



Policy Priorities

Submission to the Hon. Stephen Mullighan MP
Treasurer of South Australia

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South Australian Chamber of Mines & Energy

The leading industry body representing the resources sector in South Australia

Table of Contents

1. Introduction.....	3
2. Summary of SACOME’s Policy Priorities.....	4
3. State Economic Development.....	5
3.1 Northern Water Supply Project.....	5
3.2 Resources Sector Economic Heatmap and Resources Infrastructure Corridors.....	6
4. Energy.....	7
4.1 Energy Transition Roadmap.....	7
4.2 Carbon Abatement Technologies.....	8
5. Infrastructure.....	10
5.1 Rail Incentive Scheme.....	10
5.2 Regional & Remote Road Maintenance.....	10
5.3 Specific Regional Road Upgrades.....	11
5.3.1 Lincoln/Eyre Highway between Port Augusta & Whyalla.....	11
5.3.2 Yunta Road.....	11
5.3.2 Mulyungarie Road.....	12
6. Future Workforce.....	13
6.1 Future Workforce Framework.....	13
6.2 STEM Digital Technology Pilot.....	14

1. Introduction

The South Australian Chamber of Mines and Energy (SACOME) is the leading industry association representing the resource and energy sector, which is the cornerstone of the South Australian economy.

In this submission, SACOME builds on its previous submissions to Government, advocating for policies that address the disorderly – and costly – nature of the energy transition and the funding of infrastructure projects that will be of significant economic benefit to the sector and the state.

To determine the sector's contribution to the South Australian economy, SACOME commissioned an Economic Contribution Study to analyse the expenditure patterns of 12 major operating member companies throughout 2019/20.

The Study found that these companies contributed \$5.9 billion in direct and indirect spending to South Australia, equivalent to 5.3% of Gross State Product, or one dollar in every twenty.

Further, these member companies achieved the following economic outcomes for the State:

- Directly employed 5,489 people; and supported the employment of 24,895 people in total, or 1 in every 33 jobs are supported by the resources sector.
- Paid \$747.3 million in wages and salaries to 5,489 direct full-time residing employees, representing an average salary of \$136,152 per annum.
- Made \$1.7 billion in purchases of goods and services from 1,951 South Australian businesses.
- Paid \$435.8 million in State Government payments, incorporating royalties, stamp duty, payroll tax, and land tax.

(All data sourced from SACOME 2019/20 Economic Contribution Study)¹

SACOME and its members look forward to working collaboratively with the State Government in pursuit of our shared policy priorities.

¹ [Economic Contribution \(sacome.org.au\)](https://www.sacome.org.au)

2. Summary of SACOME's Policy Priorities

A summary of SACOME's nine (9) policy priorities is provided below and further background and detail on each is included on the following pages:

- 1. Northern South Australian Productive Water Security Project**
SACOME calls for the provisioning of early works funding for the Northern South Australia Productive Water Security project, contingent on a favourable business case.
- 2. Resources Sector Economic Heatmap and Resource Corridors Initiatives**
SACOME calls for completion and implementation of both projects to catalyse resource project development in South Australia.
- 3. Energy Transition Roadmap**
SACOME calls on the State Government to urgently develop an Energy Transition Roadmap that considers the impact of energy policy across the whole of the South Australian economy.
- 4. Carbon Abatement Technologies**
SACOME calls on the State Government to implement policies that incentivise the development of carbon abatement technologies such commercial Carbon Capture and Storage (CCS).
- 5. Freight Incentives for Rail**
SACOME calls on the State Government to investigate schemes to incentivise the delivery of freight by rail.
- 6. Regional & Remote Road Maintenance**
SACOME calls on the State Government to continue to prioritise maintenance funding for regional and remote roads that are critical to the operation of South Australian resource projects.
- 7. Specific Regional Road Upgrades**
SACOME calls on the State Government to upgrade roads of strategic economic importance to the State.
- 8. Future Workforce Framework**
SACOME calls for \$2 million in funding to be allocated to the Department of Industry, Innovation and Skills to develop a South Australian Future Workforce Framework that maps State-wide workforce requirements across key industry sectors; and implements measures to best meet immediate and future workforce needs.
- 9. STEM Digital Technology Pilot**
SACOME calls for \$1 million in funding to be allocated to the Department of Education for the implementation of a new Digital Technology pilot to support STEM development in regional schools, consistent with its previous pre-Budget submissions.

3. State Economic Development

SACOME calls for funding commitments in the 2023-24 State Budget that will facilitate growth and drive investment in multiple sectors.

Access to water, power and suitable transport and logistics options remain a major roadblock to the future development of South Australia's resources provinces.

3.1 Northern Water Supply Project

SACOME calls for the provisioning of early works funding from the South Australian Government for the Northern Water Supply Project, contingent on a favourable business case.

- This project involves the construction of a new desalination plant and the delivery of sustainable water via a high capacity pipeline to the Gawler Craton, a world class resource province.
- Investment in a high-capacity pipeline has the potential to:
 1. Support the State Government's hydrogen ambitions and align with the state's Copper Strategy, in addition to supporting the development of green steel;
 2. Create 8000 construction jobs and 6000 jobs once operational;²
 3. Supply the Department of Defence's water needs at the Woomera Prohibited Area; and
 4. Address the domestic needs and industrial water constraints of the Upper Spencer Gulf region.
- Since 2021, this project has been listed on Infrastructure Australia's Infrastructure Priority List.
- While it is estimated that the Business Case, co-funded by both the State and Commonwealth Governments, will be completed in early-2023, SACOME calls for funding of \$200 million to be set aside in the Budget for early works.
- Early works such as geotechnical and environmental investigations will be required, pending the outcome of the business case, to ensure that project momentum is maintained.
- This initiative is a key priority for state economic development.

² <https://www.energymining.sa.gov.au/home/news/latest/delivering-a-secure-and-sustainable-water-future-for-south-australia>

3.2 Resources Sector Economic Heatmap and Resources Infrastructure Corridors

SACOME calls for the completion and implementation of the South Australian Resources Sector Economic Heatmap and the Resources Infrastructure Corridors initiative, consistent with previous pre-Budget submissions.

- South Australia has significant known mineral and petroleum reserves that represent yet-unrealised wealth for South Australia.
- A Resources Sector Economic Heatmap is required to quantify the value of resource provinces/basins to the State, and to inform decisions to facilitate development, in line with Government growth targets – such as the Copper Strategy.
- The Heatmap would identify:
 - The potential economic value of a province/basin to the State;
 - The investment required to build a path to market for identified provinces;
 - What action(s) the State can take to resolve infrastructure-related barriers to investment;
 - Opportunities to leverage Commonwealth funding/prioritisation;
 - The timeframes necessary for implementing a solution;
 - The opportunity cost of doing nothing.
- SACOME notes that work on a Resources Sector Economic Heatmap is being undertaken by Deloitte on behalf of the Department of Infrastructure and Transport (DIT) and is anticipated to be completed in Q4 2022.
- SACOME acknowledges that following a funding allocation in the 20/21 and 21/22 Budgets, work is also being undertaken by DIT, the Department of Environment and Water (DEW) and Department of Energy and Mining (DEM) to advance a business case for Resource Infrastructure Corridors, which is nearing completion.
- SACOME now calls for sustained funding for both initiatives to provide a targeted and expedited path for project development.

4. Energy

Energy is an area of vital importance to the resources sector. Energy affordability and reliability have a direct impact on business viability, new project development, and investment.

The Australian Energy Regulator (AER) in its *State of the Energy Market 2022* report observes that:

*Australia's energy markets are undergoing a profound transformation. The National Electricity Market (NEM) is moving from a centralised system of large fossil fuel (coal and gas) generation toward an array of smaller scale, widely dispersed wind and solar generators, grid scale batteries and demand response.*³

South Australia is at the forefront of this energy transformation.

To date, South Australia's energy transition has been disorderly and industry faces a costly and uncertain future.

Given the scale and complexity of the energy transition, SACOME calls for initiatives that will assist in stabilising the South Australian energy grid and reduce market interventions, in a manner consistent with Net Zero ambitions.

4.1 Energy Transition Roadmap

SACOME calls on the State Government to urgently develop an Energy Transition Roadmap that considers the impact of energy policy across the whole of the South Australian economy.

- While the State continues to be at the forefront of the transition to renewable energy, it comes as significant cost to the commercial and industrial sector. SACOME has calculated that industry incurred [over \\$1 billion in energy market intervention and transition costs](#) from 2018 to 2021.⁴
- To ensure the commerciality of large scale industry, greater coordination between energy, climate and industry policy from governments and policy makers is required. SACOME has consistently called for the development of an Energy Transition Roadmap, with industry input.
- While SACOME notes the Malinauskas Labor Government's election commitment to convene an Energy Transition Roundtable, this has yet to occur.
- SACOME notes the State Government's intention to develop an Energy Green Paper to guide the discussions of a future Energy Roundtable. SACOME contests that

³ Australian Energy Regulator State of the Energy Market 2022 Report, p.6

⁴ [sacome energy transition roadmap 2021 final 22.02.22.pdf](#)

consultation with industry is required to inform the Terms of Reference for an Energy Green Paper.

- SACOME submits that a Green Paper should consider:
 - Whole of electricity cost, as distinct from wholesale electricity cost;
 - Impact and interaction of Commonwealth & State policies;
 - Energy mix, in the context of Net Zero ambitions
 - Domestic reservation policies;
 - Incentive schemes for decarbonisation technologies;
 - Impact of retailer failure; and
 - South Australia's renewable energy competitiveness, based on the findings of the Productivity Commission.
- Policies and projects pursued in isolation have led to unintended consequences for the energy grid. Unless South Australia systematically plans for the energy transition, manufacturing jobs and project development will continue to be at risk.
- SACOME calls for the DEM to receive the necessary funding to develop an Energy Transition Roadmap for the State.

4.2 Carbon Abatement Technologies

SACOME calls on the State Government to implement policies that incentivise the development of carbon abatement technologies such as commercial Carbon Capture and Storage (CCS).

- Commercial CCS is a viable pathway to reducing emissions and positions Australia to continue as a leading energy exporter and manufacturer of energy-intensive materials.
- The International Energy Agency's (IEA's) Sustainable Development Scenario requires a hundredfold increase in CCS between now and 2050 to achieve the world's climate goals – from 40 million tonnes of CO₂ stored each year in 2021 to 5.6 billion tonnes in just 30 years' time.⁵ CCS will be a critical tool for hard to abate sectors in offsetting their emissions.
- In South Australia, SACOME member company Santos' Moomba CCS project has the potential to be a large-scale carbon sink for power generators and other industries in eastern and southern Australia, with start-up expected in 2024.
- Santos has indicated that it plans to store 1.7 million tonnes of carbon dioxide per year from the Moomba Gas Plant.⁶ This decision is a critical step in decarbonising natural gas.

⁵ [Santos announces FID on Moomba carbon capture and storage project | Santos](#)

⁶ [Santos announces FID on Moomba carbon capture and storage project | Santos](#)

- Consistent with our previous pre-Budget submissions, SACOME calls for CCS incentives to be afforded the same priority as hydrogen initiatives.
- This necessarily involves consideration of the impact of a CCS royalty – regardless of its final design – and the signal it sends to the market and how it operates in the context of national emissions reduction targets.
- South Australia would be the only jurisdiction in the world to impose a CCS royalty. In contrast, the United States is offering a tax credit of \$85 for each metric ton of CO₂ captured and stored.
- It is SACOME's strong view that a CCS royalty is poor policy and coupled with proposed reforms to the Safeguard Mechanism, will serve to disincentivise companies from undertaking long term abatement projects.

5. Infrastructure

Infrastructure development is critical to enabling resource sector growth.

SACOME's infrastructure calls address the need for regulatory mechanisms that foster investment, and maintenance of safe and efficient supply chain routes.

