Dear Mr Coley,

Inquiry into local economic development initiatives in Victoria

The Minerals Council of Australia (MCA) welcomes the opportunity to contribute to the Economic Development and Infrastructure Committee’s (EDIC) Inquiry into local economic development initiatives in Victoria.

The MCA represents Australia’s exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. MCA member companies produce more than 85 per cent of Australia’s annual mineral output. The MCA’s strategic objective is to advocate public policy and operational practice for a world class industry that is safe, profitable, innovative, environmentally responsible and attuned to community needs and expectations. The Victorian Division of the MCA represents the interests of member companies operating, exploring and providing services to the industry in Victoria.

Policy positions of the Victorian industry are one and the same as the entire Australian minerals industry. The MCA operates on a platform of national consistency and therefore considers that minerals operations in all jurisdiction should be subject to the same policies and legislative frameworks across the country.

It is at the local planning scheme that local council and the minerals industry intersects. Under the Mineral Resources (Sustainable Development) Act (MR(SD) Act) exploration work can be undertaken without the need for a planning permit. Mining projects are however required to gain planning approval before the work plan can be approved. Planning approval can be gained through a planning permit issued by the local government authority or through an Environmental Effects Act (EE Act) completed under the direction of the Minister for Planning. Local governments also have a role in administering the native vegetation management framework on behalf of the government.

The majority of regulations impacting on exploration and mining projects are administered by the State. For some projects Commonwealth regulations also apply.

Whilst we acknowledge this demarcation of responsibilities there is often very little communication and knowledge sharing across the levels of government to enable efficient, effective and timely decision making. This inquiry therefore offers an opportunity for all stakeholders to come together drive economic development across the State.

Below are the MCA’s responses to each of the inquiries terms of reference:

a. Examine the range of existing local economic development programs being carried out in Victorian municipalities.

There are a suite of economic development programs in place; however these are often developed in isolation from the policy and regulatory frameworks that govern the minerals industry. All too often, sectoral approaches are developed without acknowledging the range of economic drivers and inputs available.

In Victoria the minerals industry is rarely factored into local economic development programs (with the exception of the Latrobe Valley). A publicly available and detailed analysis of the mineral potential across the state would enable each municipality to factor in potential economic development of the minerals resources in their region.

To enable mineral led economic development, governments must act to reverse the Victorian minerals industry’s current decline by establishing appropriate and effective policy and regulatory frameworks as articulated by the MCA in our submission to the EDIC inquiry into greenfields mineral exploration and project development in Victoria.
Governments also have the capacity to encourage more industry investment in Victoria through removing barriers for large as well as small players in the industry to operate in Victoria. The minerals industry has the potential to provide extensive local economic development opportunities in Victoria. It is the responsibility of the state government as the custodian of Victoria’s minerals to ensure that the regulatory and policy environment will enable the industry to do so.

b. Examine the appropriate role of local government in generating economic development and review the allocation of responsibility in this area with the State Government.

The MCA agrees that local government plays a very important role in local economic development. There are however, circumstances where there may be a conflict between a local government’s objectives and the objectives of the State. This is most acute for exploration and mineral development.

As the custodian of Victoria’s minerals the state government is the principal authority in the approval process for the exploration, development and utilisation of the state’s mineral resources. In recognition of this the MCA urges the state government, through the MR(SD) Act’s objectives, to progress reforms to streamline the approval process for mineral resource developments. The MCA does not advocate for a reduction in environmental or social outcomes, rather we seek a streamlined approach that removes duplication and overlap from the approvals process. Currently the industry is required to navigate a regulatory obstacle course to gain approval for projects, with multiple government authorities needing to be consulted and provide consent prior to a project getting the go ahead. The regulatory burden is under was discussed at length in the MCA’s submission to the EDIC into greenfields mineral exploration and project development in Victoria.

As geology is not governed by municipal boundaries, mineral deposits and the projects to extract them often overlap the borders of local government areas. The red tape surrounding projects in these locations would grow exponentially if local government was to duplicate regulations as the consent of multiple councils would be required in the approval process. As the MCA has previously made clear to government (in both the EDIC into greenfields mineral exploration and project development in Victoria, and the Victorian Competition & Efficiency Commission (VCEC) – inquiry into Victorian environmental regulation) the industry is seeking a one stop shop for project approvals through a single agency with the authority to approve projects. In terms of planning, amenities and roads, local government would be required to provide advice into this process.

