**MINERAL AND PETROLEUM INDUSTRY 2014 REVIEW**

The value of Western Australia’s mineral and petroleum industry in 2014 reached just over $114 billion.

Iron ore remained the State’s highest value commodity, accounting for a $65 billion (75 per cent) of total mineral sales in 2014. This represents a decrease of six per cent from 2013, which can be attributed to the sharp drop in iron ore prices in the second half of the year. Project expansions, together with strong demand led by China, saw iron ore achieve record levels of export quantities. In total 697 million tonnes of iron ore were exported which was an increase of 25 per cent on the previous calendar year.

The US dollar gold price was weaker throughout 2014 compared to the previous period and averaged US$1,266 an ounce, down 10 per cent. In Australian dollar terms the gold price averaged A$1,413, a fall of three and a half per cent. This resulted in total sales of $8.7 billion for 2014, close to that of 2013.

Together iron ore and gold accounted for $73.7 billion (85 per cent) of all mineral sales in 2014.

The petroleum sector, which includes crude oil, condensate, LNG, natural gas and LPG (butane and propane), was valued at $27.6 billion, an increase of 11.8 per cent on the previous year. This increase was largely attributed to LNG.

The Australian dollar averaged 90 US cents for the period, a fall of seven per cent. This weakening of the Australian dollar helped to offset falling commodity prices. Traditionally perceived as a commodity currency, the Australian dollar decreased in line with falling commodity prices and therefore shielded producers to some extent from lower prices. Increased output, the result of considerable investment in resource projects, particularly iron ore, also boosted the end result.

ABS figures showed that mining investment activity in Western Australia fell slightly during 2014, with the State’s mining industry investing $46 billion, a one per cent decrease compared to 2013. This result was not unexpected as large investment in mine expansions and new projects slowed in the transition from construction to the production phase of the resource lifecycle.

Western Australia remained the nation’s leading mining investment destination, attracting 55 per cent of total national capital spending of $83 billion.

Although recent falls in commodity prices have also caused some mining companies to re-evaluate their investment positions the dominance of the resources sector in the nation’s economy is expected to continue. This is due to the number of projects which have been expanded or developed, in particular iron ore and LNG.

As at March 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 being allocated to planned or possible projects in coming years.

**Highlights in 2014**

**Iron ore** remains the State's most valuable sector of the mining industry, accounting for $65 billion (75 per cent) of the mineral sector’s total sales. This result was six per cent lower than in 2013. Output increased by 25 per cent (138 million tonnes) which offset weaker prices in the latter part of the year. In total, 697 million tonnes were sold in 2014. The price of 62 per cent CFR iron ore delivered to China averaged US$128 in January 2014 before falling 46 per cent to average US$69 in December. The Australian dollar iron ore price fell 42 per cent over the period.

**Gold** was the second most valuable mineral sector, with total sales of $8.7 billion, representing 10 per cent of the mineral sector’s total sales.  The gold price fell 10 per cent to average US$1,266 an ounce and 3.6 per cent in Australian dollar terms to average A$1,413 an ounce. The quantity sold rose from 6.6 million ounces in 2013 to 6.8 million ounces, a three per cent increase.

**Alumina** was the third most valuable mineral in 2014 reaching $4.6 billion, an increase of 11 per cent over the previous year. The quantity sold was up marginally by two per cent to 13.9 million tonnes. Alumina prices rose by around two per cent in US dollar terms.

**Nickel** was the State’s fourth most valuable mineral sector. US dollar prices were volatile over the year however the weakening Australian dollar in the second half resulted in an increase price of around three per cent to producers. The quantity of nickel sales fell by 15 per cent to 195,000 tonnes, however the total value increased by six per cent, from $3.4 billion in 2013 to $3.6 billion this calendar year.

The overall value of **base metals** (copper, lead and zinc) increased by five per cent to just under $1.8 billion in 2014. Copper dominates this group with total sales of $1.4 billion, down 4.5 per cent on the previous calendar year. Sales of lead increased from $116 million to $187 million due to a full year’s sales by the Paroo Station project. Zinc output levels rose by 51 per cent, with the total value of sales rising from $96 million in 2013 to $173 million in 2014.

The total value of **mineral sands** sales fell by 42 per cent to $379 million. Sales revenues were impacted by sharp falls in tonnages due to weakening demand for these products.

The value of **salt** sales rose by one per cent to $419 million in 2014 while volumes remained flat at 13 million tonnes.

In 2014, **Diamond** sales volumes were flat at 10.6 million carats.

**Coal** prices remained static whilst output was lower by 12 per cent totalling 6.2 million tonnes valued at $268 million.

Output for **cobalt**, as a by-product of nickel mining, fell by seven per cent to 5,978 tonnes, however higher prices translated into a 15 per cent increase in sales value which reached $197 million.

**Petroleum**, which includes crude oil, condensate, LNG, natural gas and LPG (butane and propane) was valued at a record $27.6billion, an increase of 12 per cent.

**LNG** was the most valuable petroleum product in the State in 2014 with output increasing by 10 per cent to reach a record 21 million tonnes. The sales value of LNG increased by 18 per cent to reach a record $15.6 billion. LNG production is forecast to grow further with supply from new projects coming on stream including Gorgon and Wheatstone.

Production of **crude oil**, the second most valuable petroleum product in 2014, rose by 16 per cent to 50 million barrels, with sales values rising to $5.6 billion.

During the period, the value of **condensate** fell by four per cent to $3.9 billion whilst output was up two per cent to 38 million barrels.

In 2014 domestic **natural gas** sales increased by three per cent to 9.6 billion cubic metres while the value of sales rose by 15 per cent to $1.8 billion. Output of **LPG (butane and propane)** decreased by 15 per cent with the sales value also decreasing to $532 million, down 11 per cent on the previous financial year.

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| **Commodity** | **A$ Billion** | |
| Iron Ore | 65.1 | |
| LNG | 15.6 | |
| Crude Oil and Condensate | | 9.5 |
| Gold | | 8.7 |
| Alumina | | 4.6 |
| Nickel | | 3.6 |
| Others | | 7.0 |
| **Total** | | **114.1** |

Western Australia’s mineral and petroleum resources, in order of value for 2014, were: