



Pre-Budget Submission 2021-22

Submission to the Hon. Rob Lucas MLC,
Treasurer

March, 2021

Table of Contents

| | |
|--|----|
| 1. Introduction..... | 3 |
| 2. State Economic Development | 6 |
| 2.1 Northern South Australian Productive Water Security project..... | 6 |
| 2.2 Resources Sector Economic Heatmap | 6 |
| 2.3 Gas Acceleration Program | 7 |
| 2.4 South Australian Critical Minerals Strategy..... | 8 |
| 2.5 Maintenance and Expansion of Accelerated Discovery Initiative | 9 |
| 3. Infrastructure..... | 10 |
| 3.1 Resources Infrastructure Corridors..... | 10 |
| 3.2 Regional & Remote Road Maintenance..... | 10 |
| 3.3 Upgrade of Port Augusta to Whyalla Route..... | 11 |
| 4. Energy..... | 12 |
| 4.1 Energy Transition Roadmap..... | 12 |
| 4.2 Carbon Capture & Storage Support..... | 13 |
| 4.3 South Australia Nuclear Roadmap | 14 |
| Appendix 1..... | 15 |
| Summary of Resources Sector Regional & Remote Road Maintenance Priorities..... | 15 |

1. Introduction

The South Australian Chamber of Mines and Energy (SACOME) is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

The South Australian resources sector is the powerhouse of the South Australian economy.

SACOME's previous Pre-Budget submissions have emphasised the well-known economic contribution of SACOME member companies to the State, in terms of production value, exports, capital expenditure, employment and royalties.

In 2020, SACOME commissioned an Economic Contribution Study to analyse the expenditure patterns of 12 major operating member companies throughout 2019/20 and determine their contribution to the South Australian economy.

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

The Study's findings also highlight that the South Australian resources sector not only played an important role in the economy throughout the COVID-19 pandemic; but is well placed to assist the South Australian Government in its COVID-19 economic recovery and in achieving *Growth State* agenda outcomes.

In its 2021-22 Pre-Budget Submission SACOME advances resources sector initiatives to drive near-term growth and employment outcomes, coupled with longer-term initiatives that advance economic development goals common to both the State and the South Australian resources sector.

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

Summary of SACOME's 2021-22 Pre-Budget Calls (in order of priority)

1. Northern South Australian Productive Water Security project

SACOME calls for continued support from the South Australian Government for the Northern South Australia Productive Water Security project.

2. Resources Sector Economic Heatmap

SACOME calls for the development of a South Australian Resources Sector Economic Heatmap.

3. Resources Infrastructure Corridors

SACOME calls on the State Government to establish 'Resources Infrastructure Corridors' to create a regulatory structure that incentivises investment.

4. Energy Transition Roadmap

SACOME calls on the State Government to urgently develop an Energy Transition Roadmap recognising the need to address under frequency load shedding requirements and intermittency in the South Australian electricity system.

5. Regional & Remote Road Maintenance

SACOME calls on the State Government to prioritise maintenance funding for regional and remote roads critical to the operation of South Australian minerals and petroleum projects.

6. Gas Acceleration Program

SACOME calls on the State Government to establish a Gas Acceleration Program to incentivise the responsible development of South Australian gas projects.

7. Maintenance and Expansion of Accelerated Discovery Initiative

SACOME calls for ongoing funding of the Accelerated Discovery Initiative (ADI); and expansion of the ADI to encourage greater levels of exploration activity in South Australia.

8. Carbon Capture Storage Support

SACOME calls on the State Government to implement policies and incentives to support the development of commercial Carbon Capture Storage (CCS).

9. South Australian Critical Minerals Strategy

SACOME calls for the development of a South Australian Critical Minerals Strategy to aid the development of critical mineral projects; and capture the value from extraction of these minerals to manufacture higher value goods.

10. Upgrade of Port Augusta to Whyalla Route

SACOME calls for funding to upgrade the Port Augusta to Whyalla route from single to dual carriageway.

11. Nuclear Energy Road Map

SACOME calls on the State Government to fund the development of a Nuclear Energy Roadmap to progress the development of a South Australian nuclear industry.

2. State Economic Development

The resources sector is one of the few capable of delivering the economic growth targets set by the Marshall Government's *Growth State* agenda.

SACOME calls for funding commitments in the 2021-22 State Budget that encourage growth of and investment in the resources sector; facilitate project and supply chain development; and assist critical mineral and petroleum resources to be brought to market.

The 'whole of State' impact demonstrated by SACOME's recent Economic Contribution Study supports the argument that resources sector growth results in benefits to both metropolitan and regional communities.

