Doing business in WA resources sector

Overview

Western Australia has a world-class resources industry, covering a diverse range of minerals and energy.

The main resources targeted in Western Australia are iron ore, natural gas, gold, alumina and nickel. However, there are more than 50 different minerals mined in Western Australia, more than in any other Australian state or territory.

These resources are typically exported through one of Western Australia's world-class port facilities, which are among the busiest in the world.

While there is a considerable amount of activity in Western Australia's resources sector due to its immense size, the State is still relatively under-explored. There are vast amounts of mineral wealth still to be discovered in Western Australia.

China, Japan and South Korea are our largest exporting partners, accounting for almost 75% of Western Australia's exports.

For more information relating to the Western Australian mineral and petroleum sector refer to the latest Statistics Digest (/About-Us-Careers/Statistics-Digest-3962.aspx).

Lead agency framework

The State Government has introduced the Lead Agency Framework to provide more effective and efficient processes for responsible development in Western Australia.

The Department of Mines and Petroleum (DMP) is one of five agencies designated as a lead agency.

A lead agency provides:

- a single entry point for project proponents
- coordination of the approvals process across government for all proposals
- contact officer/case manager for large scale
- complex projects-facilitation of improvement in approvals reform with other government agencies.

The department is the designated lead agency for mining, petroleum, geothermal and carbon capture and storage proposals.

It provides three service levels. As a standard, online application and approvals tracking services are provided for all applications and proposals.

Higher levels of service are provided for project proposals that have more complex approval requirements. For example, uranium mining proposals are level three projects – the highest service level.

The designated lead agency for State significant projects, large infrastructure and/or complex projects is the Department of State Development (DSD) (http://www.dsd.wa.gov.au/). Where DSD is the lead agency for a resource project, it is supported by DMP contact officers. The department also liaises with other agencies to reform processes and facilitate approvals.

State Agreements

State Agreements are essentially contracts, between the Government of Western Australia and proponents of major resources projects, which are ratified by an Act of the State Parliament.

State Agreements have been regularly used by successive Western Australian Governments to foster resource development such as mineral, petroleum, or wood extraction, and related downstream processing projects, together with essential related infrastructure investments.

Such developments often require long-term certainty, extensive or complex land tenure, and are located in relatively remote areas of the State. Authorisation of the Agreement through an Act of Parliament, and the fact that State Agreement provisions can only subsequently be changed by mutual consent, provide greater certainty with regard to the project itself, security of tenure, and reduction of sovereign risk.

State Agreements specify the rights, obligations, terms and conditions for development of the project, and establish a framework for ongoing relations and cooperation between the State and the project proponent. More information on State Agreements is available at Department of State Development (http://www.dsd.wa.gov.au).

Access to geological data

The Geological Survey of Western Australia (GSWA) (/Geological-Survey/Geological-Survey-262.aspx) publishes reports, maps and state-of-the-art databases documenting the geology and mineral petroleum resources of Western Australia.

This information provides the building blocks for the design of resource exploration programs in Western Australia. It is also critical in government decision making, particularly on economic and land use issues.

GSWA's (/Geological-Survey/Geological-Survey-262.aspx)services promote investment in the resources sector by:

- improving the exploration industry's geological understanding of Western Australia
- providing geoscientific data to the exploration industry
- improving exploration efficiency
- helping reduce exploration risk.

Regulating mining and petroleum activities

Western Australia is supported by a regulatory system that is stable, predictable and based on the rule of law.

For proponents, this means having secure title to the resources they discover and develop, and being able to predict what conditions will need to be met to develop each stage of their project.

For government, it means ensuring that workers and the community are safe, and that the community gets value (through rent or royalties) from the extracted resources, as these belong to the State.

This regulatory system ensures that policy settings can promote economic activity while still protecting environmental, cultural and community values.

