New reality for critical minerals, and Canberra; Page Two

Australian Financial Review
February 27, 2024 Tuesday
Print & First Editions

Section: NEWS; Pg. 2

Length: 991 words

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Body

Andrew Forrest won't allow the looming collapse of Australia's nickel hopes to dent his still soaring ambitions for Australia's green energy revolution and his continued attacks on coal and gas as "fossil fuel dinosaurs".

That's even though Forrest has announced that his private company, Wyloo Metals, shortly will shut down the Western Australian nickel mines it bought for $760 million only last year, as global prices have been crippled in recent months by the massive expansion of Indonesia's nickel industry.

But neither the London Metals Exchange nor buyers and manufacturers of electric vehicles are showing much interest in Forrest's demands for a distinction to be made between Indonesia's "dirty" nickel and supplies produced with higher environmental standards.

The pressure from Forrest and other players, large and small, in Australia's critical minerals industries may be harder for the Albanese government to ignore.

Labor's enthusiasm for the potential of green manufacturing in Australia, including electric vehicle batteries and components, is rapidly developing into an even sharper contrast given what's happening on the ground in critical minerals such as nickel and lithium.

In an address to the National Press Club, Forrest was relatively circumspect about the benefits of production tax credits being sought by many miners to help alleviate their current woes.

"I haven't looked at it closely enough," he said.

"It seems to make a lot of sense applying a tax credit on a profit you don't have yet, so it seems a win-win for the Australian taxpayer, but I would like to look at it further."

Other nickel and lithium companies are much more insistent in demands for production tax credits to be granted urgently, with a delegation of executives in Canberra tomorrow to meet Minister for ***Resources*** Madeleine King and Treasury officials.

King doesn't need persuading of the benefits of such a measure. Treasury - and Treasurer Jim Chalmers - do.

King is just one member of a cabinet with little sympathy for miners.

Nor is the industry united in its views. BHP, for example, certainly got politicians' attention when it announced this month it was considering the future of its West Australian nickel interests after a massive $US3.5 billion ($5.3 billion) write-down of their value given the "structural" change in the industry.

But chief executive Mike Henry is adamant governments should focus more on getting policy fundamentals right in areas such as industrial relations and approval processes rather than offering short-term subsidies as a cure.

Without that basis, he warned this month, a production tax credit may not be enough to save BHP's WA's nickel business in a world where Australia doesn't have the natural advantages it did in supplying iron ore or coal.

So far, this message is not getting much traction in Canberra.

Instead, the political focus is more on addressing the general community clamour for greater government assistance to help with cost-of-living pressures - with the adequacy of the response to be tested by the results of the Dunkley byelection in Victoria on Saturday.

That's despite the budget's heavy reliance on the mining industry for any continuing surpluses or to help pay for government services.

That trade-off has been increasingly obscured by continued high prices for commodities such as iron ore.

But Australia's hopes of extending this bonanza into the supply of critical minerals to belatedly counter China's dominance and price manipulation is in the midst of a reality check.

The impact of dramatically reduced prices is not just obvious in the sudden closure or scaling back of nickel and lithium prospects.

Iluka ***Resources***' plans to build Australia's first rare earths refinery are now in difficulties following a big increase in costs as well as the weaker prices for rare earths.

It's part of the long-running debate about whether Australia should continue to rely on exporting the raw materials it mines, especially to China, and to what extent the government should provide incentives to develop downstream alternatives.

In its dying days, the Morrison government provided a $1.25 billion loan to ***Iluka*** to build a refinery to separate rare earth oxides from its tailings at Eneabba and to process concentrate from other miners. The timetable for the start of operations has now been delayed a year to 2026, while ***Iluka*** is quietly asking for more assistance from its "strategic partner" in Canberra.

Chief executive Tom O'Leary will say only that the company is "working with the government to come to a pathway to deliver the refinery".

"I think it's fair to say that Eneabba's strategic importance in providing a secure Western supply chain has only increased in recent times following China's ban on the export of heavy rare earths technology in December," he said at ***Iluka***'s results this month.

"As we contemplate funding, both we and the government are really cognisant of the risks of the project and also its strategic importance, not only from a geopolitical and defence perspective but also from the perspective of its contribution to facilitating global decarbonisation."

Yet some other industry analysts suggest the refinery can never be commercially viable and the Australian government instead should be smoothing licensing and regulatory approvals and improving common infrastructure rather than giving subsidies to individual companies.

"We should dig up rare earths if we can do so profitably," one says.

"But it is the major advanced industrial economies of the US, Europe and Japan that are most at risk of unfair Chinese processing competition. They are the ones that should subsidise processing if their companies will not build it commercially."

That's unlikely to be the sort of logic that appeals to most of the would-be players in the critical minerals industry, including Andrew Forrest - or to the Albanese government.

Decisions ... or more reviews?

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Load-Date: February 29, 2024