2.1 Northern South Australian Productive Water Security project

SACOME calls for continued support from the South Australian Government for the Northern South Australia Productive Water Security project.

- The expansion of mining in the Gawler Craton is predicated on access to water, necessitating major capital investment.
- A secure, sustainable, and efficient water supply is key to unlocking economic potential in the Far North and has potential to reduce reliance on the Great Artesian Basin and the Murray River.
- Investment in a high capacity pipeline has potential to align with Department of Defence requirements in the Woomera Prohibited Area, meet the domestic and industrial water needs of communities in the Upper Spencer Gulf, and support the development of green steel and hydrogen production.
- Investment in a desalination plant in the Upper Spencer Gulf will assist in diversifying economic opportunities in the region and facilitate opportunities for upstream processing of resources sector commodities.
- SACOME acknowledges the support of the South Australian Government and Infrastructure SA in advancing this major state economic development opportunity which was included on the Infrastructure Australia Priority List in February 2021.
- SACOME seeks continued South Australian Government support for this important economic development initiative as a key priority.

2.2 Resources Sector Economic Heatmap

SACOME calls for the development of a South Australian Resources Sector Economic Heatmap.

- South Australia has significant known mineral and petroleum reserves that represent yet-unrealised wealth for South Australia.
- SACOME submits that realising growth targets for the resources sector will be materially assisted by aligning requisite regulatory, development and investment attraction activity against South Australian resources projects capable of delivering *Growth State* targets.
- SACOME proposes development of a Resources Sector Economic Heatmap to quantify and consolidate understanding of the value of South Australian mineral and petroleum reserves and facilitate informed strategic decision on investment and targeted support necessary to facilitate their development.
- SACOME suggests that the Heatmap prioritises:
 - the potential economic value of a province/cluster 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 calls for requisite funding to support development of the Heatmap. Recognising the cross-departmental nature of this work, SACOME proposes that it is coordinated through a Steering Committee comprised of representatives from relevant government agencies.
- SACOME acknowledges the small budget allocation in 20/21 to commence this work and the progress made to date. SACOME seeks to further elevate this work through increased funding in the 2021-22 State Budget.

2.3 Gas Acceleration Program

SACOME calls on the State Government to establish a Gas Acceleration Program to incentivise the responsible development of South Australian gas projects.

- Funding to establish a South Australian Gas Acceleration Program (GAP) remains a key budget call for SACOME. This is required to recognise the critical importance of gas in South Australia.
- In South Australia, gas generation comprises approximately half of all electricity generation. The affordable, diversified, reliable supply of gas is therefore critical to meeting the State's energy demands and the development of new gas reserves should continue to be a policy priority.

- SACOME also submits that the cheapest form of gas for south-east Australia is gas sourced from south-east Australia. Accordingly, the GAP should consider how to:
 - facilitate the expansion of operations in the Cooper Basin;
 - encourage new developments in the Cooper Basin;
 - encourage new developments in other areas of the State;
 - bring stranded assets to market; and
 - ensure infrastructure is in place to bring new gas online efficiently.
- Previous programs successfully incentivised activity to bring new gas supplies into the South Australian domestic market, incorporating a first right of purchase for local users.
- SACOME calls for the establishment of a GAP to advance meritorious gas projects in South Australia and bring forward locally produced natural gas for South Australian electricity generators and C&I customers.

2.4 South Australian Critical Minerals Strategy

SACOME calls for the development of a South Australian Critical Minerals Strategy to aid the development of critical mineral projects; and capture the value from extraction of these minerals to manufacture higher value goods.

- Consistent with our previous Pre-Budget submissions, SACOME recognises that critical minerals are high-value, strategically important commodities.
- South Australia hosts 80% of Australia’s battery grade graphite resources and has large quantities of lithium and cobalt. South Australia is also highly prospective for manganese and nickel. Any moratoria in areas supporting these minerals will constrain South Australia’s ability to economically capitalise on this rapidly accelerating market demand.
- The Federal Government recently announced its *Resources Technology and Critical Minerals Processing Road Map*² to leverage Australia’s significant reserves of critical minerals that are used to manufacture electric vehicles, mobile phones, renewable energy systems and other advanced manufacturing products.
- The University of Adelaide also recently launched its Australian Critical Minerals Research Centre that aims to position Australia as a global leader in ethical, environmentally responsible critical mineral research and supply, recognising Australia’s rich mineral endowment, strong sovereignty, and highly skilled workforce.
- The convergence of South Australia’s abundant critical mineral wealth and the national impetus for development of critical mineral projects provides an opportunity

² [Resources Technology and Critical Minerals Processing \(industry.gov.au\)](https://industry.gov.au)

to move existing projects to production and encourage greater levels of exploration for new resources.