5.1 Rail Incentive Scheme

SACOME calls on the State Government to investigate the potential of a rail freight incentive scheme, as has been introduced in other Australian jurisdictions.

- Victoria has implemented a Mode Shift Incentive Scheme, which involves the government providing incentives for the transport of containerised freight by rail instead of by road. Other jurisdictions such as Queensland are trialling rail incentives for bulk freight.
- In addition to reducing road congestion, and savings in road maintenance, the transportation of freight by rail reduces carbon emissions by approximately two-thirds.
- Importantly, in the South Australian context, bulk freight by rail may result in exporters having more options when considering suitable ports and could give South Australia a chance in securing part of the valuable supply chain, rather than seeing exports travel to ports in other states.
- Rail freight incentives would dovetail into the findings of the Economic Heatmap and has the potential to benefit other key economic sectors, particularly in agriculture.
- SACOME calls for funding to be made available to an appropriate agency to undertake the necessary investigations as to how rail freight may benefit South Australian exporters and assist in meeting emissions reduction targets.

5.2 Regional & Remote Road Maintenance

SACOME calls on the State Government to continue to prioritise maintenance funding for regional and remote roads which are critical to the operation of South Australian resource projects, consistent with previous pre-Budget submissions.

- South Australia has a road network comprising some 10,000 km of road. Maintenance of these roads must be undertaken in a strategic manner that considers their economic importance to the State, rather than a formula that quantifies vehicular traffic.
- While this is a safety and efficiency issue for the resources sector, this also affects freight operators, pastoralists and tourists using regional and remote roads.

- SACOME acknowledges increases to road maintenance funding in recent budgets due to COVID-19 stimulus, in addition to its inclusion as a high priority initiative on the Infrastructure Australia Priority List.
- The ISA 20-year strategy (May 2020) stated the estimated road maintenance backlog in SA was \$780 million and growing by \$100 million per year. The report also found that SA currently spends proportionately less on road maintenance compared with NSW and WA.
- It is vital that the momentum of this maintenance funding is continued. SACOME continues to support a 4-year road maintenance fund of \$600 million to improve road safety and address the backlog of road maintenance across South Australia's road network.

5.3 Specific Regional Road Upgrades

5.3.1 Lincoln/Eyre Highway between Port Augusta & Whyalla

SACOME calls for funding of a business case to upgrade the Lincoln/Eyre Highway between Port Augusta and Whyalla, consistent with its previous pre-Budget submissions.

- Upgrade Lincoln/Eyre Highway between Port Augusta to Whyalla from single lane to dual carriageway would significantly improve the safety of what is a notorious stretch of road.
- This is a key route for transport of commodities to and from Whyalla, making upgrade of the road a priority for resources operators in the region and for the wider Upper Spencer Gulf community.
- SACOME calls for funding to ensure the efficient and safe transport of product along this route is prioritised, especially as production at the Whyalla steelworks and the Carapateena mine increases over the coming years and increasing volumes of goods transit through Whyalla.
- If the State is to achieve its plan for the delivery of a hydrogen hub in the City of Whyalla, duplication of this carriageway is paramount, recognising the importance of the Upper Spencer Gulf.

5.3.2 Yunta Road

SACOME calls on the State Government to upgrade the Yunta Road following a successful pilot project to seal a single lane.

- In 2021, the Government completed a \$4 million pilot, to test a single lane sealing of a 20 km portion of the Yunta Road on the section north of Yunta to the Epic Energy Right-of-Way turn-off.
- This 220 km road is a vital supply line for the expanding Four Mile uranium mine, operated by Heathgate Resources who are the second largest producer and exporter of uranium in Australia. This road is also used by explorers, livestock transport and tourists, but has long been in poor condition.
- The pilot has been viewed as largely successful. In the interim, other sections of the road have continued to deteriorate.
- SACOME calls on the Government to complete the improvement of the road with an upgrade project that will fix this economically important corridor.

5.3.2 Mulyungarie Road

SACOME calls on the State Government to upgrade Mulyungarie Road near the State border with New South Wales.