A recent amendment to the MR(SD)A - Statutory endorsement - is intended to streamline approvals processes by removing duplication at the referral authority stage. Prior to this amendment, a minerals company seeking approval for a workplan submits it to the approval authority (Department of Primary Industries, DPI) who is then required to refer the workplan to a range of referral authorities. Each referral authority provides feedback on their relevant parts of the workplan to inform DPI’s final approval, this often includes specific conditions placed on the workplan. For a minerals operation that does not trigger the EE Act (and therefore does not undergo planning assessment through this instrument), a planning permit is required under the Planning and Environment Act, like any other land use development. At this point the workplan already approved by DPI is again sent to the local council along with the planning permit application. The council then refers the package to its statutory referral authorities and the whole package – including the already assessed and approved workplan. In effect agencies were reviewing documents already reviewed. Not only is this an inefficient use of local council’s resources, it added significant delay for the minerals company. Furthermore there was potential for conditions placed on the planning permit to be inconsistent with conditions already placed on the approved workplan.

The amendments certainly improve the approval process; however the minerals industry encounters similar duplication of effort when it triggers the EE Act process. The MCA continues to advocate for the removal of duplication and therefore a consequent streamlining of the approvals process.

c. examine whether the role of local government in rural and regional areas has different economic development tasks to that of metropolitan based municipalities;

Local government certainly has a significant role to play in local economic development for rural and regional municipalities. There are undeniable differences between the economic capabilities and requirements of regional and metropolitan municipalities. Over time the MCA has become aware that local governments have been unable to secure the resources and technical expertise required to undertake its role. While this is certainly challenging for councils, it has resulted in significant delays in approvals for minerals projects.

An integrated economic development framework across the State would enable the regional and rural municipalities to align, inform and be part of broader economic development. It would be rare for the economic development proposals of one municipality to be immune from that of a neighbouring municipality. Better pooling of resources would not only assist rural and regional municipalities but also integrate the approach to economic development.
d. Identify the barriers to local economic development, including compliance costs for business and planning delays, in operating in local municipalities and develop solutions to address these barriers.

The minerals industry has the potential to provide considerable local economic development opportunities for Victoria’s rural and regional communities. Unfortunately, many communities are missing out on these opportunities due to the policy and regulatory barriers that exist in Victoria. As noted in the MCA’s submission to the EDIC inquiry into greenfields mineral exploration and project development in Victoria, the attractiveness of investing in projects to develop Victoria’s mineral wealth has deteriorated markedly in recent years. Victoria’s regulatory environment is a significant contributor to this decline, as the geological evidence indicates that Victoria is still rich in reserves of gold, mineral sands, base metals and brown coal (Attachment A). Without significant action to remedy this, the minerals industry in Victoria will continue to decline, thus communities will not have the opportunity to reap the benefits of the mineral resources they have been endowed with.

To overcome these barriers the MCA proposes policy reform to enable greater efficiency, effectiveness and consistency in the regulatory process. Details of these reforms have been articulated in the aforementioned submissions to EDIC and VCEC. The resources and technical capacity (as over time, all levels of government have become more generalist in nature) of the industry’s regulators can be a barrier for developing the mineral wealth of Victoria, and as such, this requires attention. The MCA seeks a whole-of-government, approval authority. This would avoid the need to satisfy the often personal view of every relevant individual in every relevant agency, and bring the numerous referral authorities together to deliver timely decisions.

The creation of a more efficient and streamlined regulatory environment would provide great benefits to local economies in regions with resource potential. Such a system would remove barriers for industry to invest in projects that could bring jobs and prosperity to many parts of Victoria. The reforms implemented by South Australia over the last decade are prime examples of how effectively government can successfully change the regulatory and policy environment to attract investment.

e. Examine ways in which municipal councils and the Victorian Government can jointly support local economic development, enhance and promote employment and attract new investment, especially in localities with emerging economic potential.

Very few industries have the capacity to operate across the entire State. By the virtue of geology, exploration and mineral development has the potential to occur across numerous municipalities, thus driving employment and economic development. In many cases, the minerals industry is the largest employer in a region. In addition to this, exploration and mineral development is a temporary land use activity and it is a condition of a licence that the land be rehabilitated and returned it to a productive use, enabling sequential land use.

