



The Coalition's Policy for Resources and Energy

September 2013

Key Points

The Coalition supports a vibrant and competitive energy and resources sector that employs thousands of Australians and makes a vital contribution to our economy.

We will help protect jobs and investment by removing the unnecessary and damaging taxes weighing the sector down – the carbon and mining taxes will be abolished under the Coalition.

The Coalition will introduce an Exploration Development Incentive that will allow investors to deduct the expense of mining exploration against their taxable income. Under our scheme, the Australian Taxation Office will determine a proportion of expenses that can be claimed as tax credits by investors. Our scheme will target small exploration companies by limiting eligibility to companies with no taxable income.

Our scheme will start for investments made from 1 July 2014. The scheme will be capped at \$100 million over the forward estimates.

Within the first week of a Coalition government, the Minister for Resources and Energy will commence work on an Energy White Paper, to be publicly released within a year. This will ensure industry and consumers can have certainty and confidence in government policy.

We will deliver a one-stop-shop for environmental approvals ensuring projects can commence as soon as possible but without compromising environmental standards.

We will cut unnecessary red tape costs on all Australian businesses, including those in the resources and energy sectors, by at least \$1 billion per year.

Within the first month in government, the Minister for Resources and Energy will meet with the major resources companies to verify a legitimate need to retain their leases, over oil or gas fields, to secure supply for long-lived LNG production projects.

We will convene an urgent meeting of relevant State Governments, gas explorers and producers and gas consumers to set in place a workable gas supply strategy for the East Coast gas market to the year 2020.

We will create a stronger economy that generates two million new jobs over the next decade. We will do so by abolishing unnecessary taxes (like the carbon tax), cutting red tape costs by \$1 billion a year, ending government waste, lowering the company tax rate, and providing incentives for individuals to achieve their potential.



Introduction

The energy and resources sector is one of Australia's most significant economic contributors and is a driving force behind job creation. It is also central to Australia's trading key relationships.

The true significance of the mining industry has never been more apparent – recent research from the Reserve Bank of Australia showed that the mining industry is responsible for 1.1 million direct and indirect jobs.

Australia needs a government that can guarantee certainty and stability within the sector. Instead, the industry has endured some of the most appalling examples of policy bungling under the Rudd-Gillard Government.

The Rudd-Gillard Government's rushed, mismanaged and misdirected policies, including the carbon tax, the failed Resources Super Profits Tax, the Minerals Resource Rent Tax (MRRT), changes to the taxation rules for condensate, and its long delay in delivering an Energy White Paper, have undermined Australia's sovereign risk profile, sent negative messages to investors and shackled Australian energy and resources exporters with costs that international competitors do not face.

Part of the challenge we face is getting more exploration underway, particularly by smaller mining companies that have the potential to be the next BHP and Rio, but often lack the capital and cash-flow to undertake the necessary exploration in the first place.

The Productivity Commission has noted the negative implications of declining exploration:

“The economic performance of resource explorers has been falling due to higher costs and lower rates of discoveries. One indication of the decline in exploration productivity is that the cost per metre drilled (in real terms) has increased. Moreover, exploration expenditures have not led to as many discoveries over the last decade as in previous periods. This is particularly the case for the discovery of ‘giant’ deposits.

If the downward trend in significant discoveries continues, resource extraction will increasingly rely on deposits which may be of lower grade, deeper in the ground and require more ‘effort’ to extract. This will impact adversely on Australia’s competitiveness in resource extraction.”¹

The Coalition has a positive plan that will deliver a strong, prosperous economy and a safe and secure Australia. At the heart of that vision is the understanding that the energy and resources sector is a key contributor the national economy, generating crucial export revenue and keeping Australians in jobs.

¹ Productivity Commission (2013) *Mineral and Energy Resource Exploration*, p.43.



The Plan

1. Abolish Labor's Carbon Tax

The Coalition will act immediately to rescind Labor's carbon tax.

