



## *Why WA loves the minerals tax boost; Page Two*

Australian Financial Review

May 21, 2024 Tuesday

Print & First Editions

Copyright 2024 Fairfax Media Publications Pty. Limited All Rights Reserved

**Section:** NEWS; Pg. 2

**Length:** 1026 words

**Byline:** Jennifer Hewett

### **Body**

---

Peter Dutton's claims to be getting Australia "back on track" risk him getting seriously off track politically when he next visits Western Australia.

The state is an increasingly attractive target for Coalition hopes of regaining some of the seats they lost in the 2022 wipeout in the west. Despite the even worse electoral calamity of a state Liberal Party reduced to a ludicrous two seats at the last state election, many voters in a traditionally conservative stronghold have grown disenchanted with Labor.

But Dutton's rejection of the Albanese government's budget spending to boost critical minerals processing and jibes of "billions for billionaires" will not be popular in a state that has done so well from resources development.

Ambitious rhetoric about a new resources boom leveraging critical minerals and hydrogen in a decarbonising world reached fever peak in the state about a year ago - coinciding with The Australian Financial Review Mining Summit in Perth.

Anthony Albanese's obsession with creating "green" manufacturing jobs neatly fitted WA's enthusiasm about further refining and processing critical minerals rather than just exporting its raw materials to China.

Mining billionaires like Andrew Forrest, Gina Rinehart and Chris Ellison were competing with the establishment companies such as BHP and Rio Tinto to expand their interests in lithium and/or nickel. The WA Treasury was happily counting almost \$1 billion in royalties it had collected from the lithium industry that year, way behind the \$9 billion worth from iron ore but rising fast.

Then-deputy premier and now Premier Roger Cook told the Summit his daily commute from south of Perth was like a multibillion-dollar glimpse into the future of decarbonisation, citing lithium hydroxide plants and nickel sulphate refineries in the industrial park of Kwinana.

But the rapid rise and then recent fall of prices for critical minerals like nickel and lithium, along with rare earths, demonstrates the volatility of this nascent market. It also shows the modest contribution to the state's economy so

## Why WA loves the minerals tax boost Page Two

far of a scattering of relatively small-scale critical minerals projects compared with the massive staples of iron ore and LNG.

It means the mood at tomorrow's Financial Review Mining Summit in Perth will be very different, following company after company announcing plans to scale back, close or not proceed with various mining and processing projects.

Yet, Western Australia has always prided itself on its entrepreneurial, frontier spirit, particularly in the resources industry. So the promise of billions of dollars worth of production tax credits for processing of critical minerals and green hydrogen will offer fresh hope that WA can get back on track towards its newest resources dream.

The WA Liberals certainly see it that way, rejecting the negative views of their federal colleagues. The tax credits will only be paid for costs incurred in producing value-added materials and metals, and are designed to reward results rather than ideas that are never executed.

It's why the Association of Mining and Exploration Companies (AMEC) has been pushing hard numbers, insisting this model will help kick-start the industry but with no risk to the government if particular projects don't proceed.

This version does seem a financially safer model than providing direct subsidies to individual companies given the obvious risks in a government "picking winners". That general guidelines for the Future Made in Australia investments are so broad - and new government "off-budget" special funds now so numerous - guarantee some costly failures. Nor does Treasury favour Albanese's vision of Australia making electric vehicle batteries.

Dutton uses a commercial rationale to resist spending taxpayers' money on projects he insists must be able to support themselves to survive beyond a future made in Canberra. And he is right that production tax credits are less important than getting the fundamentals right by reducing other costs including delayed approvals, excessive regulations, inflexible industrial relations and lack of common, crucial infrastructure. But there's little sign of this happening - rather the reverse.

Nor will the tax credits even begin until 2027, meaning there will be little immediate assistance to financially struggling projects.

BHP has already given itself a timetable of August to decide whether to shut its nickel smelter in Kalgoorlie with the loss of 3000 jobs.

Chief executive Mike Henry's belief that the collapse in the global price of nickel due to a flood of supply from Indonesia is a structural change rather than a cyclical one also means there's no chance currently of reviving the plan to invest in the necessary upgrade of a smelter that looks every bit of its 50-plus years.

Any shift in the commercial logic of closure will be the subject of further consultations with the federal government - and no doubt potential further subsidies. There's still an obvious economic and political logic to attempts to diversify critical minerals processing, especially rare earths, away from China's control.

The Morrison government provided \$1.25 billion in cheap loans to Iluka Resources to build a rare earths refinery in WA, for instance. Since then, other governments, particularly the Biden administration in the US, have begun providing gargantuan incentives to counter Chinese dominance, bolstering the government's case that Australia must play this game to remain competitive.

Even so, Iluka's construction costs have blown out, forcing the company to search for more funding. As well as some other small grants, the Albanese government is betting \$840 million worth of grants and loans to help Arafura Rare Earths develop its mine and refinery in the Northern Territory.

That makes them examples of the potential pitfalls and the promise of the 2020s version of industrial policy.

Gambling on the future of value-adding to the Australian mining industry still makes much more sense than the Albanese government investing \$1 billion into solar panel manufacturing.

## Why WA loves the minerals tax boost Page Two

West Australians certainly understand that. Peter Dutton beware.

[jennifer.hewett@afr.com](mailto:jennifer.hewett@afr.com)

**Load-Date:** May 23, 2024

---

End of Document