The MCA believes it is an essential responsibility of the state government to keep local governments and communities informed about the minerals resources of the State, and their potential for development. This is in line with recommendation 11 of EDIC’s report on the Inquiry into greenfields mineral exploration and project development in Victoria. There are two key benefits for keeping communities informed.

(i). By informing stakeholders of resource potential at an early stage is likely to deliver more productive relationships between government, industry and host communities. Cooperative relationships between local communities, state and local governments, and industry enable the economic benefits of minerals projects to flow on to the community. Companies with minerals licences are best placed to communicate the fundamentals of the project, however governments, as the regulator and custodian of the resource, are best placed to inform communities of the policy and regulatory frameworks under which all approvals are granted.

Communities that have insufficient information are more likely to be unreceptive to projects. Often, when communities have not been informed about the mineral resource potential in the region and the prospect of development, ill will can emerge. More so in a technical industry such as the minerals industry where it is often difficult to break down what might be a complex project into a form that is readily understood by all. This can cause communities to become mistrustful of the project and industry as it can appear as if industry is not genuine in its consultation. This sort of situation creates a fertile setting for interests that are hostile to industry to wage campaigns of misinformation and breed opposition to projects. Whilst industry as a whole (through for example, the MCA) and specific companies can consult with communities about the policy and regulatory settings under which projects are granted approval, there will always be a perception of bias. This is the number one reason why the state and local government have a role in informing and engaging with communities.

Information has not been flowing sufficiently between industry, governments and community. A challenge for a minerals company is that without a licence granted by DPI it has nothing to consult with the community about i.e. there is no tenure of the land and therefore no project. Furthermore, public companies, with continual disclosure requirements, cannot meaningfully discuss a project that simply doesn’t exist until licence has been granted. Once granted a licence, there are very strong duties to consult for licence holders. However at this point there can already be uncertainty in the community about what type of development may arise. For this reason, it is imperative that the State government makes available to the local council and communities what mineral resources are present in municipalities and what potential there might be for development if a company wishes to apply for a licence in the future.
The most effective way for this to occur is for DPI to be clearly assigned responsibility to ensure that local governments and communities receive timely and accurate information about what is happening in their communities. The sharing of information will enable trust and positive relationships between any future industry and host communities, that are based on a clear understanding of the policy and legal frameworks that underpin any development. The minerals industry can then deliver economic opportunities to Victorian communities.

(ii) Economic development of any kind, including future minerals projects can place additional demand on municipal infrastructure and local businesses. Importantly, new minerals projects can also contribute to significant additional infrastructure in the municipality. For communities to reap the full economic benefits of a project they need to be informed of potential development and be part of the discussion in preparing for any increased demand. For example, local roads may be used for the transportation of equipment and materials and need to be upgraded and local businesses may have the opportunity to supply goods and services to industry and will need to plan accordingly. Communities need to be informed if they are to be able to effectively plan for these eventualities and maximise the economic benefit a project can bring to an area.

EDIC has already recommended that the Victorian Government, through DPI, be responsible for informing local government about minerals exploration taking within their jurisdiction.

f. Investigate best practice local economic development initiatives relevant to the terms of reference.

There are a number of steps that state and local governments can take to support the minerals industry in delivering the best local economic development outcomes for Victorian communities.

- Develop policy to create regulatory environments that removes barriers and encourage development opportunities for local small and medium sized enterprises to engage with the minerals industry, on a commercially competitive platform, as secondary industries e.g. as suppliers, transport and logistics support, workforce training etc.
- Recognition of the triple bottom line efforts of the industry including best practice environmental remediation. The minerals industry is making great efforts to continually improve its sustainable development practices. Promotion of these efforts by all tiers of government will assist in strengthening the communities’ understanding of the industry’s commitment to sustainable development.
- Develop strategic land use assessment and planning frameworks that deliver triple bottom line decisions.
- Streamline the approval process to reduce start-up costs for minerals projects that encourages sustainable minerals development. Smaller industry players can drive economic benefits of Victoria’s mineral resources to localities with smaller, yet still valuable, resource deposits.

