

Contact: Fiona Weigall
Telephone No: (03) 51539500
Email: feedback@egipps.vic.gov.au

24 August 2011

Ms Yuki Simmonds
Executive Officer
Economic Development and Infrastructure Committee
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

Dear Ms Simmonds

**Re: Submission – Inquiry into Greenfields Mineral Exploration and
Project Development in Victoria**

Please find enclosed East Gippsland Shire Council's submission in regard to the above matter.

Council wishes to thank you for the opportunity to submit comments and appreciates the extension of time granted to do so.

Should you have any queries, please do not hesitate to contact Fiona Weigall, Manager Major Projects and Economic Development on 03 5153 9500.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Kozlowski', with a long horizontal line extending to the right.

STEVE KOZLOWSKI
Chief Executive Officer

Enc:

**Submission to Parliament of Victoria
Economic Development
& Infrastructure Committee**

**INQUIRY INTO THE BENEFITS AND
DRIVERS OF GREENFIELDS
MINERAL EXPLORATION AND
PROJECT DEVELOPMENT IN
VICTORIA**

August 2011



Contents

| | | |
|-----|--|----|
| 1 | Purpose | 3 |
| 2 | Context | 3 |
| 3 | Scope of East Gippsland Shire Council's response to the inquiry:..... | 4 |
| 3.1 | East Gippsland Overview | 4 |
| 3.2 | The East Gippsland Economy and the Mining Sector | 4 |
| 3.3 | Recent Mining Exploration and Project Development in East Gippsland | 6 |
| 4 | Factors Impacting on the Benefits and Drivers of Greenfields Mineral Exploration and Project Development in Victoria | 7 |
| 4.1 | The Regulatory Environment | 7 |
| 4.2 | The Differing Roles of Government (inc targeted industry engagement; cross government coordination; project support and facilitation) | 9 |
| 4.3 | Opportunities to increase the net benefit from Victoria's mineral and energy earth resources | 10 |
| 4.4 | Consideration of the cost and benefit of greenfields minerals exploration (social, economic and environmental) and management of potential conflicts | 11 |
| 5 | Conclusions | 11 |

1 Purpose

A submission on behalf of the East Gippsland Shire Council (EGSC) to the Economic Development and Infrastructure Committee for inquiry, to consider possible barriers to Greenfields mining exploration and development, as well as project attraction in Victoria in the context of a globally competitive industry, and to identify appropriate responses that government and industry may take.

2 Context

The Economic Development and Infrastructure Committee, a bipartisan committee of the Parliament of Victoria is embarking on an inquiry into the benefits and drivers of Greenfields Mineral Exploration and Project Development in Victoria . In undertaking this inquiry the Committee has been requested to consider possible barriers to Greenfields exploration and development, as well as project attraction in Victoria in the context of a globally competitive industry, and to identify appropriate responses that government and industry may take.

The Committee has been requested to address the inquiry parameters through an examination of:

- a) Victoria's mineral endowment (often referred to as 'prospectivity') across a portfolio of commodities (including energy earth resources and extractives products);
- b) the regulatory environment;
- c) fees, charges and royalties;
- d) national and international perceptions of Victoria's prospectivity and regulatory environment;
- e) the success and failure of projects in Victoria's mining development pipeline;
- f) different approaches and programs applied in other Australian and international jurisdictions to foster increased investment in Greenfields exploration for, and development of, minerals and energy earth resources;
- g) the different roles of government (this may include, but is not limited to, targeted industry engagement, facilitation and generation of geological survey information);
- h) opportunities to increase the net benefits from Victoria's minerals and energy earth resources, and to potentially provide for self sufficiency in low cost energy and extractive materials, consistent with the principle of economic efficiency; and
- i) consideration of the costs and benefits of Greenfields minerals exploration (economic, social and environmental), and whether there are opportunities to improve the management of potential conflicts between exploration and other land uses.

