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3 FEBRUARY 2023

# ACF Submission

## ACF Submission regarding the Critical Minerals Strategy Discussion Paper

The Australian Conservation Foundation (ACF) welcomes the opportunity to provide a submission on the Critical Minerals Strategy 2023: discussion paper.

### Introduction

ACF is Australia's national environment organisation. We are over half a million people who speak out for the air we breathe, the water we drink, and the places and wildlife we love. We are proudly independent, non-partisan and funded by donations from our community.

ACF believes that Australia and the world face an unprecedented climate and mass extinction crisis caused first and foremost by digging up and burning fossil fuels like coal, oil, and gas. However, Australia is also home to some of the world's best renewable resources and endowments of critical minerals, and with coordinated policy action, we believe Australia can position itself as a global leader in the growing net-zero world market while delivering positive outcomes for nature and communities, particularly First Nations communities.

Together with the Business Council of Australia, the Australian Council of Trade Unions and WWF-Australia, in 2021 ACF commissioned leading analysts at Accenture to develop and publish "*Sunshot: Australia's Opportunity to Create 395,000 Clean Export Jobs*" ('The Sunshot Report'). This report outlined the impacts of the global energy transition on Australia's exports, Australia's natural advantage and potential economic opportunities associated with clean energy exports and policy recommendations. The report analysed six renewable-export opportunities including Critical Minerals Mining & Refining, Green metals and Australian-made batteries.

ACF expects developers of energy, transmission, mining and related projects to set the highest social and environmental standards for project development, including:

- Not harming Australia's species, high-value ecosystems and habitats.
- All projects should, from inception, first seek to avoid harmful impacts to nature, and where impacts are unavoidable, deliver sustainable and durable gains for nature.
- Show leadership by delivering climate, clean energy and environmental outcomes, as well as social and economic benefits to affected and local communities and First Nations Peoples.
- Seeking Free, Prior and Informed consent from Traditional Custodians.

### Recommendations:



**Recommendation 1: The Net-Zero Economy Taskforce develops a Renewable Exports Strategy with clear targets, to be legislated by the Federal Government.** A Renewable Exports Strategy is a comprehensive strategy to develop a wide range of renewable export industries and establish international markets for renewable energy products and services. It would build upon a Critical Mineral Strategy to encompass multiple renewable export opportunities and ensure coordination across government departments and industries to maximise the benefits. The Net-Zero Economy Taskforce must work with state governments, industry, unions, First Nations people, R&D and the education sector to develop this cooperative, unifying national approach. The Net-Zero Economy Taskforce is only slated to operate until mid 2023 and needs to have its tenure extended to fulfill this role.

**Recommendation 2: Incentivising new mines to develop domestic refineries:** The Federal Government should incentivise the development of refineries alongside new mines given the nascent scale of the refinery industry in Australia. Barriers to developing new industries such as high capital expenditure costs and low existing industry experience can be overcome by providing incentives to companies that wish to develop new mines. For example, an incentive could take the form of a royalty discount to promote refining, similar to processing discounts implemented by Western Australia and Queensland.

**Recommendation 3: Developing a targeted workplace and skills strategy,** including policies to ensure there is a sufficient pipeline of workers and students trained in the critical minerals sector will ensure there is the workforce in place to meet the increased demand. This demand could be met through retraining of coal miners given their existing relevant skills. Enrolment and completion of resources related training and education have significantly decreased and policy is required to ensure there is an adequately trained workforce.



**Recommendation 4: Incentivising R&D in renewable-powered minerals refining.** Policies that encourage the research and development of new methods of extracting and refining minerals using renewables will improve Australia's competitiveness and energy efficiency in the extraction and refining process. Australian specific R&D could develop processes for Australian-specific minerals that differ in composition to other countries. This expertise would enhance Australia's local extraction industry.

**Recommendation 5: Implement Climate-Focused Foreign Policy.** To ensure Australia remains a competitive and attractive trading partner, Australia should leverage existing Free Trade Agreements, bilateral arrangements and establish climate and renewable energy dialogues with key regional partners to advance emissions reduction and the transition to renewable energy and exports. High level Ministerial visits to include business delegations to secure tangible outcomes to unlock Australia's critical mineral potential.

**Recommendation 6: Adopt the First Nations Clean Energy Network's Best Practice Principles** in defining the obligations of proponents when engaging First Nations peoples and communities to ensure the engagement is meaningfully, genuine and delivers social and economic benefits.

**Recommendation 7:** The Critical Minerals Strategy should develop best practice guidance on nature protection for mining and mine infrastructure, and mine rehabilitation. Initiation of development proposals should be informed by early identification and assessment of environmental values. Mines should not proceed in the following high-value ecosystems:

- habitat critical to the survival of a listed threatened species or ecological community
- habitat important for listed migratory species
- habitat that provides climate refugia and wildlife corridors
- declared World Heritage and National Heritage sites, national parks, marine parks, nationally and internationally important wetlands
- sites with existing conservation and offset agreements or that has been subject to previous ecological restoration by government programs
- high-conservation value forests, including primary, remnant and old-growth forests and bush
- high-conservation value marine and coastal habitats, riparian corridors and waterbodies that provide services such as water and erosion regulation.

Projects should meet or exceed standards for environmental protection required for other development. Environmental impacts include habitat destruction and biodiversity loss, land use change, water depletion and pollution, waste related contamination, and air pollution. Failure to manage environmental and social impacts from minerals development will slow clean energy transitions through losing social license.

Australia has significant reserves of minerals critical for the energy transition that companies and countries working towards net-zero emissions will increasingly rely on. The Federal Government should prioritise developing Australia's capacity in refining the raw materials, manufacturing and exporting green or net-zero products and services to increase the value from our critical minerals to Australia's economy. However, this must be done in a way that prioritises strong social, climate and environmental outcomes rather than the expansion coming at the cost of Australia's nature or communities, particularly First Nations Peoples. All projects should, from inception, first seek to avoid harmful impacts including cumulative impacts to nature, and where impacts are unavoidable, deliver sustainable and durable gains for nature. Areas that should be protected and areas that may be suitable for development should be identified through regional planning or strategic assessment approaches, rather than leaving impacts to be managed on a project-by-project basis. Likewise, all projects must



have Free, Prior and Informed Consent from Traditional Owners from inception and throughout the lifetime of the proposal.

**What actions can Australia take to ensure it leverages related investment by other countries, for example the US Inflation Reduction Act.**

The Business Council of Australia, the Australian Council of Trade Unions, the Australian Conservation Foundation and World Wildlife Fund for Nature Australia are all calling for the establishment of a Renewable Exports Strategy with clear targets backed by credible policies. A Renewable Export Strategy would build upon and complement a critical mineral strategy, existing emission reduction and renewable energy targets.

A Renewable Exports Strategy builds on domestic renewable energy and decarbonisation strategies but goes much further to unlock Australia's massive potential to thrive in a decarbonising world. It is a comprehensive strategy to develop a wide range of renewable-powered export industries and establish international markets for renewable energy products and services (including critical mineral mining and refining). The Net-Zero Economy Taskforce must work with state governments, industry, unions, First Nations people, R&D and the education sector to develop this cooperative, unifying national approach. Like the Inflation Reduction Act, a Renewable Export Strategy must include clear growth targets and be backed up by credible policies including co-investment and financial incentives to unlock the scale of the opportunity.

ACF recommends that the Net-Zero Taskforce develops a Renewable Exports Strategy, given the range of Ministry portfolios affected.

A national strategy would:

- Accelerate Australia's decarbonisation whilst creating hundreds of thousands of jobs, with many in the regions,
- Complement and build on the Critical Minerals Strategy and other relevant Government strategies, including the National Reconstruction Fund, Powering Australia, The Australian Made Battery Plan, A Future Made in Australia and the National Electric Vehicle Strategy, to build a comprehensive national approach to developing Australia's renewable export industries, products and services,
- Ensure the energy transition is coordinated across all relevant areas of government, industries and affected communities,
- Support workers and communities affected by the energy transition establishing an energy transition authority,
- Prepare the workforce by developing the long-term skills required,
- Create certainty and incentives for businesses and investors catalysing investment in renewable energy and the full range of export opportunities,
- Minimises the environmental impact of the energy transition,
- Put in place the necessary infrastructure,
- Support research and development,
- Help other countries decarbonise faster by utilising and selling our renewable resources, products, skills and expertise,
- Signal to Australia's diplomatic and trading partners that we are serious about climate action.



Without a Renewable Export Strategy, Australia will experience a less coordinated energy transition and fail to grasp the full range of opportunities across a range of renewable export sectors, such as: green hydrogen and ammonia, critical minerals mining and refining, green metals, Australian-made batteries, education and training services in the clean energy economy and clean energy technical, engineering and ICT services.

**What are the specific opportunities Australia should seek to realise while developing downstream processing and manufacturing capabilities?**

Improving Australia's market share over low-emissions technology and energy supply chain holds benefits for the security of Australian businesses, industry and jobs, as well as having flow-on benefits to our trading and diplomatic partners.

Given Australia's mining expertise, extensive infrastructure and ports, political stability and ability to scale up quickly to demand – Australia is a desirable supplier and home for investment.

As Australia's like-minded trading partners seek to diversify from China's majority global share over critical mineral processing, Australia has an opportunity to improve its vertical integration: continuing to be the home to critical minerals mining, and value-adding through greater refining capacity, and higher levels of local manufacturing and assembling up the supply chain. This would develop the economic benefits to Australia – such as a greater number of jobs in regional Australia, greater supply chain security and higher diversity within our exports, but would also carry benefits to mining companies in Australia. Mining companies that expand down the value chain into refining have competitive advantages from secure supply of raw materials, reduced input costs for the raw material over companies that are not integrated, and lower logistics costs from on-site refining, and of course strengthening domestic supply chains without the need for increasing competitive inputs. Furthermore, transportation of raw materials is often highly inefficient, since often the ore contains a very small.<sup>10</sup> In addition, such policies will reduce domestic manufacturing costs such as for the proposed Townsville 18GWh lithium-ion battery manufacturing factory and the Battery Manufacturing Precinct in Queensland.

Australia also has several key advantages to producing green steel domestically: we are the largest producer of iron ore in the world and have renewable energy potential in wind and solar to be used for direct reduction and electric arc furnaces. World steel demand is expected to reach a market value of \$1.2 trillion in 2040 from the growth in construction, transport, industrial and clean energy sectors.<sup>11</sup> Illawarra, currently home to a steel-producing hub, could benefit enormously from a well-funded and coordinated transition to green steel – which could revive and grow an existing industry. Likewise, with the abundance of renewable resources as well as proximity to iron ores – the Pilbara region could benefit enormously from growing global demand for green steel.

Vertical integration and an emphasis on value-adding to Australia's critical minerals and metals would deliver the benefits of significantly more jobs – particularly in regional areas, and Australia's industries being more secure and resilient to global supply chain shocks. Likewise, given the potential human rights violations that currently exist in critical mineral mining<sup>12</sup>, Australia can be a quality supplier that can help influence global standards in the market – which adds to our investment attraction to like-minded trading partners.



In order to deliver on this opportunity, the Australian Government must develop a targeted workplace and skills strategy to ensure there is a sufficient pipeline of workers and students trained in the critical minerals sector to meet the increasing demand. This demand could be met through retraining of coal miners given their existing relevant skills. Enrolment and completion of resources related training and education have significantly decreased and policy is required to ensure there is an adequately trained workforce.

It is also essential that Australia meets its 82% renewable energy target by 2030 and continues to grow its renewable energy capacity to support the additional energy needs of renewable exports – such as renewable-powered mineral processing. Therefore, support and funding for bodies such as the Future Fund, the Australian Renewable Energy Agency, and the Clean Energy Finance Corporation, as well as support for enabling infrastructure, must be prioritised.

### **How can the Australian Government support the sector's integration with key clean energy supply chains, both domestic and international?**

Harvard University's *Atlas of Economic Complexity* ranks Australia 86<sup>th</sup> in the world for economy complexity. This reflects the minimal diversity – how many products exported – and higher ubiquity – how many other countries export the same product – of our exports. Australia's complexity ranking reflects Australia's exports being more concentrated in a small number of sectors compared to other countries, with a more diverse and therefore more resilient economy. While fossil fuel and emissions-intensive exports have been in high-demand, Australia has reaped the economic benefits, but as demand shifts – Australia risks being stranded in a low-emissions market.<sup>1</sup> Value-adding to critical minerals will be essential to avoiding the continuation of this issue into the future.

Building reliable, competitive and diverse supply chains and strategic partnerships to attract investment cannot be viewed in isolation from our climate commitments, the global net zero transition and the role Australia can play in helping international partners achieve their emissions reduction target. Failure to take responsible action on climate change is already affecting our economy, national security, access to international finance, credibility, and global influence. It undermines our ability to achieve our international objectives as allies and partners penalise Australia for refusing to do our fair share to keep global warming as close to 1.5 degrees as possible. Without stronger climate action Australia will find it increasingly difficult to attract foreign investment and may face trade penalties such as carbon border adjustment taxes and other potential sanctions.

Acknowledging some of the progress already achieved by the current Australian government, we encourage the Australian Government to implement a 'Climate-Focused Foreign and Trade Policy'<sup>22</sup> including to:

- establish bilateral and regional ministerial climate dialogues and leverage existing bilateral arrangements with key regional partners; and support one and two-track dialogues to discuss climate policy, best practice in emissions reduction, transitioning to a green economy, and building climate-change resilient communities.
- Prime Ministerial and Foreign/Trade Ministerial dialogues to continue to be accompanied by other government ministers and a high-level business delegations from relevant sectors that can secure tangible outcomes to unlock Australia's critical mineral potential.