- SACOME calls for the development of a South Australian Critical Minerals Strategy to align opportunities in critical minerals project development, research and development activity, advanced manufacturing and relating upstream processing activity.

2.5 Maintenance and Expansion of Accelerated Discovery Initiative

SACOME calls for ongoing funding of the Accelerated Discovery Initiative (ADI); and expansion of the ADI to encourage greater levels of exploration activity in South Australia.

- The ADI is an important contributor to *Growth State* objectives given exploration activity is fundamental to growing the State's mineral wealth.
- SACOME notes that during the December quarter 2020, private mineral exploration expenditure in South Australia increased by 4.8%, above the national figure of 2.5%. However overall exploration expenditure is still 20% lower than for 2019.
- In terms of mineral exploration expenditure per kilometre squared, South Australia has consistently underperformed against the rest of the nation and is the worst performing jurisdiction according to ABS quarterly data from September 2020.
- SACOME submits that ongoing funding of the ADI is consistent with the economic growth outcomes sought by the South Australian Government. While more recent economic data may indicate an increase in private mineral exploration expenditure due to the operation of the ADI, maintaining funding for the program should be paramount as a means of maintaining these expenditure trends and to assist in the post COVID-19 economic recovery.
- SACOME also calls for expansion of the ADI to fund a targeted critical minerals component, noting the increasing importance of critical minerals to the manufacturing supply chain, opportunities presented by the national Critical Minerals Road Map and the potential to further diversify the State's mineral production.

3. Infrastructure

SACOME's infrastructure calls address the need for regulatory structures to catalyse investment in the infrastructure necessary for development of the next tranche of South Australian resources projects; and the maintenance requirements for transport routes across the State's key resources provinces.

Simply stated, infrastructure development is critical to the enabling of resource sector growth.

3.1 Resources Infrastructure Corridors

SACOME calls on the State Government to establish 'Resources Infrastructure Corridors' methodology to create a regulatory structure that incentivises investment.

- SACOME reiterates its calls to the State Government to implement regulatory settings that act as a key infrastructure investment attraction tool to facilitate faster project development times through demarcating infrastructure project pathways to major South Australian resources provinces.
- SACOME calls for the development of 'Resources Infrastructure Corridors' to facilitate infrastructure investment by holistically resolving land access, approvals and logistics issues; and to operate as a jurisdictional advantage by providing operators with a de-risked and expedited path to project development.
- Once implemented, these regulatory corridors can provide the State with a competitive advantage by reducing the time and cost associated with developing resources projects in South Australia.
- SACOME acknowledge that some funds were apportioned to this item in the 20/21 State budget, noting that further funding will be required to meaningfully deliver an outcome.

3.2 Regional & Remote Road Maintenance

SACOME calls on the State Government to prioritise maintenance funding for regional and remote roads critical to the operation of South Australian minerals and petroleum projects.

- SACOME reiterates its previous calls for funding to resolve regional and remote road maintenance backlogs.
- South Australia has a road network comprising some 10,000km of road. Maintenance of these roads, and particularly regional roads with economic significance to the State, must be undertaken in a strategic manner that reflects their importance.

- While this is a safety and efficiency issue for mineral and petroleum operators and their service industries, the impact is cross-sectoral, affecting freight operators, pastoralists and tourists also using regional and remote roads.
- SACOME acknowledges the inclusion of 'South Australian road network maintenance' as a high priority initiative on the Infrastructure Australia Priority List in February 2021 and supports all endeavours by State and Commonwealth Governments to resolve the significant road maintenance backlog across the State.
- SACOME further acknowledges the allocation of State and Federal funds to the Strezlecki Track noting an allocation of \$40m is still required to enable finalisation of this project.
- SACOME acknowledge state funding of (list roads that have been funded) in the 20/21 year and the states delivery of the Joy Baluch Bridge Duplication. However, maintenance backlogs remain an impediment to growth.
- A summary of priority resources sector roads requiring maintenance is provided as **Appendix 1**.

3.3 Upgrade of Port Augusta to Whyalla Route

SACOME calls for funding to upgrade the Port Augusta to Whyalla route from single to dual carriageway.