Yours sincerely,

MEGAN DAVISON
Executive Director, Victorian Division
VICTORIA’S MINERAL DEVELOPMENT OPPORTUNITIES

Coal
Over 80 per cent of the 430 billion tonnes of in-situ brown coal located in Victoria is located in the Latrobe Valley with seams in the Latrobe Valley containing an estimated 65 billion tonnes of measured resource. Approximately half of this has been identified as ‘potentially economic’. The Latrobe Valley has the potential to be one of the foremost global sites for the application of new clean coal technologies (i.e. low emission coal). The combination of an abundant low cost, high quality (ash, sulphur) energy source adjacent to a large sink for carbon dioxide (the depleted oil & gas fields and deep saline aquifers in the offshore Gippsland Basin) create this potential.

A number of companies are actively working at developing coal projects for power generation, gas, urea and diesel production. Several other projects are at conceptual stage. Some of these projects could commence by 2020 with lifetimes in excess of 40 years. New coal technology demonstration projects are likely to start earlier. Future large-scale industries based on the coal resource could include coal conversion to diesel, methanol, ammonia, urea, coal char, dried coal and electricity co-generation.

Coal Seam Gas
There may be potential for a coal seam gas (CSG) industry in Victoria for the generation of electricity and to produce derivative products. The Queensland CSG industry has grown rapidly, whilst the Victorian industry is yet to get off the ground. A significant barrier to this industry is groundwater – there is an insufficient number of groundwater licences available for purchase.

Coal gasification
Gasification of coal can produce synthesis gas (syngas, a mixture of predominantly carbon monoxide, carbon dioxide and hydrogen). This syngas can be used in the development of a range of products.

Alternate coal uses
Chars and cokes can be derived from brown coal for pyrometallurgical applications, to produce reductants and carburising chemicals and as a general carbon source for other applications.

Calcium loaded char has applications in water & waste treatment and as an ion-exchange medium. In the future, brown coal may even be refined into a purer form of carbon for use in production of a myriad of carbon products including carbon fibres, carbon anodes, activated carbons, filter aids, pigments, graphite lubricants and conductors and formed carbon materials.

Carbon, in the form of a brown coal based fertiliser, as a soil conditioner is also highly prospective.

Carbon Capture and Storage
Victoria has excellent potential for the geosequestration of carbon dioxide into on-shore and offshore geological formations. Research is underway into technical and economic feasibility, allied to clean coal research and the use of oil and gas technology.

Victoria has the potential to be a world class CCS hub, taking CO2 streams from many sources.

Base metals
Though Victoria is regarded as a greenfield area for base metal exploration, geological links between parts of Victoria and the highly prospective Mt Read Volcanics on the west coast of Tasmania, together with geological analogues, provide new incentives for exploration.

Copper, lead, zinc, molybdenum and nickel are present across Victoria.

Gold
GeoScience Victoria’s Gold Undercover Initiative has shown that there may be 73 million ounces of gold still to be discovered in northern Victoria. New exploration and mining technology and continued high gold prices are necessary ingredients for the industry to expand. For example, there have been three discoveries of gold undercover that followed the GSV Rediscover Victoria work. These discoveries are yet to be extensively examined.

Uranium/thorium
The exploration for uranium or thorium is prohibited under s.5 of the Nuclear Activities (Prohibitions) Act 1983. This Act requires amendment to allow for the exploration of both minerals to identify any economic opportunities for the State of Victoria.
**VICTORIA’S GEOLOGY**

**In the Bedrock**

Briefly, the State of Victoria has in its Palaeozoic bedrock, the same mineralisation potential as has been found to exist within the Lachlan Fold Belt (Orogen) of NSW and the Delamerian (Orogen) of SA. These have been closely mapped in outcrop and became the focus of extensive historic mining for gold at least with exploration continuing in these same areas today. Most recently, base metal mineralization has been found in areas of bedrock outcrop to the east and south west of the State and mineralisation for a wide variety of other metals is known, albeit exploration has been limited by the expense of prospecting through a deep sedimentary and basaltic cover and a deep weathering profile.

It is clear that many other areas of mineralisation should exist to the north and south of the areas of exposed bedrock on the divide; but to find them requires evidence from different techniques which can “look” through the cover for the evidence which can lead to specific sites of mineralisation.