3 Scope of East Gippsland Shire Council's response to the inquiry:

This submission has been prepared to address a limited number of the terms of reference outlined by the inquiry only. These are the areas that East Gippsland Shire considers itself to have recent and relevant knowledge, namely:

- b): the regulatory environment;
- g): the different roles of government (this may include, but is not limited to, targeted industry engagement, facilitation and generation of geological survey information);
- h): opportunities to increase the net benefits from Victoria's minerals and energy earth resources, and to potentially provide for self sufficiency in low cost energy and extractive materials, consistent with the principle of economic efficiency; and
- i): consideration of the costs and benefits of Greenfields minerals exploration (economic, social and environmental), and whether there are opportunities to improve the management of potential conflicts between exploration and other land uses.

3.1 East Gippsland Overview

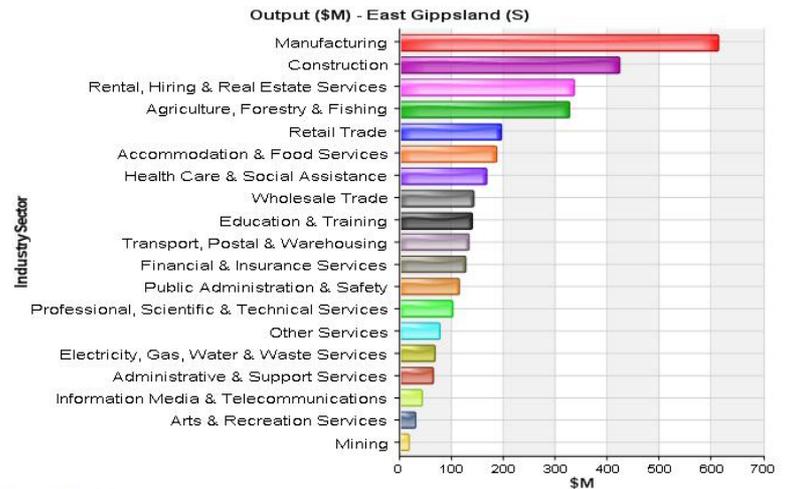
East Gippsland is the major geographic and economic region in eastern Victoria. Covering over 21,000 square kilometres, or 10% of the State, the region stretches from west of Bairnsdale to the NSW border.

East Gippsland is dominated by large areas of National and State reserves and Australia's largest inland water system – the Gippsland Lakes. The combination of wonderful coastline scenery, a lakes and river system of international regard, rugged high country, fertile productive rural land and abundant fish reserves provide a strong resource base and natural amenity for the region and give rise to the positioning of East Gippsland as *Naturally Magic*.

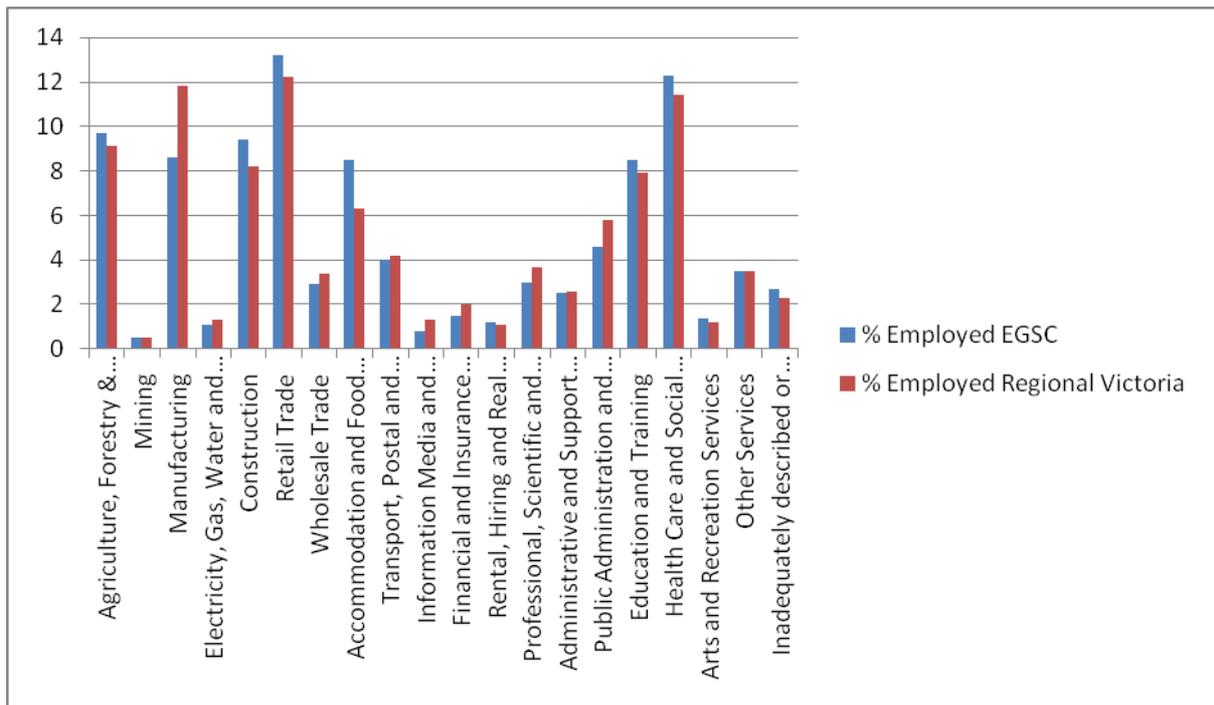
With over 20 towns and villages and many more individual communities the region can be seen as a patchwork of localities, each with individual features and characteristics to be recognised and marketed. With a population of over 12,000 Bairnsdale provides the commerce hub and major regional service centre providing educational, health, retail and personal services.