The major legislation administered by the department includes:

- *Mining Act 1978* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_604_homepage.html)
- *Offshore Minerals Act 2003* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_657_homepage.html)
- *Petroleum and Geothermal Energy Resources Act 1967* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_704_homepage.html)
- *Petroleum (Submerged Lands) Act 1982* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_711_homepage.html)
- *Petroleum Pipelines Act 1969* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_705_homepage.html)
- *Mines Safety and Inspection Act 1994* (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_599_homepage.html)
- *Dangerous Goods Safety Act 2004 (http://www.slp.wa.gov.au/legislation/statutes.nsf/main_mrtitle_242_homepage.html).*

Mineral Titles

Western Australia's minerals belong to the Crown. Any person or company wishing to conduct exploration or mining activities needs to obtain a mineral tenement from the department.

The *Mining Act 1978* establishes the framework within which mineral exploration and mining activities can occur. The Mining Regulations 1981 set out the administrative processes for authorising these activities through the grant of a tenement.

The system for administering tenements under the Mining Act is based on a first-in-time principle. This means the land will be allocated to the individual or company which applies for eligible land and fulfils all the conditions for grant before anyone else.

Turnover of tenement ground is an important principle of the Mining Act, as it ensures that areas are available to be adequately explored for potential resources.

The department is responsible for the administration of these mining titles and maintenance of title registry systems (by way of Mineral Titles Online (/Mineral-Titles-online-MTO-1464.aspx) and Tengraph® Online (/Tengraph_online.aspx)), which provide current information on land availability and details on mining tenements in Western Australia.

Products and services provided by the department include advice on land access matters, land availability, processing and determination of mining title applications, maintenance of the title registry system, and administration of statutory requirements of tenement holders.

Petroleum

The department is responsible for approving and regulating petroleum and geothermal activities in Western Australia including exploration, operations and production onshore and in State Waters.

Petroleum operations located further offshore are regulated by the Australian Government and are subject to similar requirements to those regulated under the State's jurisdiction.

A valid permit is necessary before any exploration activities can begin in Western Australia.

A permit may be obtained by bidding through the acreage release (/Petroleum/Prospectivity-and-Acreage-1571.aspx) process or by applying for a Special Prospecting Authority.

Acreage releases are generally made twice a year for the areas within Western Australia's jurisdiction. The releases are usually announced at significant industry events, such as the:

- Australian Petroleum Production and Exploration Association (APPEA) Conference (April–May)
- the department's Petroleum and Geothermal Open Day (September).

In addition to the Acreage Release process, an explorer may at any time apply for a Special Prospecting Authority with Acreage Option (SPA/AO).

The purpose of this title is to conduct a geophysical or geochemical survey (or other operational activity other than the making of a well) to identify areas which have the potential for further exploration.

Once a discovery of petroleum is made, the holder of the exploration title has the right to convert that discovery to a production licence.

Should the discovery be demonstrated as presently non-commercial, but likely to become so within 15 years, an interim title (a retention lease) may be granted.

Royalties

Another way Western Australia has supported the development of its diverse and competitive resources industry is through its royalty system.

Western Australia's tax and royalty regimes are ranked highly compared to other jurisdictions.

Royalties are payable on all minerals and petroleum produced in Western Australia. Royalty rates are generally applied to the value of the resources in the final product, with the rates reduced according to the level of processing that has occurred.

For example:

- bulk materials (such as iron ore, that are only subject to crushing and screening prior to sale) attract a royalty rate of 7.5% of the contained mineral
- mineral concentrates (such as copper concentrate, generally where processing of the ore beyond crushing and screening has occurred) attract a royalty rate of 5%
- minerals in metallic form (such as gold and silver) attract a royalty rate of 2.5%.

In the case of certain bulk materials such as coal produced for local power generation, a flat royalty rate per tonne is applied instead of the ad valorem rates described above. Further information can be found at Mineral royalties (/Minerals/Royalties-1544.aspx).

For petroleum operations in State areas, a well-head royalty (i.e. the value of the oil or gas at the well-head) of between 5 and 12.5% applies. Further information can be found at Petroleum royalties (/Petroleum/Royalties-1578.aspx).