

Canberra observed



David Denham AM
Associate Editor for Government
denham1@inet.net.au

The Resources 2030 Taskforce report

Summary

The Resources 2030 Taskforce has provided the government with 29 recommendations aimed at ensuring the Australian resources sector is strong, competitive and sustainable both now and in the future.

The Minister, Matt Canavan, and the Chair of the 2030 Taskforce, Andrew Cripps, should be pleased with the report. As the Minister stated, this is just the first step in developing a hopefully, by-partisan 'White Paper'. Like many important issues, the devil is going to be the detail. There may be tension between the States and the Federal Government. There will be issues with who is going to be responsible for implementation, how much will it cost and who is going to pay for it.

For example, there is a simple recommendation (R10) that 'the federal government should amend the Australian Bureau of Statistics' data collection categories to better capture and quantify greenfield exploration expenditure'.

That should be straightforward, but the ABS has been starved of funds from years of efficiency dividend cuts and without more resources it may not be able to comply with this request. Consequently, do the States provide the funding or can the federal government be persuaded to realise the value of good data? In any case, why didn't the Taskforce approach the ABS to discuss the issue?

The process

The Resources 2030 Taskforce was established by the Resources Minister Matt Canavan on 28 March 2018 and was tasked to advise the government on how to ensure that the resource sector's competitiveness and sustainability is maintained to 2030 and beyond.

Its report was delivered to the Minister in August, as requested, and the Minister made it public on 21 September – an impressive performance.

In the six-month period the Taskforce interacted with over 100 people in both the mineral and petroleum resource industries, received 32 submissions, and was supported by 14 officers from the Department of Industry, Innovation and Science. See: <https://www.industry.gov.au/strategies-for-the-future/resources-2030-taskforce> for a very comprehensive account of the process and the report to the Minister.

It is interesting reading the submissions. All the main lobby groups and professional associations such as AMEC, AusIMM, APPEA and the MCA contributed – and they mostly complained about red-tape, land access and the complexity of environmental compliance. Rio Tinto was the only company in the top 200 of the ASX that made a submission, and it pulled no punches: reduce corporate tax; change the GST framework, which penalises those who contribute the most; maintain the fuel tax credits; develop an energy policy that meets Australia's emissions target; build trust with China and ensure that anti-Chinese sentiment does not take hold; reduce red tape and develop a climate change policy. The Australian Nuclear Association made a case for nuclear energy and Geoscience Australia and CSIRO argued for more research and better access to data.

Surprisingly, the mineral resources industry is doing reasonably well at the moment. It's the petroleum sector's investment that has declined dramatically and is of concern, and yet it did not appear to receive any special attention.

The recommendations

The key recommendations within the six main themes are summarised below. You have to go to the report to see them all.

1. Positioning the sector for the future

2. A strategic ministerial advisory group should be established to drive reform and promote the long-term national interests of the resources sector. The group would work in collaboration with industry, states and territories, communities, research bodies and the federal government towards the 2030 ambition of being the most advanced and successful resources sector in the world.
3. Resources ministers on the Council of Australian Governments Energy Council should agree and lead a strategic national reform agenda for the resources sector that is informed by the strategic ministerial advisory group and the National Resources Statement.

Comment: The gists of these recommendations are commendable, but how will such a diverse group of people and agencies work together in practice? And how would success be measured?

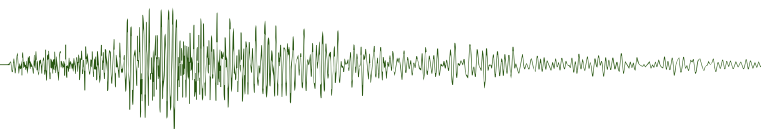
2. Attracting investment by promoting Australia's world-class strengths

7. Governments and industry should collaborate on a strategy to better promote Australia's world-class strengths as a destination for inbound investment in the resources sector,
8. Governments and industry should better promote Australia's resource export capabilities, with a focus on its strengths in environmental management and restoration economy, the resources equipment, technology and services sector and higher education.