3.2 The East Gippsland Economy and the Mining Sector

Historically Mining was a traditional industry for East Gippsland and was indeed one of the main reasons for opening up the alpine region in the late 1800's. However dependence on mining and the impact of mining has dwindled since then with no major mining exploration or extraction activity recorded in the last decade. This is reflected in both economic output data and employment generation figures for the region, with mining only responsible for 1% of economic output in East Gippsland in 2006 (\$20.17m).



Similarly Mining generates less than 1% of the region's jobs, which is on par with the employment generated by mining across the whole of Victoria, as demonstrated graphically below:



Source: ABS, 2006

Whilst Mining hasn't contributed significantly to the region's economy in recent years, current projects in the planning and development phase are anticipated to change the economic significance of the sector to the local economy markedly. This is briefly outlined in the following section.

3.3 Recent Mining Exploration and Project Development in East Gippsland

In 2006, Western Australian mining company Jabiru Metals (now a wholly owned subsidiary of Independence Group) won the competitive tender to explore copper, zinc, lead, silver and gold deposits at a site within East Gippsland now known as Stockman. The process was a competitive tender managed by the State Department of Primary Industries (DPI).

Jabiru Metals Ltd (JML - IGO) was successful in a competitive tender for the Stockman Project (the project) against 13 other companies on the basis that it would commit to spending \$19.6 million over a five year period with aim of developing a mining operation if it proved to be economically viable. The proposed five year programme submitted to the DPI as part of the tender process provided for: a staged evaluation of the mineralisation within the tenure; an evaluation of the requirements for an operation to successfully mine, process and market concentrates produced from the copper and zinc-rich ore; and to continue with exploration activities with the aim of locating additional zones of economic mineralisation.

The project is located approximately 19 km east of Benambra in north-eastern Victoria within the Shire of East Gippsland and originally covered an area of 166km sq. km. As at June 30, 2011 (the end of the fourth year of the project), a total of 30,000m of diamond drilling had been completed with statutory exploration expenditure totalling \$19.7 million. In addition to the statutory project expenditure outlay, a further \$6.6 million of non-reportable expenditure has been incurred against the project, including \$1.85 million for off-site accommodation and private land for the vegetation offset requirements.

IGO estimates that the total expenditure by the company on single project alone amounts to ~8% of the total exploration expenditure for the whole of Victoria during this period. It is estimated that expenditure on the project during the fourth quarter of F.Y. 2010-11 will comprise ~35% of the total Victorian exploration expenditure.