- Since 2019, reports have been made to the Department for Infrastructure and Transport regarding the poor condition and continual maintenance required for Mulyungarie Road (the Honeymoon access road) near Broken Hill, which remains unsealed and does not allow for the run-off or drainage of water. Boss Energy has advised that the road is worsening every year with minor remedial grading being undertaken on an ad hoc basis.
- The road is used for transport of chemical reagents and uranium and is inaccessible in wet weather. Safety is a paramount concern given the type of commodities being transported.
- This is a shared road for both pastoralists and multiple resource companies, including Boss Energy, Consolidated Mining & Civil, and Havilah Resources.
- Boss Energy has advised that its condition could affect mining operations at its Honeymoon site prior to the anticipated commencement of production at the end of 2023.
- Accordingly, SACOME calls for Government funding to upgrade the road and ensure drainage and run-off so as not to compromise future operations.

6. Future Workforce

A suitably skilled workforce is critical to the growth of the South Australian economy.

South Australia faces competition for labour from both the eastern states and Western Australia, which are experiencing the same workforce shortfall issues at a much larger scale. This is compounded by internal competition between South Australian projects, operations, and industries.

South Australia needs to proactively plan for our future workforce needs to ensure we build labour market resilience, better align training and education to career pathways, and continue to create and fill jobs for years to come.

6.1 Future Workforce Framework

SACOME calls for \$2 million in funding to be allocated to the Department of Industry, Innovation and Skills to develop a South Australian Future Workforce Framework that maps State-wide workforce requirements across key industry sectors; and implements measures to best meet immediate and future workforce needs.

- Workforce and skills shortages present an economy-wide challenge made more acute by COVID-19 and restricted international movement. Economic growth in South Australia cannot occur without an appropriately skilled workforce.
- Long-term and strategic workforce planning is essential if we are to build labour market resilience across the South Australian economy.
- Mapping of existing and future requirements across all industry sectors will help government and industry better understand cross-sector workforce needs, identify the expected peaks and troughs, and better align training, education, and attraction measures to meet future needs.
- Planning will also assist in coordinating worker transition across sectors and through industry cycles, by ensuring they are equipped with transferable skills and the training necessary for that transition.
- SACOME calls on the State Government to provide \$2 million in funding to the Department of Industry, Innovation and Skills (DIIS) to develop a South Australian Future Workforce Framework.
- This funding would enable DIIS the resources required to undertake extensive engagement across sectors and the development of the framework as a matter of urgency.

6.2 STEM Digital Technology Pilot

SACOME calls for \$1 million in funding to be allocated to the Department of Education for the implementation of a new Digital Technology pilot in the Upper Spencer Gulf to support STEM development in regional schools, consistent with its previous pre-Budget submissions.

- The teaching of science, technology, engineering, and mathematics (STEM) in schools is vital to ensure South Australia keeps pace with technological change.
- South Australia’s resources sector is continuously evolving with the emergence of new technologies and automation; the sector is also facing workforce and skills shortages.
- Industry and education both play a key role in supporting students to understand the realities and needs of the STEM workforce and to prepare students for the big career challenges and opportunities ahead.
- In line with the State’s STEM Learning Strategy, SACOME calls for the Government to pilot a new Digital Technology STEM project in Upper Spencer Gulf primary and secondary schools, with a focus on ‘hands on’ resources sector applications.
- Based on the successful ‘Digital Technologies Program’ implemented by the Department of Education and Chamber of Minerals and Energy (CME) in Western Australia, the pilot would:
 1. Teach fundamental STEM skills;
 2. Increase student awareness and interest in Digital Technology career pathways; and
 3. Support the skills pipeline crucially needed for the Upper Spencer Gulf region.
- The pilot would also offer broader application than just the resources sector, teaching skills that can be applied to other important industries including defence, space, agriculture, medicine, manufacturing, information technology and engineering.
- \$1 million of investment would enable an initial pilot in all State schools in the Upper Spencer Gulf (Port Lincoln, Port Augusta, Port Pirie and Whyalla) and would cover the costs of initial establishment of challenge kits, annual access to the digital GROK platform, and resources to implement the pilot including teacher training and resources.