Comment: It is not clear what could be done better than at present; how much more should be spent and how the effort would be managed?

3. Finding and developing new resources

9. Governments and industry should develop a Resources Data Strategy to advance collaboration on data collection and analysis. The strategy would cover ways to improve:
 - a. the scope and curation of geoscience, environmental and heritage data;
 - b. data access and discoverability.



11. Governments should support and develop a mechanism to attract and deploy co-funding for UNCOVER initiatives, to harness research and make a step change in exploration success rates in under-cover terrains and provide high-quality resources for future generations of Australians.
12. Governments and industry should determine which body will drive the implementation of UNCOVER initiatives.
13. The federal government should expand the Exploring for the Future program to make it a national initiative, both onshore and offshore.
15. Governments should develop strategies to facilitate value-adding for prospective battery and critical minerals domestically.

Comment: These recommendations are very relevant for the ASEG. All highly commendable, how they can be implemented in practice and how much will they cost are the key unknowns.

4. Building strong communities

16. Building on existing materials, governments, industry and communities should develop a comprehensive set of credible best-practice guidelines and standards for community engagement.

Comment: This is only part of R16. This recommendation, together with Rs 17–19, are very important. Too often the perception in local communities is that miners come to the local area, profit from the mineral extraction and then leave. This view must be changed for the resource industry to succeed in the future.

5. Improving environmental performance

20. Governments should develop an environmental management economy to further bolster Australia's competitive advantage in this area. This should include developing nationally consistent approaches and methodologies for continuous life-of-mine rehabilitation, offshore operations decommissioning, early closure planning and legacy site management.

Comment: R 20 and R21–24 are very important. As resource extraction is going to impact on more and more people it is essential that environmental performances are acceptable both in Australia and overseas.

6. Workforce and skills

R25 and R26. Governments and industry should map the skills needs of the resources sector for 2030 and beyond, and should better coordinate earth sciences and other resources-focused curricula at university and VET levels that target the longer-term needs of the sector, as informed by the skills map.

Comment: Recommendations 25–29 are also very important. Themes 4–6 should have been numbered 1–3 because without high quality staff and good people interaction on these issues, the future could be bleak. It is good to see a recommendation that more females be employed in the resource industries and that the local custodians of the land are increasingly engaged and employed.

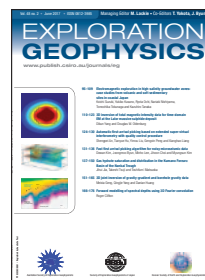
Let's just hope we get good outcomes after the good work done by the Taskforce.



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Global demand for oil will remain firm, according to the IEA and BP, and emissions will not decline

Oil Information 2018 (<https://www.iea.org/oil2018/>) is the latest edition of a publication that has been produced annually by the International Energy Agency since 1989. It was released to journalists in September and indicates, together with the *BP Energy Outlook 2018* (<https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html>), that the use of oil as an energy and chemical commodity will continue to remain firm until at least 2040. In 2016 demand for oil was estimated to be 4736 Mtoe and in 2017 the estimate increased slightly to 4746 Mtoe.

The United States was once again the world's top producer (620 Mtoe) followed by Saudi Arabia (560 Mtoe), the

Russian Federation (548 Mtoe), Canada (242 Mtoe), and Iran (229 Mtoe). The latter overtook Iraq as the world's fifth largest producer in 2017. However, Donald Trump will upset these numbers if the sanctions on Iranian oil restrict its production.

What happens to renewables?