The Stockman Project is located in State Forest, at the headwaters of the Tambo River in mountainous terrain adjacent to the Alpine National Park. In anticipation that the economics of the project will be positive, the Environmental Effects Statement (EES - Victorian) and the Environmental Protection, Biodiversity and Conservation (EPBC - Commonwealth) assessments were commenced in August and November 2010 respectively under the supervision of the Department of Planning and Community Development (DPCD).

Successful completion of the current works programme and permitting activities at Stockman has the potential to yield a mining operation of at least 7 years duration, provide direct employment for approximately 250 people, create a new base metals export industry for Victoria, generate State revenue from royalties and payroll tax and change the Gross Regional Product (GRP) of the East Gippsland Shire significantly.

The unique location and environmental setting of this project, the experience gained to date working with IGO and the lessons learnt from engaging in the permitting process have provided East Gippsland Shire Council with a unique and in-depth understanding of the issues relating to exploring for and developing resources in Victoria.

It is this recent experience that East Gippsland Shire Council is calling upon to inform its submission to the Economic Development and Infrastructure Parliamentary Committee.

Comment is limited to areas where East Gippsland Shire Council has relevant and recent experience and can provide meaningful comment from a local government perspective.

4 Factors Impacting on the Benefits and Drivers of Greenfields Mineral Exploration and Project Development in Victoria

4.1 The Regulatory Environment

The Victoria Planning Provisions at Clause 52.08 directs that a planning permit is required for mining activities, except in the circumstances where it has been determined that an environment effects statement (EES) is to be prepared and approved under the relevant requirements of the *Environment Effects Act 1978*. It is anticipated that most Greenfields Mining operations are likely to trigger a requirement to undertake the preparation of an environment effects statement given the potential scale and complexity of approvals required to be addressed.

The purpose of the *Environment Effects Act 1978* (EE Act) is to provide for a comprehensive and coordinated approach to assessment and approval of projects where it is determined that there may be a significant impact to the environment.

East Gippsland Shire is currently involved in the development of an EES for a very significant mining proposal at Benambra for the Stockman Project by Independence Group as detailed above. Council is involved as a member of the Technical Reference Group and as the Planning and Responsible Authority under the relevant provisions of the *Planning and Environment Act 1987*. Council also has a broader interest in the proposal given the potential impacts and benefits to the East Gippsland community.

The Stockman Project is a very large and complex project from an approval perspective with approvals required for both on site mining and ore processing activities as well as a range of off site approvals for ancillary facilities including the development of a large workers village.

The range of approvals required is extensive and complex and questionably able to be effectively coordinated. The nature of the process is that it is more strongly focused on the environmental impacts as these are perhaps more easily measured and in some cases have the potential to take primacy from an approvals perspective. While there is examination of social and economic impacts, these are less well defined and are not a clear focus of any Government agency represented on the Technical Reference Group. The Guidelines for this EES which specify the range of matters to be considered do require environmental, social and economic impacts to be assessed, but it is questionably a balanced approach to decision making as while there are requirements for a range of specific environmental approvals to be met, there are no approvals required in respect to social and economic impacts, and so these aspects tend to become secondary considerations.

The focus is on the mitigation of impacts rather than sustainable outcomes that might be achieved.

Processes associated with the preparation of an EES, while subject to broad guidelines and processes contains a significant degree of uncertainty in respect to likely timeframes and expectations of requirements to address matters required by the process. There are few actual timeframes attached to the various stages of the process, and the proponent may be asked to address additional questions or provide additional information as the process proceeds. The levels of uncertainty may not be reduced as the process proceeds, and so proponents are required to continue to invest without any increased understanding of the likely challenges as the process proceeds.

East Gippsland Shire notes that the need to review the EE Act has previously been identified and that a review was undertaken and completed by the Victorian Competition and Efficiency Committee (VCEC) in July 2009, where similar issues were identified as a result of a rigorous assessment of the legislation. Recommendations were made at that time to:

- Requiring a more specific assessment process and guidelines by incorporating risk based assessment criteria;
- Establishing negotiated, project specific time frames for the various EES stages;
- Improving the integration of the EES with other environmental approvals;
- Providing a much stronger focus on a “Whole of Government” approach through the establishment of a Coordinator General Major Projects to ensure that technical reference groups function more efficiently; and
- Promoting the use of strategic assessments to improve accountability and certainty associated with the process.

