

## Integrating stakeholders into resources investment projects

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10 April 2014

Australia has developed a world leading minerals and energy sector across many mineral and energy commodities.

It has also developed a world class mining equipment, technology and services (METS) sector.

Australian mining industry now far bigger than mining in just Australia – it's gone global (94 companies in LATAM; largest listed investor in Africa exploration and mining)

The Australian mining industry now more than mining and processing – the METS sector is large and diverse and generates around a third of its revenue from exports (eg, there are 120 Australian-linked METS companies in Chile).

As Director of the International Mining for Development Centre (IM4DC), I am struck by the reputation that Australia enjoys globally.

The countries in which we work tell us that they value our technical mining knowledge, our management skills, our technologies and services.

They also value the way in which we do business, relate to suppliers, communities and governments, relate to other people.

Australians seem to do well in frontier environments and in diverse cultures.

I am proud that IM4DC is working to add minerals and energy governance to the list of skills that Australia is recognised for around the world.

I'll come back to governance a bit later.

Currently, IM4DC is funded principally by the Australian Government and brings the expertise of Australian universities in minerals and energy governance and sustainability to resource-rich developing countries.

In LATAM, we have hosted participants in courses and fellowships from Peru, Colombia, Ecuador, Bolivia and Uruguay and have several collaborations with universities and NGOs on courses and research.

Chile a partner country that has best capability in LATAM and we look forward to working more closely in the future.

Before I go on, I need to say that in governing mining and energy production in Australia, we have had a mix of successes, shortcomings and even failures.

But we have learned from the things we have done less well.

We are also learning from Australia's growing interactions with our investment and trade partners in mining and mining services.

In listening to presentations and talking with Chilean stakeholders in the past few days, I have been stuck by the similarities between Chile and Australia of the opportunities and challenges we face in relation to mining.

I have noted exploration policy, through to markets and the cost drivers identified by the CEO of Codelco Thomas Keller on Monday: energy, water, taxes, regulations and labour -- plus of course, community relationships.

These are also the key issues faced by mining in Australia. The principal difference is that Chile and Australia are on different stages of the journeys in addressing these challenges and opportunities.

We therefore have much we can share with each other to our mutual benefit.

We are both dependent on the same market forces, dominated by China demand but also driven by the fast growing economies of the rapidly emerging economies in Asia and elsewhere.

In mineral exploration, we both have the opportunity to invigorate investment by both the majors and also by the nimble juniors and mid-tier companies that are leading discovery. That needs new approaches to providing pre-competitive geodata and new approaches to exploration permitting to encourage vigorous exploration activity.

In overall costs: Chile and Australia both face fast rising costs for construction and we both need to get them under control and reduce them in real terms. That's going to take innovation.

How can we share knowledge and experience in reducing unit costs and improving efficiencies?

In energy, Chile and Australia share the unenviable position of the fastest rising costs in the major mining world, but in very different contexts: Chile short of energy in absolute terms: Australia short of domestic gas at the same time as we are on track to become the world's largest LNG exporter. The reasons are very complex.

As we resolve our energy issues, we should share what is working for each other.

On mining-related taxes, we can share some recent experience of what not to do in introducing minerals resource rent taxes! What does work well are our royalty regimes and corporate taxation. I'm pleased to note that Chile and Australia now have a double taxation agreement in place.

Now to the main topic: integrating stakeholders into resources investment projects.

I've mentioned the term minerals and energy governance a few times already. What is it?

**Resources governance** is the necessary blend of (1) law, regulation; (2) government administration, monitoring and enforcement; (3) community engagement; and (3) voluntary private sector practices which enable:

- Government to host responsible private sector investment in resources exploration and development
- Resources extraction to be conducted sustainably
- Benefits to be delivered to nations and regions, their economies and their communities.

Resources governance encompasses interactions of stakeholders throughout the exploration and development lifecycle – from investment policy, and precompetitive exploration data collection and tenement administration; to mining approvals and regulation, revenues, monitoring and external impacts; to mines closure, post mining land use and post mining economic activity.

Stakeholders include national and regional government, domestic and foreign owned miners, communities, indigenous groups, civil society organisations, industry associations and education and research institutions.

I note from a presentation on 9 April by Prof Gustavo Lagos of Pontificia Universidad Católica de Chile reporting on a survey of public opinion that the Chile community:

- Has low knowledge of mining, costs, but do know about prices
- Is happy with mining – 50% satisfied with contribution of mining to Chile,
- Ranks mining highest of all industries in all categories
- Says jobs the most important benefit.

In Australia, building and maintaining community support for mining remains a key goal for both the industry and governments. The mining industry started community education through television and print advertising back in the early 1990s.

There is generally strong community recognition of the role of mining in the economy and in underpinning business activity. Understanding varies between locations though – in major cities remote from mining, understanding is less; while in regions close to mining, understanding of linkages is better, and support for mining is stronger, as we would expect.

But the community also has concerns about environmental effects and social impacts of mining such as the impact on water and the effect of large numbers of “fly-in fly-out” and “drive-in drive-out” workers who live in far away cities.

Many in regions also believe that they do not receive sufficient benefits from mining, with most of the revenue and business opportunities flowing to cities. In response, governments have pledged to spending more money in the mining regions to provide better community facilities and services.

Environmental impact assessment processes are rigorous, transparent (everything is on the web) and are scaled according to the size of a project and its likely impacts. Companies typically report in detail on occupational health and safety performance, emissions to the environment, and community interactions, including business engagement.

This has helped to build community trust, which is vital to achieving a welcoming investment environment.

Most mining companies now operate comprehensive community engagement programs to ensure that people are well-informed about their operations and to be able to receive and respond to community concerns.

In some cases, projects are modified before they are constructed to ameliorate factors about which the community has expressed concern.

In some regions, approval of Indigenous traditional land owners is necessary for project approvals and 'social licences' to operate.

Engagement of Indigenous communities and traditional land owners and delivery of sustainable benefits has been particularly challenging for mining companies.

But in recent years, there has been hard-won success in gaining the support of Indigenous people near mining operations, underpinned by comprehensive land use agreements focussing on elopement and long term economic empowerment through enterprises, jobs, education and training.

Until recently, most of the infrastructure focus has been on providing 'hard' facilities like railways, ports, and roads – plus energy and water – to support mining activity.

Governments and industry have recognised, however, that human resources and communities are just as important, and much more effort is now being applied to development of regional communities and the soft infrastructure and services to support them.

Provision of quality education and training facilities and teachers has a high priority.

The mining industry, in conjunction with universities and research institutes conducts much research into managing the impacts of mining. For example, a new Centre for Coal Seam Gas has been established at the University of Queensland to conduct research and education about this rapidly growing and sometime controversial sector.

And the International Water Centre at UWA and other universities conducts research and provides policy and technical advice on integrated water management, including water used by mining.

The community wants to be reassured and universities and Australia's CSIRO are generally trusted to deliver quality science and evidence-based advice.

Australia enjoys high rates of employment. Many skills are in short supply. In some regions, however, Indigenous people have high rates of unemployment. To deal with both issues, Australian governments are boosting education and training both to provide the skilled

people needed for industry and to improve participation rates of Indigenous people in employment.

Australia has learned a lot about developing mining projects and maximising net benefits. But there is still much to learn.

The International Mining for Development Centre has been established to help transfer Australian knowledge about mining for development to nations that wish to grow their mining sectors to support economic growth and deliver community benefits.

We look forward to working with business, universities and research and policy organisations in both Chile and Australia to help achieve high value outcomes for all.