This toxic, job-destroying tax punishes successful and hard-working Australian businesses and causes jobs and emissions to be exported overseas.

The carbon tax has meant:

- a \$9 billion a year new tax;
- a 10 per cent hike in electricity bills in the first year alone;
- a 9 per cent per cent hike in gas bills in the first year alone;
- higher marginal tax rates for low and middle income earners; and
- a \$4.3 billion hit on the budget bottom line.

The Coalition will not let the carbon tax continue to destroy Australian industry and Australian jobs.

Electricity generators across Australia have faced huge losses in value thanks to the carbon tax, which means higher costs for consumers and taxpayers.

The O'Farrell Government has made it clear that its black coal-fired power stations will suffer a loss in value of at least \$5 billion because of the carbon tax. This is a cost that will be paid by New South Wales taxpayers already struggling with rising cost of living pressures.

The Coalition will unequivocally abolish the carbon tax.

2. Abolish Labor's Mining Tax

The Coalition has consistently opposed the mining tax in opposition and we will rescind it in government.

Labor's mining tax has fundamentally undermined confidence in Australia as an investment destination and as a secure supplier of resources. To add insult to injury, the mining tax also failed to raise any meaningful amount of revenue.

The Coalition will restore confidence, stability and security for the industry, allowing it to thrive, create jobs and contribute to the prosperity of all Australians.



3. Deliver a One-Stop-Shop Environmental Approvals Process that Sets High Standards, Makes Swift Decisions and Delivers Certain Outcomes

The Coalition will cut green tape, encouraging the fast commencement of new projects by creating a 'one-stop-shop' for environmental approvals for mining and other projects.

The Business Council of Australia has noted that obtaining approvals for one major project cost \$25 million and involved 4,000 meetings, briefings and presentations and the preparation of a 12,000 page report. After two years, 1,200 State and 300 Commonwealth conditions were imposed with a further 8,000 sub-conditions.

In another notorious case, a marina in Victoria that spent \$1 million to gain State Government approval was indefinitely delayed under the *Commonwealth Environmental Protection and Biodiversity Conservation Act* because it might threaten the orange-bellied parrot that had not been seen in the area for 25 years.

Investors invariably accept that projects should comply with best environmental standards. The standards aren't the problem. It's the indecision, imprecision and inconsistency that is killing new projects.

The Coalition will maintain high standards, but seek to simplify the approvals process.

As the Business Council of Australia has recommended, the Coalition will offer State and Territory governments the opportunity to act as a one-stop-shop for environmental approvals. Should they accept, the States and Territories would administer a single approvals process including approvals under Commonwealth legislation such as the *Commonwealth Environmental Protection and Biodiversity Conservation Act*.

For some projects, such as major offshore developments, the States and Territories may prefer to have the joint Commonwealth-State authority, NOPSEMA, as the sole, designated assessor.

In addition to a single assessment process, a Coalition government will seek to create a single lodgement and documentation process for environmental approvals.

States and Territories that agree to be part of this one-stop-shop process should have a significant advantage attracting investment. Engendering competition between the States would be a way to make Australia's federal system work for us rather than against us.

The one-stop-shop process could also be extended to local councils that choose to be involved.



4. An Exploration Development Incentive

The Coalition will introduce an Exploration Development Incentive that will allow investors to deduct the expense of mining exploration against their taxable income.

Under our scheme, the Australian Taxation Office will determine a proportion of expenses that can be claimed as tax credits by investors. Our scheme will target small exploration companies by limiting eligibility to companies with no taxable income.

Our scheme will start for investments made from 1 July 2014. The scheme will be capped at \$100 million over the forward estimates.

The Coalition will get the exploration industry back on its feet following the devastating loss of confidence for investment in mineral exploration in Australia caused by the Rudd-Gillard Government's introduction and gross mishandling of the MRRT.