- Upgrade of the Port Augusta to Whyalla route (Lincoln and Eyre Highways) from single to a dual carriageway would significantly improve the safety of what is a notorious, mostly single lane stretch of road with limited passing lanes.
- 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.
- Funding to ensure the efficient and safe transport of product along this route should be 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.
- Further, If the State is to achieve its objective of creating a Hydrogen Export Hub in future years duplication of this carriageway is paramount, recognising the importance of the Upper Spencer Gulf as part of this equation.

4. Energy

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

While South Australian electricity prices have decreased in recent time, it is important to emphasise that these prices are viewed in a global context and comparatively high prices will continue to operate as a drag on investment attraction.

Additionally, South Australia's largest industrial businesses continue to subsidise renewables by absorbing the significant costs of market intervention. This is an unsustainable situation which is putting extreme pressure on the states manufacturers and deterring further investment decisions.

Given the extent of the energy transition, including the massive influx of intermittent renewable energy generation, SACOME calls for initiatives that will assist in stabilising the South Australian energy grid and reduce market interventions by regulatory bodies

SACOME acknowledges the State Governments intention to achieve carbon neutrality by 2025, as outlined in the Climate Action Plan. SACOME reiterates its calls for a technology neutral approach to achieving this outcome, recognising the role that diverse energy sources have to play in advancing this outcome.

4.1 Energy Transition Roadmap

SACOME calls on the State Government to urgently develop an Energy Transition Roadmap recognising the need to address under frequency load shedding requirements and intermittency in the South Australian electricity system.

- SACOME makes this call recognising that Project EnergyConnect was expected to resolve voltage management issues occurring in South Australia once completed in 2024-25. This will not be achieved in the projected timeframe.
- The recent draft ruling of the Australian Energy Market Commission (AEMC) now raises questions on whether/when TransGrid will commence the project.
- As a result, SACOME urges the South Australian Government to formulate a roadmap that prioritises additional voltage management measures to reduce the risk of system black events for major South Australian commercial and industrial users.
- SACOME notes the South Australian Government has brought forward \$10 million of investment in voltage management in the network to improve the performance of appliances and solar generation, and to provide emergency backstop capabilities in case of extreme conditions.

- However, minimum demand levels are forecast to fall as low as zero in South Australia by late 2021. South Australia experienced near-record minimum operational demand levels (358MW) for electricity from the grid on 14 March 2021, placing significant pressure on the network. This pressure is expected to continue.
- The South Australian energy network needs to accommodate more dynamic and technologically diverse plant, including embedded resources that are geographically dispersed, to meet varying energy usage patterns that are vastly different to previous decades.
- Further, discussions with AEMO and the South Australian Government about Under Frequency Load Shedding requirements for major commercial and industrial operators have highlighted the need for urgent additional investment in system management technology to manage the overabundance of solar generation at peak periods.
- Failure to address this issue in the near-term issue puts the State's manufacturing sector at risk and deters private sector investment.

4.2 Carbon Capture & Storage Support

SACOME calls on the State Government to implement policies and incentives to support the development of commercial Carbon Capture & Storage (CCS).

- SACOME notes the development of commercial CCS may provide a viable pathway to reducing emissions; position Australia to continue as a leading energy exporter and manufacturer of energy-intensive materials; and enable new industries such as hydrogen.
- 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.
- Santos has been investigating the feasibility of a project to capture vented CO₂ from the Moomba Gas Plant to enhance oil production in the Cooper Basin.
- In their recent Climate Change Report 2020³ Santos indicated that it plans to capture 300,000 tonnes of CO₂ emissions per annum from the Moomba Gas Plant; and compress, dehydrate and transport to a target field nearby for injection.
- Santos has stated with the *"right policy settings and incentives to accelerate the CCS deployment, the Copper Basin could become a large scale, commercial CCS*

³ <https://www.santos.com/wp-content/uploads/2020/02/2020-climate-change-report.pdf>

hub capturing emissions from oil and gas but also from other industries such as power generation."

- CCS initiatives need to receive the same commitment as hydrogen initiatives.

4.3 South Australia Nuclear Roadmap

SACOME calls on the State Government to fund the development of a Nuclear Energy Roadmap to progress the development of a South Australian nuclear industry.

