scale greenhouse gas storage site, with up to 3.75 million tonnes per year of carbon dioxide being injected and stored in a deep sandstone reservoir beneath Barrow Island. Successful implementation will make the Gorgon project one of the first to implement geosequestration commercially.

In 2010, the Collie South West Hub carbon geosequestration project continued to progress. The Collie Hub project is undertaking zoning of storage sites for further investigation during 2011 and will continue investigation of the Dampier to Bunbury gas pipeline corridor as a transport route for carbon generating industries to potential storage sites.

The department will progress amendments to existing legislation to accommodate onshore pipeline transportation of greenhouse gas with legislation to be introduced into Parliament during 2011 to support development of an onshore greenhouse gas industry.

## MINERAL RESOURCE RENT TAX

In 2010, the Commonwealth Government announced a Mineral Resource Rent Tax (MRRT) and the extension of the Petroleum Resource Rent Tax (PRRT) to all petroleum projects. Both are expected to apply from 1 July 2012.

All iron ore and coal projects, with profits greater than \$50 million per annum, will be affected by the MRRT, applying at a rate of 30 percent. Although the MRRT and the PRRT will provide a credit for current State royalties, the State has pursued the case for credits to also accommodate any future State royalty increases.

On 24 March 2011, the Commonwealth Government accepted all of the MRRT Policy Transition Group's recommendations, including the crediting of all current and future State royalties and resolved that arrangements be put in place to ensure that State Governments do not have an incentive to increase royalties on coal and iron ore. On 10 June 2011 the Australian Government released the Minerals Resource Rent Tax (MRRT) Bill 2011 as exposure draft legislation.

## IMPROVING APPROVALS SYSTEMS

The improvement of the mining approvals system is a major strategic priority for the State.

The Government has committed \$1.5 million, which is allocated for automation of approvals reform and systems development. This is to continue to expand on approval tracking and online lodgement services for proponents.

The funding will allow the department to permanently resource a specialised team to manage exploration and mining tenement applications where native title claimants are taking a more legalistic approach. The backlog of mining tenement applications reached its peak of 18,700 in 2006 and currently it has been reduced to 8,000.

Notwithstanding the impacts of the Global Financial Crisis, the number of mining tenement applications being lodged remains significantly buoyant (4,925 in the 2010 calendar year alone) demonstrating a robust and competitive resources sector.

## FULL-TIME MINING WARDEN

The department is currently facing in excess of 2,000 objections to mining tenement applications outstanding across the State. Over the past five years an average of 1,186 applications are objected to each year. Availability of listing dates varies from four to seven months and warden listings compete with magistrate court listings.

The appointment of a full-time mines warden to the Department of the Attorney General will reduce the number of objections to applications currently outstanding, thereby reducing the time to resolve these disputed applications and ultimately contributing to the reduction of the backlog of mining tenement applications. Furthermore, competition between magisterial listings and mining warden listings will be rationalised.

## ONLINE AND ON TIME

The increasing provision for the submission of online applications has reduced the workload for industry and provided more certainty around timelines.

By processing applications electronically, the department has streamlined processes and allowed it to focus on developing improved working relationships with other government agencies to address some of the broader approvals issues.

This has been achieved in an environment of growing numbers of applications to the department reaching an all time high, with over 8,100 in 2010-11.

## ROYALTIES FOR REGIONS

Further funding of up to \$20.6 million will be made available through Royalties for Regions for the Regional Alternative Energy Mobilisation Project, an extension of the \$80 million EIS that began in 2008–09.

The department continues to provide and expand availability of high quality, pre-competitive data to stimulate exploration by reducing the risk for explorers. The recent

release of Airborne Magnetic and Radiometric Surveys over Eucla has led to a significant increase in the number of tenements under application in the area. Additional funding will be focused on developing onshore unconventional energy resources including shale, tight gas and geothermal energy by encouraging the mobilisation and availability of drilling and fracturing equipment in Western Australia.

## LABOUR MARKET

Tightening conditions in the State's labour market are likely to place increased pressure on the department's ability to attract and retain qualified and experienced staff.

## EXPANSION OF CONSERVATION ESTATE

Continued expansion of the conservation estate in marine and terrestrial environments can present land access issues affecting mineral and petroleum exploration and production.

The department continues to ensure that it responds to initiatives to expand conservation estates and other land access issues by promoting a risk-based, multiple land use approach.

The department aims to ensure that Western Australia's undeveloped resources are recognised and a balanced approach between the development of the State, community expectations and the need to protect the State's environment is achieved.

## TRANSFER OF FUNCTIONS NOPTA / NOPSEMA

Since the release of the Productivity Commission's final report into the regulatory burden on the upstream petroleum sector, the Australian Government has committed to establishing a national offshore petroleum regulator.

In early 2011, the Federal government agreed to expand the function of the National Offshore Petroleum Safety Authority (NOPSA) to become the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) and to create the National Offshore Petroleum Titles Administrator (NOPTA) by 1 January 2012. As part of this process, the State Government has also agreed to take back responsibility for regulating safety in State Waters. These transfers of responsibility will take some time to stabilise.

The approval of Well Operation Management Plans (WOMP) and Approval to Drill will transfer to the national body during the 2011-12 financial year. The department is working with the Commonwealth to ensure a seamless transition, without disadvantage to proponents.

A series of amendments are required to the *Petroleum (Submerged Lands) Act 1982* (WA) and subservient regulations, to remove the powers and functions of NOPSA. These responsibilities are expected to be assumed by the department, and expected to clearly define the boundary between Commonwealth and State responsibilities over waters within the Exclusive Economic Zone.

The States will have the opportunity to provide input into Commonwealth decision making through the continuation of the Joint Authority, which will be maintained under NOPSEMA and NOPTA. The State Government is not in favour of the Commonwealth's decision to create NOPSEMA and NOPTA, however it is working with the Commonwealth to achieve the best outcome possible.