The future prosperity of the mining sector and the Australian economy is dependent on our ability to make new mineral discoveries.

The Exploration Development Incentive will provide incentives for minerals exploration activity, with a focus on the small and mid-tier exploration sector.

Under the proposed program, a tax credit will be provided to Australian resident shareholders for eligible 'green fields' exploration expenditure incurred in Australia. A 'no taxable income' test will ensure that the program is only available to junior minerals explorers.

Final implementation details will be determined in consultation with peak industry representative bodies, and will be reviewed every twelve months. Subject to these review outcomes, the program may be extended for a further period.

5. Coal Seam Gas Management Policy

Under the Constitution, matters relating to mining and land access fall under the jurisdiction of the State governments. The Commonwealth has limited powers in these areas and doesn't regulate mining activity in Australia.

However, the Coalition supports the responsible development of the coal seam gas under three co-existence conditions:

- access to prime agricultural land should only be allowed with the farmer's agreement – the farmer should have the right to say yes or no to coal seam gas exploration and extraction on their property;
- there is no long term damage to the underground water supply; and
- agricultural production is not permanently impaired.



The Coalition also supports the establishment of the independent expert scientific panel created to investigate the impact of the coal seam gas industry on water reserves and to ensure aquifers are not adversely affected by coal seam gas development.

6. Address Potential Gas Supply Crisis in Eastern Australia

The Coalition will convene an urgent meeting of relevant State governments, gas explorers and producers and gas consumers to set in place a workable gas supply strategy for the East Coast gas market to the year 2020.

We will also commission the Australian Energy Market Operator to provide up-to-date and accurate information regarding gas consumption in the east coast gas market.

The Coalition, through the Standing Council on Energy and Resources, will put in place mechanisms to provide greater transparency of gas trades, gas pricing and supply.

7. A Maritime Surveillance Regime for Offshore Platforms

In 2005, the Howard Government strengthened Australia's offshore maritime security through a series of initiatives connected to border protection and maritime security.

The measures focussed on the protection of Australia's offshore oil and gas facilities, and on ensuring that any terrorist threat to Australia's maritime assets and the Australian coastline could be quickly detected and defeated.

The Coalition will work constructively with industry to monitor and upgrade an appropriate maritime surveillance regime to protect our offshore oil and gas platforms.

8. Greater Scrutiny of Applications for Oil and Gas Retention Leases

There is a constant tension between exploration lease holders wishing to retain a lease and other companies wishing to obtain access to the same leases. The Coalition will verify that companies seeking to retain a lease over oil or gas fields have a legitimate need to secure gas for long-lived production projects and are not simply seeking to obtain a competitive commercial advantage by their retention.

The Coalition believes that when a Retention Lease is granted, and should the field become 'commercial,' the company holding the Retention Lease should be required to apply immediately to the Minister for a Production Licence to bring the field online. Alternatively, at the end of the Retention Lease period, the Lease should be offered on a tender basis for a Production Licence.



9. Update the Energy White Paper

When the Rudd-Gillard Government finally released the Energy White Paper (due in 2009) in 2012, it was compromised by the introduction of the carbon tax. The Rudd-Gillard Government also failed to address the critical issues of national energy security and energy market transparency. As a matter of urgency, the Coalition will commission development of an integrated, coherent national energy policy to be reflected in a new Energy White Paper

Co-operation between government and industry is at the core of national energy security. The Coalition is committed to working closely with industry so the nation's energy resources can be developed in a constructive, collegiate and cost-effective way, to the ultimate benefit of consumers.

The White Paper will also investigate the role of alternative transport fuel sources including but not limited to biofuels, LNG, CNG and LPG.

The Coalition will also ensure that cost-recovery and pricing for consumers is managed in a transparent fashion that neither disadvantages consumers nor investors.

Australia is recognised as a world leader in the mining and petroleum services industries.

Seeking to consolidate and develop this advantage, the Coalition will commission a White Paper identifying how they may be best supported.