- South Australia is a world class uranium province, host to 25% of the world's uranium resources and 80% of Australia's uranium. Olympic Dam is the single largest known uranium deposit in the world and the fourth largest copper mine. Uranium is a key economic contributor to the South Australian economy, bringing in \$118 million in royalties over the last 10 years over which time \$346 million dollars of uranium has been produced and exported.
- Nuclear energy offers a zero-emissions energy source with the ability to provide safe, reliable baseload power but is routinely excluded from climate change and energy policy discussions as both an emissions reduction and energy solution.
- SACOME submits that development of a Nuclear Energy Roadmap to continue discussions about the economic and energy security/reliability opportunities offered by uranium and nuclear is consistent with the South Australian Government's *Growth Agenda* objectives.
- Like hydrogen, significant regulatory reform is required to enable the use of alternative energy sources that will deliver zero emissions. A key outcome of the roadmap would be the pathway to regulatory transition. The State Government have a demonstrated track record of incorporating new energy sources such as geothermal and hydrogen.

Appendix 1

Summary of Resources Sector Regional & Remote Road Maintenance Priorities

| Company | Road Maintenance Priorities |
|--|---|
| <p>BHP: Olympic Dam</p> | <p>Port Augusta Highway – between Lakeview and Lochiel – undulating surface.</p> <p>Port Augusta Highway - between MM peg 141-146 (near Red Hill) - rough/wavy road.</p> <p>Port Augusta Highway “T junction of Madland Road and Old Tarcoola – potholes.</p> <p>Port Augusta Highway – Rail crossing at Bute turn off, south of Snowtown – very rough.</p> <p>Olympic way between Purple Downs turnoff and Woomera – undulating surface.</p> <p>Olympic Way – between MM peg 54-58 – bad ruts and grid dropping</p> <p>Stuart Highway – Carrierloo turnoff – grid is not even with road height sharp bump.</p> <p>Stuart Highway - between MM peg 754–774 - rough/wavy road</p> <p>Stuart Highway - between Pimba and Wirrappa siding – undulating surface.</p> <p>Stuart Highway at Carrierloo turnoff – grid is below road height and causing sharp bump.</p> <p>Borefield Road – First 50kms from Olympic Dam – large rocks corrugations, bulldust.</p> |
| <p>OZ Minerals: Prominent Hill</p> | <p>Road trains travelling on the Stuart Highway (A87) have identified two minor issues:</p> <ol style="list-style-type: none"> 1. South of Glendambo (Coondambo - at the point of the rail overpass); both sides of the overpass are partially sunken; and 2. North of Pimba (12km Nth side of Pimba - on top of the plateau); cattle grid at this point and the highway 2-3km either side is undulating and rough. <p>Pastoralists and outback road users have identified two minor issues:</p> <ol style="list-style-type: none"> 1. Coober Pedy to William Creek Road is currently heavily corrugated and in need of maintenance; and |

| | |
|--|---|
| | <p>2. Old Stuart Highway accessing Ingomar homestead (via Wirrida Access Road); the road is generally in poor condition and the pastoralists battle to keep it open.</p> <p>OZ Mineral’s key logistics partner (Toll Group) have raised an existing issue that when heading north (ADL-PXH) they must run double road trains to Port Augusta where they then assemble the triple road train for Prominent Hill. This is required due to the current infrastructure between Adelaide and Port Augusta not being adequate to support triple road trains.</p> <p>Toll also identified that, during peak tourist season, all truck stops, and parking bays were typically full when journeying along the Stuart Highway. This makes finding suitable rest stops difficult during this time.</p> |
| <p>Heathgate Resources</p> | <p>Heathgate Resources and SACOME welcome the State Government’s \$4 million investment into a pilot program to seal a section of the Yunta Track.</p> <p>The Yunta Track is a key transport route for movement of product by Heathgate Resources who are the second largest producer and exporter of uranium in Australia.</p> <p>Heathgate Resources continue to emphasise the importance of additional maintenance funding for the Yunta Track as a matter of priority.</p> |
| <p>Santos/Beach Energy: Cooper Basin</p> | <p>Santos, Beach Energy and Senex have identified the Della/Gidgealpa Station/Cordillo Downs/Dillions/ and Strzelecki Track from Merty to Moomba as maintenance priorities in the Cooper Basin.</p> |
| <p>Boss Resources: Honeymoon</p> | <p>Mulyungarie Road (Honeymoon access road) near Broken Hill remains in very poor condition and requires urgent attention. 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. Advice from Boss Resources is that the road is worsening every year with minor remedial grading being undertaken on an ad hoc basis.</p> <p>Boss Resources have raised concerns about the condition/maintenance on several occasions with government, principally during their bi-annual reporting to the SA Government. Direct contact with DPTI about the road has resulted in little progress.</p> <p>Other users of the road include Consolidated Mining & Civil (CMC) and Havilah Resources who have reported this matter in the past; as well as numerous pastoralists who also use the road.</p> |