The BP report makes some interesting forecasts on the future global energy mix (see Figure 1). There are three points to make about the forecast. The first is that global energy demand will continue to increase for the foreseeable future *en route* to an annual consumption of about 20 billion toe. The second is that by 2040 the sources of energy will be almost

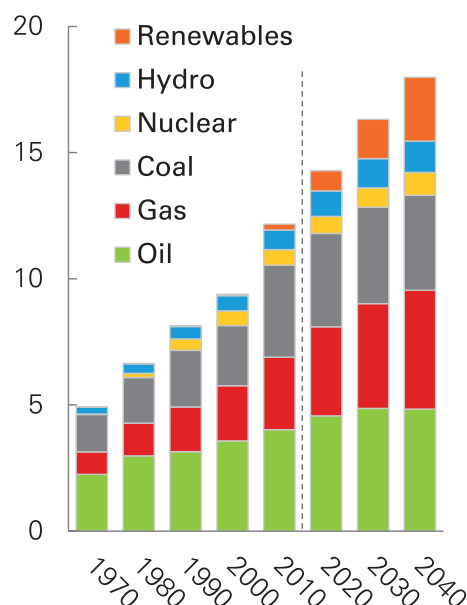
equally distributed between oil, gas, coal and non-fossil sources. Oil and coal will decline as a percentage, but actual production rates will remain relatively constant and non-fossil sources and gas will increase both as a percentage and in actual production.

The third point is that, if the BP transition scenario is anywhere near correct, then it is most unlikely that global warming will be limited to 2 degrees. That's because the fossil fuel burn in 2040 of 13 billion toe is about one third higher than the 2010 level of 10 billion toe. The CO₂ emission will continue to increase relentlessly. So, sell your sea-side mansion now – while you can still drive there at the weekends!

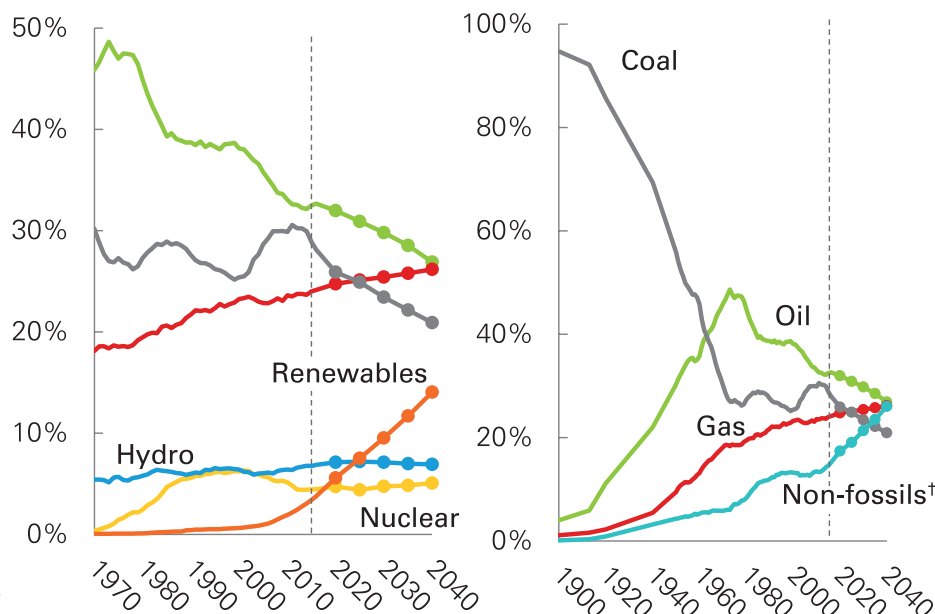


Primary energy consumption by fuel

Billion toe



Shares of primary energy

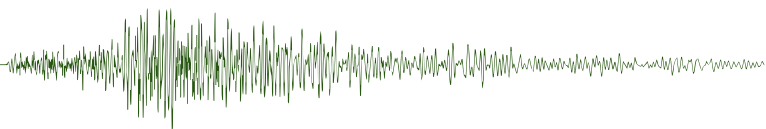


† Non-fossils includes renewables, nuclear and hydro

2018 BP Energy Outlook

© BP p.l.c. 2018

Figure 1. Future global energy mix as forecast by BP. Source: BP Energy Outlook 2018 (<https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html>).



Exploration investment increases for both minerals and petroleum

Investment in mineral exploration continues to increase, and for petroleum the worst may be over, according to the Mineral and Petroleum Exploration data for the June quarter of 2018, released on 3 September 2018 by the Australian Bureau of Statistics (<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8412.0Main+Features1Jun%202018?OpenDocument>).

Minerals

The trend estimate for total mineral exploration expenditure increased by 6.8% to \$547m in the June quarter 2018. The largest contribution to the increase was in Western Australia. Investment there increased by 7.0%, to \$341m, the highest it has been in that state since the September quarter 2013. The national trend has been increasing steadily over the past two years, as shown in Figure 1, where the seasonally adjusted and the trend estimates from 2010–2018 are plotted.

In original terms, mineral exploration expenditure rose 28.4% to \$563.4m. Exploration on areas of new deposits rose 37.1% (\$54.0m) and expenditure on areas of existing deposits rose 24.1% (\$70.7m).

In terms of commodities, gold continues to dwarf all others and the estimated \$223m invested to hunt for gold in the June 2018 quarter amounted to approximately 40% of the total amount devoted to minerals exploration (see Figure 2).

At first glance it might appear strange that the investment in gold exploration has increased, when the price of gold this

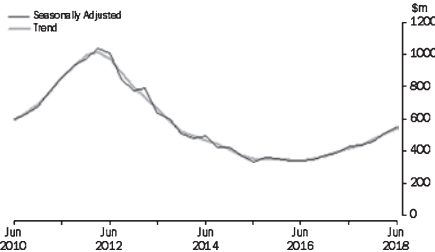


Figure 1. Seasonally adjusted and trend estimates for Australian mineral exploration investment June 2010–June 2018 – courtesy Australian Bureau of Statistics. The numbers have not been corrected for inflation.

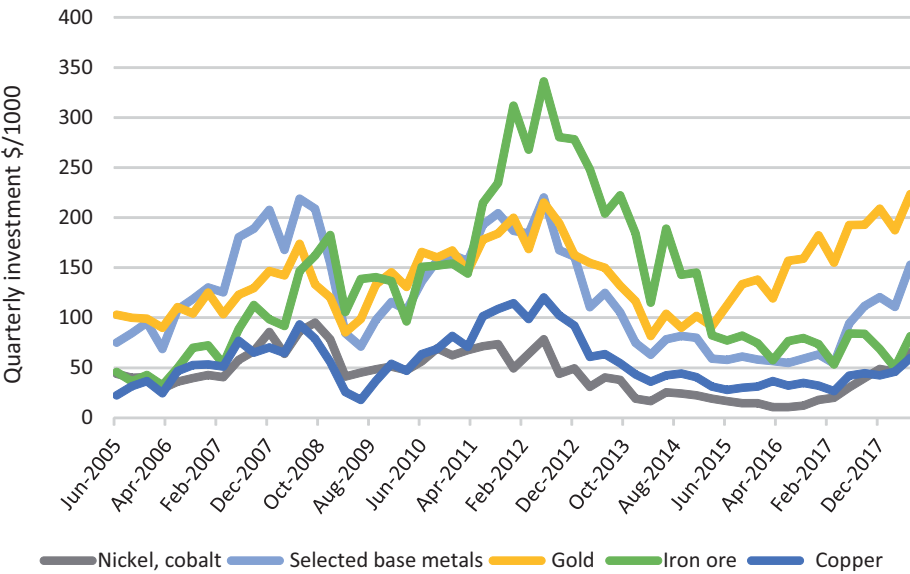


Figure 2. Quarterly investment in selected commodities, CPI adjusted to 2018 dollars, for the period 2005–2018. The total investment for the June 2018 quarter was estimated as \$563m.

year has dropped from US\$1350/oz at the start of 2018 to \$1200/oz in September 2018, a fall of 11%. However, while the price of gold was falling, the value of the A\$ against the US\$ was keeping pace. It declined in value by about 12% from US\$0.80 to US\$0.70 over the same period. Furthermore, the tariff trade war initiated by President Trump contributed to the uncertainty in the global economy, and gold seems to benefit from uncertainty.

Notice that the investment in the hunt for iron ore has dropped to approximately a quarter of what it was in 2012; probably because of the slowdown in China’s growth rate.

Petroleum

Although the trend estimate for total petroleum exploration expenditure rose 10.6% to \$262.9m in the June quarter 2018, the total level of investment is very disappointing (see Figure 3). The total actual investment of \$327m is still well below the peak of over \$1.5 billion in the 2014 June quarter.

Exploration expenditure on production leases rose 0.6% and exploration expenditure on all other areas rose 13.0% (\$24.4m). The seasonally adjusted estimate for total petroleum exploration

expenditure rose 84.8% to \$326.6m in the June quarter 2018. Exploration expenditure on production leases fell 4.2% and exploration expenditure on all other areas rose 122.2% to \$152.2m.

The largest contributor to the increase in the trend estimate was Western Australia (up 19.8%, to a seasonally adjusted estimate of \$214m, approximately 65 percent of the national total of \$327m.

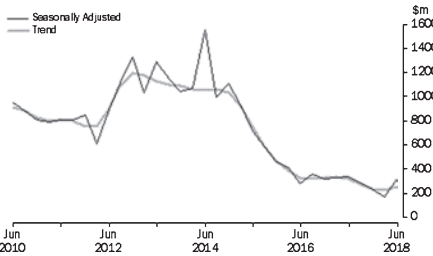


Figure 3. Quarterly petroleum exploration investment (onshore + offshore), seasonally adjusted and trend 2010–2018, courtesy Australian Bureau of Statistics. The numbers have not been corrected for inflation.

It’s not obvious what the government can do to improve the levels of investment. The political situation in the Middle East is clearly a major factor, and with the US sanctions on Iranian oil starting to take effect, and the price of crude oil gradually increasing, there may be opportunities to attract more explorers. Only time will tell.

The 2018 Offshore Petroleum Exploration Acreage release*

The Australian Government's annual Offshore Petroleum Exploration Acreage release is a key part of its strategy to promote petroleum exploration in Australia's offshore waters.

The media release states:

'All release areas have been nominated by industry, assessed and considered by government, publicly consulted, and selected to offer the petroleum exploration industry a variety of investment opportunities. The acreage release provides the petroleum industry with access to comprehensive pre-

competitive geological and geophysical datasets and ensures the provision of quality information on third party issues that may impact on successful applicants when conducting exploration work programs.

The 2018 acreage release, which was publicised on 6 July 2018, comprises 21 areas located across six sedimentary basins in Commonwealth waters offshore of Western Australia, South Australia, Victoria and the Ashmore and Cartier Islands. 16 areas are available for work program bidding and five areas for cash bidding. The areas are located in water

depths of 15 to 4534 metres, vary in size from 80 km² to 12 128 km², and vary in level of existing geological knowledge. All areas are supported by pre-competitive geological and geophysical data and analysis undertaken by Geoscience Australia.'

Figure 1 shows the locations of the 26 areas available in this round of releases and Table 1 lists each of the areas.

For further information on any of the areas and their respective closing dates, please visit the 2018 acreage release website at www.petroleum-acreage.gov.au.

