



Productive Economy Submission

Submission to the State Planning Commission

February 2019

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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 *Planning, Development and Infrastructure Act 2016* provides for the creation of the Planning and Design Code (the Code) to enable a more efficient and effective planning system.

In establishing the Code, the Productive Economy Discussion Paper (the Discussion Paper) aims to identify key issues and opportunities associated with enhancing South Australia's economic competitiveness.

SACOME recognises the important role planning plays in ensuring the right signals are sent to the marketplace to attract investment to South Australia.

SACOME is pleased that the Discussion Paper identifies the resources sector as a key economic stakeholder with the potential to provide opportunities for South Australia's economic growth into the future.

The Discussion Paper provides for three types of recommendations and their associated timing:

- Transition ready – Current policy that requires minimal change and will be transitioned into the first generation (July 2020) of the Code Policy Library (Transitional);
- Reform (Gen 1) – Current policy that is recommended for improvement before it is transitioned into the first generation (July 2020) of the Code Policy Library (reform which is minor based on research and engagement which is already well progressed or underway);
- Reform (Gen 2 and beyond) – Gaps within existing policy that require further research and discussion before they can be considered for inclusion (Second generation and beyond) of the Code Policy Library (Reform in a new area).

The Discussion Paper identifies two key opportunities and challenges facing the resources sector and possible responses to those opportunities and challenges.

It also asks the question: "*should undeveloped strategic mineral resources be identified and protected from urban encroachment and other incompatible development?*"

SACOME as a general principle, is supportive of the establishment of the Code and policy recommendations that facilitate the South Australian resources sector realising its full economic capability.

SACOME's submission provides comment on the resource sector-specific issues identified in the Discussion Paper, with emphasis on land access and its importance to realising economic growth outcomes.

SACOME welcomes the opportunity to provide the State Planning Commission with feedback that will inform its preparation of Generation 1 of the Code Policy Library and help prioritise future work and investigations for subsequent generations of the Code.

2. Key Opportunities and Challenges

2.1 South Australian Resources Sector Overview

The South Australian resources sector is already a cornerstone of the South Australian economy and generates the following key economic outcomes:

- \$5.3 billion in production value.
- 33% of exports from South Australia worth \$3.7 billion, making it the highest value export sector in the State.
- Employment of 11,040 South Australians.
- \$445 million in Capital Expenditure investment in new mines and petroleum projects.
- \$213 million in royalties for future state growth.
- \$207 million in exploration for new investments.

(All data sourced from SARIG 2018)

The Deloitte Access Economics Land Use Planning and the South Australian Economy Report identifies the resources sector as one of the fastest growing sectors in the State, forecast to increase by 2.9% each year over the next two decades.

Land use planning is one element of the entire legislative framework governing the management of the South Australian resources sector. Other aspects include:

- The *Mining Act 1971*;
- The *Petroleum and Geothermal Energy Act 2000*;
- The *Environment Protection Act 1993*.

SACOME supports policy recommendations for the new Code that consider the entire legislative framework under which resource companies operate; and which continue to build on the economic contributions the resources sector make to South Australia, and which balance social and environmental concerns.

2.2 Key Opportunity and Challenge 1

'There is a need to provide flexibility for industry/light industry in Mineral Extraction Zones, whilst protecting the viability of mining operations.'

The Discussion Paper regards this recommendation as "transition-ready" meaning the policy requires minimal change and will be transitioned in the first generation of the Code Policy Library.

The Discussion Paper proposes to *'refine and transition the policy intent of the South Australian Planning Policy Library (SAPPL) Mineral Extraction Zones, in particular, policies that have the flexibility to enable complementary activities to be undertaken within mining areas.'*

Mining and Exploration activities in South Australia are currently conducted within a Mineral Extraction Zone.

The basic objectives of such zones are to ensure land for the mining and quarrying of minerals occurs in a sustainable manner; and to plan mining operations in a co-ordinated manner to ensure the maximum recovery of resources.

The Mineral Extraction Zone policy already envisages the following forms of development within the zone:

- activities ancillary to mineral extraction, including extraction and/or fill associated with rehabilitation work;
- mineral extraction;
- mineral processing.

SACOME does not oppose the refinement and transition of the policy intent of the SAPPL Mineral Extraction Zone to provide flexibility for industry/light industry, provided mineral deposits and the extraction of minerals is not compromised.

2.3 Key Opportunity and Challenge 2

'Mining, and exploration is a long-term investment for the state and, given its vulnerability to market forces, operational intensities may vary over time.'