- promote the rapid adoption of renewable energy in the region through bilateral business dialogues on renewables and the green economy, funding support for Australian renewable energy exporters, supporting joint renewable energy R&D projects.
- Leverage Free Trade Agreements to promote clean energy supply chains, boost renewable exports and foreign investment in Australia’s renewable energy industries

Australia already has memorandums of understanding (MOU) in place with countries including the Republic of Korea,<sup>23</sup> and Japan.<sup>24</sup> These MOUs have objectives such as building on investment in Australian critical minerals projects, boosting our exports and securing supply for the partner country. DFAT and Austrade should continue working with key trading partners to develop government-to-government and commercial arrangements that support both countries’ critical minerals priorities, including supporting critical minerals investment and reliable supply.

### **How can Government and industry create meaningful engagement with First Nations Peoples and ensure critical minerals projects benefit their communities?**

ACF supports the Best Practice Principles developed by the First Nations Clean Energy Network when engaging with First Nations Peoples to determine if and how projects should occur on their land. These principles were developed for companies and governments regarding the development of clean energy projects, and we believe are relevant to this critical minerals strategy and the obligations of proponents.

#### *1. Engage Respectfully*

Engage respectfully Respectful engagement with First Nations communities must occur from the initial planning stage of any clean energy development and throughout the project’s life-cycle. The standard of “free, prior and informed consent” (FPIC) must apply when engaging with First Nations communities (where consent means the opportunity to approve or reject projects before commencement or withdraw or reconsider consent if the proposed activities change). Putting in place mechanisms that will build respectful relationships must be prioritised from the very start of scoping a project and patiently developed as projects progress.

#### *2. Prioritise clear, accessible and accurate information*

Communities must be given clear, timely, accurate and detailed information about the nature, design, construction, impact and ongoing life of projects on or near their land. This information must be provided in an appropriate and accessible format, recognising that language barriers may exist. The ongoing operations of the development must include transparent processes for community feedback and concerns to be received and acted on, in a timely fashion.

#### *3. Ensure cultural heritage is preserved and protected*

A high level of commitment to cultural heritage preservation and protection must be built into the way projects are planned, constructed, and operated. Companies should fund First Nations people to do cultural heritage protection work and First Nations people should be able to choose who works on cultural heritage matters.

#### *4. Protect country and environment*



Every project should have a land and environmental protection plan, developed collaboratively with First Nations communities. This plan should be designed to identify and protect sensitive environments. The ongoing management, implementation and enforcement of the plan must be adequately resourced. First Nations communities must have representatives with decision-making authority on any environmental protection committee or body that is established to have oversight of environmental protection matters.

*5. Be a good neighbour*

Communities must be consulted about a project's potential visual, noise, traffic and other impacts, such as use of shared water resources, and disposal of waste. Communities should also be involved in identifying ways to manage and mitigate these impacts. For example, during the construction phases of a project, if construction workers have to be brought in, the community should be consulted about how those workers are housed, and any other requirements the community might have, including restrictions on alcohol use.

*6. Ensure economic benefits are shared*

Any development on or near First Nations communities should provide benefits to that community. These benefits will differ widely, depending on what outcomes communities want to achieve. Using local First Nations goods and services must be prioritised over bringing in outside resources. Companies should (where possible and desired by First Nations) employ First Nations people, particularly from the local community. To develop a skilled First Nations workforce, the community could be surveyed for skills, and pre-employment training possibilities identified well in advance of commencement. Skilling up the local community should be prioritised and concrete employment targets set for local First Nations people (with results transparently reported), including ensuring that workers are not limited to entry-level work but provided with career pathways through ongoing mentoring and training.

*7. Provide social benefits for community*

Projects should also provide social benefits for the local community. The manner and form of community benefit should be discussed at an early stage, and its delivery built into the project's accountability and governance structures.

*8. Embed land stewardship*

Clean Energy projects can demonstrate a better model of land use and development than past extractive projects. For example, a project should not only seek to do no harm, it should also aspire to enhance the ecological, cultural and agricultural value of the land. Examples of ways to do this could include funding ranger programs to deal with feral species and invasive weeds or restore local wildlife habitats of significance.

*9. Ensure cultural competency*

Any company developing a project must develop and embed ways that personnel, at all levels, and particularly senior levels, learn about local culture and heritage. Companies should have regular cultural competency training built into their accountability and governance structures, with a goal to constantly improve cultural competency across all levels. The local community should provide the cultural competency training.

*10. Implement, monitor and report back*

All company commitments to the local First Nations community must be part of the structure of the project's development lifecycle, including ensuring future project owners and operators are also bound by them. Company



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commitments to First Nations communities should be tied to the performance of its executives. Any commitments made with local communities must also be adequately resourced. To see that such promises are upheld, a responsibility manager should be appointed to oversee the proper implementation of commitments. The community should be regularly provided with detailed reports about the implementation of all commitments, with progress reviewed and feedback provided from the community to companies as part of a process of continuous improvement. Additionally, after progress is reviewed and agreed with the community, commitments and progress against those commitments should be included in a company's public reports and announcements.