East Gippsland Shire supports these recommendations and considers that there is a need for the identified improvements and that this is particularly evident for mining projects where the Government is also a major stakeholder in the process.

A broad thrust of the VCEC review of Environmental Legislation was that the environmental legislative framework needs to focus on synthesizing rather than balancing the range of potential environmental, social and economic factors allowing a focus on outcomes rather than focusing on impacts. The context of the current environmental legislative framework does not easily allow for a “balancing” approach to decision making.

It is noted that the *Inquiry into the Environment Effects Statement processes in Victoria* by the Environment and Natural Resources Joint Investigatory Committee of the Victorian Parliament was partially undertaken, but subsequently lapsed at the expiration of the 56th Parliament in November 2010. It is considered that this process may provide important information that might inform the review of the EES process and associated legislation.

4.2 The Differing Roles of Government (inc targeted industry engagement; cross government coordination; project support and facilitation)

The Stockman Mine project within East Gippsland Shire has eventuated from an open tender process managed by the State via DPI. The State has therefore seen to be proactively engaged in mining facilitation attraction effort for the past decade. However it appears that the State's proactive approach to attracting mining investment is limited to tender management with few apparent processes in place to support mining companies through State government processes once tenders have been awarded.

East Gippsland Shire was surprised to learn that the Stockman Mine project was not considered a major project by the State and there had been no allocation of high level cross-department project management expertise to the project. EGSC therefore found itself in the position of making introductions for the company with a range of State agencies and advocating for the project to have a 'go-to' person allocated to the project that could work across departments to remove any barriers and interpret requirements for the project proponents.

It is therefore EGSC's view that if the State is to proactively seek mining investment through exploration and extraction projects, this must be accompanied by necessary support across a range of agencies. Tendering is just one aspect of this process and needs to be complemented by attention to other aspects that will firstly ensure the projects success and secondly maximize the benefits from the project to the State.

Processes and activity that EGSC would encourage the State to adopt include:

1. Developing a threshold for project assessment to determine those considered of State significance. Based on this threshold develop a complementary process for engaging with and developing support processes for the project including:
 - a. Allocation of a senior officer to act as the project liaison point for the proponent company to provide general advice on government processes; contact points and introductions across a range of agencies; and regular updates to relevant Ministers and decision makers on the progress of the project;
 - b. Coordination of a range of agencies (outside the planning and other regulatory processes) to identify major barriers to the project's success and opportunities that should be exploited by the State. The priority barriers and opportunities can then be addressed in a whole of government manner.
 - c. Development of agreements (outside the Tender scope) to work with mining venture proponents to generate legacy benefits to the State from the project that can be supported with infrastructure investment and other offsets.
2. Developing a whole of government approach to tendering of major mining tenement areas to:

- a. Ensure that there are not major barriers to the project's potential success from other areas of government (necessary infrastructure; land use conflict, vegetation off-set requirements etc). Based on this assessment a particular tenement area may be deemed inappropriate to tender, or may require government support commitments up-front;
- b. Build requirements into the tender process that will assist to maximize the benefits to the State from the project in areas including but not limited to investment in local communities impacted on by the mine; generation of local training and employment; local content clauses etc. These appear at present to be outside the scope of consideration as they are not statutory requirements.

If Victoria is to develop its mining industry this must be supported by a range of agencies working collaboratively to not only ensure that regulatory requirements are met, but also that barriers are minimized and opportunities maximized.

4.3 Opportunities to increase the net benefit from Victoria's mineral and energy earth resources

The relatively small mining sector currently operating within Victoria provides the State with an opportunity to develop proactive policy to ensure that as mining grows so too do the benefits to the State (both fiscal and social). Lessons can be learnt from both Queensland and Western Australia where remote area mining has delivered few social benefits and many social costs.