Whilst there are some small exploration companies seeking mineralization in leases away from exposed bedrock, exploration for mineral deposits beneath deep cover needs stimulation. Stimulation of mineral exploration has been very effectively achieved in other states by direct government investment in airborne surveys applying various different geophysical techniques. This stimulation has given rise to the discovery of ore-bodies such as those at Prominent Hill, Carrapateena and on the Yorke Peninsula in SA; and many others in the Yilgarn of WA. These were all greenfield sites indicated initially by broad scale pre-competitive geophysical data and defined by exploration expenditure of much larger scale by exploration companies using more detailed geophysics, geochemical studies, drilling and good geological interpretation. Similarly, new mineralised areas have been found in Tasmania, Queensland and in the Northern Territory as a consequence of direct government mineral exploration initiatives to better understand broad-scale geological environments and structures which attracts private exploration expenditure. It is also critical that governments understand that pre-competitive exploration expenditure is also an investment in knowledge and that the returns on investment may not be realised for some time.

Some state government expenditure has occurred in Victoria over recent years to assist mineral exploration companies. Also a start was made on undertaking deep penetrating seismic traverses to better elucidate the basement and bedrock structures across the state from west to east north of the Great Dividing Range. Further work of this type is required south of the Divide where the cover is made more complex by the presence of not only alluvial and sedimentary basin deposits, but also by multiple periods of volcanic activity and lava outpourings within the Tertiary and Quaternary periods.

The types of further government expenditure should be determined through industry and government expert interaction. The payback on this expenditure is likely to be significant over time, whereas the work done to date has been too limited and too focussed to allow the comprehensive broad scale mineralization modelling that is likely to reveal new green field ore bodies. Exploration is a very long play that does not realise a return on capital for many, many years.

**In the Sedimentary Basins and Alluvium**

The deep sedimentary cover referred to above is comprised of extensive marine and fluvialite, mostly Tertiary to Quaternary aged sediments deposited in the Murray Basin to the north and north-west and in the Gippsland and Otway Basins to the south-east and west respectively. These basins include the largest known reserves of lignite in the world. Ranging in age from Eocene to Pliocene and younger they are more or less correlated with oil and gas resources offshore and occasionally onshore. Less generally known is that these resources occur around the quiescent margins of not only the Gippsland Basin (Latrobe Valley, Stratford and Gelliondale) but also around the Murray and Otway basins albeit rarely at shallow depth (Anglesea and Wensleydale).

The lignite resources have been sparsely developed by world standards as direct energy resources. At the same time the offshore oil and gas resources continue to be developed on the basis of the application of excellent exploration techniques backed up by the knowledge gained from earlier resource development projects. These developments continue to reward Victoria with developments such as the new gas power station at Mortlake and in the onshore gas storage facilities near Koroi, not to mention the development of offshore support facilities at Warrambool and Portland. In addition the exhausted gas and oil fields may well continue to be of value as areas for carbon capture geo-sequestration and storage of carbon dioxide.

The lignites exhibit variously high to moderate moisture content which render them of low efficiency in direct burning energy conversion; however their intrinsic water content can be an advantage in applications such as coal gasification to produce gas and/or petroleum compounds. Indeed, there is also increasing evidence that the lignite seams beyond mineable depths may also prove to be a source of coal seam methane and or targets for in-situ gasification when that technology is suitably advanced. Finding sites where such operations may be viable will be an exercise in both stratigraphic and geological structural analysis which would be contributed to by further deep bedrock seismic studies such as those currently undertaken north of the Divide.
Lignite can also act as a sorption strata and have been found to be a catalyst in producing radioactive mineral “roll front” deposits elsewhere. This occurs especially where they have received run off from adjacent sources of soluble radioactive minerals (granites and the like) which have passed through them into quiescent mostly saline environments. Such environments occur to the north west of the Grampians and the Great Dividing Range.

Importantly the basin sediments also represent very valuable sources of significantly confined water in store. These resources are available to balance the periodic drought periods to which the state is prone. There is need for considerably better hydrological evaluation than exists at present so that their supply capacity under management can be reliably established and evaluated against the potential for any adverse environmental impacts. This sort of information was gathered before 1970 by active state investigation drilling, but is only now accumulated through private drilling or where new projects develop well fields to meet their project demands. As a consequence the knowledge is scant and the quantification of the available water resources is preliminary at best and certainly not of a standard that should be used to inflexibly ration the use of these resources.

Finally, the surficial sedimentary deposits of the Murray Basin and possibly within the Gippsland Basin include strandlines created by former high energy coastlines in which mineral sands have been deposited and concentrated. These include hard, dense and almost totally insoluble grains of ilmenite, zircon, rutile and monazite.