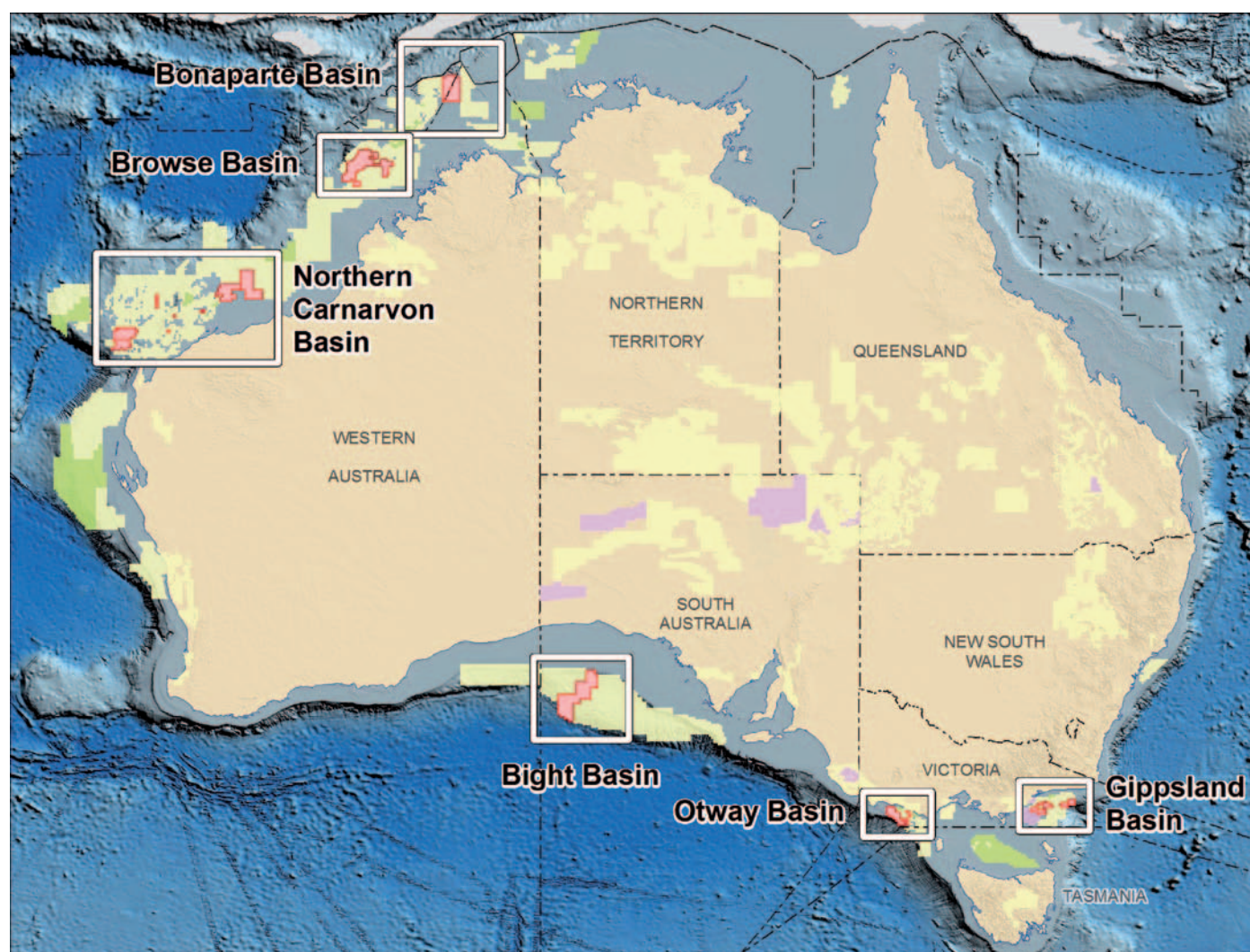


Figure 1. Location of areas listed in the 2018 Offshore Petroleum Exploration Acreage release.

Table 1. List of areas in the 2018 Offshore Petroleum Exploration Acreage release showing the closing date for bids

Round	Release areas	Closing date for bids
Round One – work program	AC18-1, W18-1, W18-9, W18-11, W18-12, V18-1, V18-2, V18-4, V18-5	18 Oct 2018
Cash bid prequalification	W18-6, W18-7, W18-8, W18-10, V18-3	4 Oct 2018
Cash bid auction	W18-6, W18-7, W18-8, W18-10, V18-3	7 Feb 2019
Round Two – work program	W18-2, W18-3, W18-4, W18-5, S18-1, V18-6, V18-7	21 Mar 2019

* This piece was heldover from the August issue of *Preview*.