10. Formalise the Agreement to Enable the Sale of Uranium to India

Under the Howard Government, Australia entered into an agreement with the Government of India to enable the sale of Australian uranium to India for peaceful, energy generation purposes, subject to strict conditions and safeguards.

As one of its first acts in government, Labor reversed the decision to supply uranium to India. A reversal of that policy was subsequently announced, but this new arrangement has never been formalised.

The Coalition will formalise the agreement to sell uranium to India for peaceful, energy generation purposes.



11. Examine the Potential of Thorium as an Energy Source for Export

The Coalition will examine the potential use of thorium as an energy source. Australia possesses an estimated 18.7 per cent (489,000t) of the world's identified resources of thorium.

The primary source of thorium in Australia and globally is the mineral monazite.

Thorium can be used as an alternative source of fuel for energy generation and possesses an energy content that can be utilised almost in its entirety.

12. Resolve Community Concerns Over Wind Farms

The Coalition will establish either an independent National Health and Medical Research Council (NHMRC) research program or an Independent Expert Panel to examine and determine any actual or potential health effects of wind farms. This panel will be modelled on the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development.

Some members of public have serious concerns over the potential impacts of wind farms on the health of people living in their vicinity. The lack of reliable and demonstrably independent evidence on the subject of wind farms both adds to those concerns and allows vested interests on either side of the debate to promulgate questionable information to support their respective cases.

We will implement a program to establish real time monitoring of wind farm noise emissions to be made publicly available on the internet.

13. Support Development of Logistics Systems for LNG as a Transport Fuel

The Coalition will work with industry to facilitate the development of logistics systems for LNG as a transport fuel, particularly in the Brisbane, Sydney and Melbourne transport corridors.

Apart from the significant export potential from our LNG production, the emergence of localised LNG production plants to service the growing uptake of LNG as an alternative to diesel for interstate haulage vehicles provides a real opportunity to both reduce greenhouse gas emissions and offer financial benefits to users.

14. Greater Industry Advice and Consultation

The Coalition will establish an industry advisory council for the energy and resources sector. The council will be co-chaired by a respected industry expert and by the Minister for Resources and Energy.



The advisory council will provide informative consultation and recommendations on proposed legislation or policies affected the energy and resources sector. It will convene at least once every six months and the Minister will be required to attend at least two of the council's meetings each year.

The Coalition is committed to informed, consultative decision-making. We will be a government that stands by our decisions – there will be no surprises and no broken promises.

The Choice

Australians have a choice between a Coalition government that will give industry policy certainty and stability or a Labor government putting investment, jobs and economic growth at risk with erratic policies and taxation burdens on Australia's most important industry.

The Minerals Resource Rent Tax substantially added to Australia's sovereign risk profile as a business investment destination. Labor's bungling of its design meant that relatively little of the projected revenue has been collected.

The carbon tax, rebadged by Labor as a trading scheme, will punish successful and hard-working Australian businesses in the mining sector, particularly small and medium sized businesses.

Modelling by the Minerals Industry found that the tax will result in a reduction of forecast employment in the minerals industry of 23,500 by 2020, increasing to 63,000 fewer jobs by 2030.

Under the carbon tax assistance scheme for the coal sector, Australian producers will face net carbon costs of an estimated \$16.9 billion by 2021. The carbon tax will make the sector less internationally competitive, when other countries won't be imposing similar costs on their industry.

The mining and carbon taxes under the Labor Government have simply caused investment, jobs and emissions to be exported overseas.

Through lack of consultation, hasty and ill-thought out decisions and sheer incompetence, a Labor Government has destroyed investor confidence, tarnished Australia's international reputation for stability and put our most important export sectors at risk. For example, the Resources Super Profits Tax was designed and announced without any industry consultation.

Australia deserves better.



Cost

The Coalition's *Policy for Resources and Energy* will cost \$100 million over the forward estimates.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au