Given Victoria's relatively small size and ease of access, combined with the many rural and regional communities spread throughout the State, a range of opportunities exist to maximize local benefits from mining ventures. These include but are not limited to:

1. *Royalties for Regions* type approach which would see re-investment of mining royalties into the mining region's to support diversification of the local economy, development of necessary support infrastructure and building of local economic resilience to support the local community both during and beyond the life of the mine.
2. Development of agreements that would facilitate use of local labour and contractors, and investment by the company into local capacity building and infrastructure;
3. Legislation to minimize the negative social impacts associated with mining – as evidenced in research and by models such as the Canadian model which has strong local community benefit requirements of projects.

Minerals are a finite resource, the State therefore has an obligation to its current and future generations to ensure that the mining of this publicly owned resource generates real and tangible benefits to the State that go beyond the payment of royalties.

4.4 Consideration of the cost and benefit of greenfields minerals exploration (social, economic and environmental) and management of potential conflicts

From recent experience with a mining EES process, it appears that the majority of the State's consideration around mining projects is focused on minimizing environmental impacts. Whilst a worthy focus, it is East Gippsland Shire Council's strong belief that State considerations should go beyond this.

Social and economic considerations need to be given equal weighting and relevance in the process to ensure projects deliver triple bottom line outcomes. Similarly the focus needs to extend beyond managing conflicts and minimizing negative impacts, to also identify and optimize opportunities associated with the projects.

East Gippsland Shire Council therefore urges the Economic Development and Infrastructure Committee to include recommendation in their final report that will provide a policy framework and process that focus on maximizing opportunities in the social and economic spheres, as well as managing environmental impact.

There is a strong correlation between having the correct policy and assessment framework and maximizing the net benefit to the State. Mining is a global industry which has delivered varying levels of benefit to communities and societies, depending on the parameters and requirements applied to it. The Committee therefore has the opportunity to identify and review the policies and practices that have delivered maximum triple bottom line outcomes across the globe and apply these in Victoria.

5 Conclusions

East Gippsland Shire Council is delighted that the Economic Development and Infrastructure Committee is reviewing the Mining industry and trusts that this will lead to policy and process improvement that will ensure that the industry performs effectively whilst also delivering real economic and social benefits to the State.

The recent experience that East Gippsland Shire has had with a major mine project attempting to establish within our Shire have identified a range of deficiencies and areas for improvement in the way the State attracts, facilitates and regulates new mining projects.

East Gippsland Shire Council therefore recommends that the Committee consider:

1. Supporting the recommendations made by the Victorian Competition and Efficiency Commission respect to improvements to the Environment Effects Act 1978 detailed in the July 2009 Report titled "*A Sustainable Future for Victoria: Getting Environmental Regulation Right*" to improve the current operation of the Environment Effects Statement process for approving major projects, in particular Greenfield Mining proposals in Victoria.
2. Developing processes that bring Government agencies together to review mining tenement opportunities and constraints prior to these opportunities being competitively tendered. This group should include regulatory bodies, infrastructure providers, industry

facilitation bodies and regional development agencies. This will assist to form a comprehensive view of the project's ability to be delivered, the expectations that should be written into the tender documentation and the actions that the State will take to facilitate the project to ensure both its success and the maximization of the opportunities it presents to the State.

3. Using policy to ensuring that the State focuses equally on the environmental, social and economic aspects of mining projects, with equal emphasis placed on minimizing risk and maximizing opportunity.
4. Developing a major projects process for mining ventures, that allocates a senior State public servant to significant mining projects as the project champion and go-to person, who will work with the mining company across government agencies to facilitate positive outcomes for both the project and the State; and
5. Working proactively with Local Government and the Commonwealth to ensure that all tiers of government are working collaboratively to align policies, and expectations, providing the mining proponent with a consistent and clear approval process and consistent expectations.

The EGSC looks forward to the findings and recommendations of the committee following its deliberations.

Further information and consultation is available through Ms Fiona Weigall, Manager Major Projects and Economic Development, East Gippsland Shire Council at FionaW@egipps.vic.gov.au