The Discussion Paper considers this recommendation Reform (Gen 2 and beyond) and proposes to *'review policy regarding mining activities to:*

- *Consider separation distances;*
- *Enable ancillary and associated developments;*
- *Provide improved consistency;*

- *Consider appropriate zoning for resources areas.'*

Separation distances or appropriate zoning for resource areas does not consider that, in many instances, non-sensitive land uses can be complementary to mining operations, either as shared activities, conducted on non-operational mining lands or sequential as mining activities relocate.

A blanket approach of creating separation distances or zones that ban or prohibit mining or alternatively ban or prohibit other industries from developing in certain areas may have unintended consequences and reduce the ability of the resources sector to reach its full economic capability.

SACOME contends that improved consistency in planning laws that consider land use value, and which interact with the legislative framework governing the resources sector in South Australia, will promote improved land use planning and facilitate greater economic outcomes.

SACOME undertakes to engage with further investigations into this policy recommendation.

2.4 Discussion Question

'Should undeveloped strategic mineral resources be identified and protected from urban encroachment and other incompatible development?'

The underlying premise of the discussion question suggests that all South Australia's mineral resources have been or are easily identifiable and commercial in nature.

While comprehensive mapping of mineral resources has been undertaken in South Australia, it is by no means a complete or definitive map of South Australia's mineral resources.

Further, although a strategic mineral resource may be identified there are a range of factors, such as commodity prices, that could act as a barrier to developing that mineral resource for market.

With that said, the states' sovereign ownership of minerals has a deep historical context.

The claim of the Crown to minerals originates from the English Case of Mines in 1567 and, subsequently, a widely held belief that mineral deposits are a fortuitous gift of nature with any net benefits belonging to the community rather than whoever happens to own the surface rights.

In South Australia the resources sector and the agricultural sector are the twin-engine rooms of the State's economy, having co-existed since the 1840's.

While SACOME is not necessarily, supportive of urban encroachment near mining operations, a blanket approach of preventing urban encroachment or other development near undeveloped mineral resources or alternatively moratoria on the resources sector preventing exploration will not assist in achieving a productive economy.

SACOME favours flexible land use planning laws that are consistent across the State and allow for complementary land use based on economic, social and environmental factors in facilitating a more productive economy.

3. Land Access

SACOME submits that land use planning laws need to be designed in a flexible manner, where resource sector companies are encouraged to operate with the aim of maximising efficiency of mineral extraction without incurring unnecessary risk or expense.

The South Australian resources sector has experienced opposition to development proposals, particularly in locations where multiple land users hold differing viewpoints on the legitimacy of a proposed resources development.

Questions have been raised by local community members, farmers, environmental activists, regulators and Members of Parliament on the issue of land access for resources sector development projects.

Examples include:

Oil and Gas

- Oil and Gas exploration in the Limestone Coast region;
- Oil and Gas exploration in the Great Australian Bight

Mining

- Underground mining in the Adelaide Hills;
- Open cut mining on Yorke Peninsula;
- Open cut mining on Eyre Peninsula.

Some stakeholder groups have called on politicians to impose moratoria on certain activities in South Australia in relation to these projects.

This has culminated in the imposition of a 10-year ban on exploration of unconventional gas in the Limestone Coast by the State Government via legislated moratoria.

The imposition of this legislative change raises state-based investment risk concerns for the resources sector and impacts on investment made by operators. In addition, it has limited domestic supply and led to increased costs for critical inputs like gas for the resources sector as well as downstream commercial and industrial users.

SACOME submits that the use of moratoria creates sovereign risk concerns, investment uncertainty and regulatory confusion that has the potential to limit resources sector investment, and which goes against the notion of a productive economy.

4. Conclusion

SACOME welcomes the opportunity to make this submission and provide the State Planning Commission with feedback that will inform its preparation of Generation 1 of the Code and help prioritise future work and investigations for subsequent generations of the Code.

SACOME as a general principle, is supportive of the establishment of the Code and policy recommendations that facilitate the South Australian resources sector in realising its full economic capability.

In providing this response SACOME has sought to provide comment that will assist the State Planning Commission in providing policy guidance specific to the resource sector issues identified in the Discussion Paper.

SACOME has also reiterated the importance of land access to the resources sector to better inform the State Planning Commission in its deliberations on how to introduce policy recommendations that will facilitate a more productive economy.

SACOME remains committed to ongoing dialogue with the State Planning Commission in identifying and implementing practical reforms to assist the growth of the resources sector and provide broader benefit to the State.