

Division 16: Mines, Industry Regulation and Safety — Services 1 to 4, Mines and Petroleum; Energy, \$397 155 000 —

Mr D.A.E. Scaife, Chair.

Mr W.J. Johnston, Minister for Mines and Petroleum; Energy.

Mr R. Sellers, Director General.

Mr J. Kwong, Chief Financial Officer.

Mr J. Thomas, Deputy Director General; Coordinator of Energy.

Mr A. Chaplyn, Deputy Director General, Resource and Environmental Regulation.

Mr R. Sao, Chief of Staff, Minister for Energy.

Ms A. Keogh, Principal Policy Adviser.

Mr M. Andrews, Senior Policy Adviser.

Mr J. Stephens, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: The estimates committees will be reported by Hansard and the daily proof will be available online as soon as possible within two business days. The chair will allow as many questions as possible. Questions and answers should be short and to the point. Consideration is restricted to items for which a vote of money is proposed in the consolidated account. Questions must relate to a page number, item or amount related to the current division, and members should preface their questions with those details. Some divisions are the responsibility of more than one minister. Ministers shall be examined only in relation to their portfolio responsibilities.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

Are there any questions? The member for Central Wheatbelt.

Ms M.J. DAVIES: I refer to page 233 of budget paper No 2, volume 1. Under “Build a Sustainable and Responsible Resources Industry”, paragraph 16 refers to the all-time high levels of mineral exploration expenditure and stronger levels of mining investment. Can the minister advise the impact of the Warden’s Court decision regarding Pantoro South Pty Ltd’s objection to an exploration licence application by True Fella last year? I note that the minister made a media statement about it in when it was announced in August, I think. Can the minister advise what, if any, action has been taken further to his media statement?

Mr W.J. JOHNSTON: A number of Warden’s Court decisions have changed our understanding of the law; therefore, the department has been working through those challenges. It is unclear whether any of them will require legislative change or whether the decision just needs to be taken into account. I invite the director general to make some comments. He might ask Andrew Chaplyn as well.

Mr R. Sellers: The question was around the context of a very large increase in exploration activity. The Association of Mining and Exploration Companies and other lobby groups have been working with governments for a long time to get more resources into the Warden’s Court. Certainly, through the McGowan government, we were able to put some more resources into the court. It has been a longstanding opportunity for people who work in this industry to use the Warden’s Court to settle a range of issues. Sometimes those issues can in fact create flow-on effects and even with the extra resources in the court, the outcome is that a lot more people perhaps use the Warden’s Court to test ideas. We have discussed the issue of section 58 with industry and the Warden’s Court and some policies and processes are being looked at. I will pass to the deputy director general, Andrew Chaplyn, to update us on those.

Mr A. Chaplyn: In regard to when someone applies, they are required to have a five-year plan. Some of the industry norm has been more like the first two years, so the reason those ones were challenged was around the validity of the five-year plan. Since that decision, industry has improved its submissions and some of the backlog in the court is due to a lot of applications being put over existing applications. We were dealing with one on top of the other. We are working through those.

Ms M.J. DAVIES: For the same project?

Mr A. Chaplyn: Correct, yes. Companies were concerned that their initial application would not be found valid, so they have created a bit of a churn, but we are working through that and the industry has picked up on the section 58

requirements. We are putting out some guidance to make sure that the companies understand it. We do not see an immediate need to change any of the regulations, but we are reviewing it to make clear what is required.

Ms M.J. DAVIES: That was partly where I was going to go next. What changes are the department contemplating? I know that industry is asking for what has been considered the industry norm. I expect that it is difficult for a company five years out to know precisely what it will be expected to do. I understand, in the eyes of the current legislation, there is a basis for what has happened, but it is clearly not normal practice. Will the government consider amending the Mining Act?

Mr W.J. JOHNSTON: There are two separate challenges. The first is that the law has not changed; it is the understanding of the law that has changed, which makes it very difficult. That is compounded by the Forrest and Forrest decision that says the application is the application, whereas previously we thought we could, effectively, do it as an iterative process. In respect of applications that are already on foot, of course, there are native title challenges. Should we retrospectively change the law to make an existing application valid if it is not valid? We do not know whether an application is valid, but if it is not valid, it will be hard to make it valid. Going forward, it may be easier for the industry to simply comply with our new understanding of the law rather than necessarily amending the law. I have mentioned that to Warren Pearce at the Association of Mining and Exploration Companies. I am not saying that we will not amend the legislation, but there is a range of challenges. If we were to amend the legislation, it would not help existing applicants because we would not be able to retrospectively fix a problem caused because of the nature of the application made, even if the application were made in good faith on the basis of the understanding of the law at the time.

Ms M.J. DAVIES: Does the minister know how many applications were caught up as a result of the Warden's Court decision?

Mr W.J. JOHNSTON: It is a bit complicated because the Warden's Court decision is not binding law, but it is the understanding. It is like a magistrate's decision that does not bind somebody else. Another Mining Warden might make a different decision, although that is unlikely. It is not possible to say how many existing applications do not meet the True Fella standard because each application is different. It may well be that the industry has an expectation that nobody's application is valid, but I am not saying that that is our expectation. It is a bit like the Forrest and Forrest decision because each one will have its own merits and it is hard to know what was valid.

[4.20 pm]

Ms M.J. DAVIES: Would that then naturally go to providing certainty for industry, which would be legislative change?

Mr W.J. JOHNSTON: No. The problem is that we could provide certainty for the future but not the past because the applications have native title consequences and that is not a law of Western Australia; it is a law of the commonwealth. Each application has to go through its own process in respect of native title. Therefore, it is not always true that we can retrospectively amend the law. Let us assume that an application is not valid—we are not saying that there are invalid applications, but let us assume there is—under the True Fella standard. We cannot retrospectively make it valid except by a new native title process. Does the member see the challenge?

Ms M.J. DAVIES: Yes.

Mr W.J. JOHNSTON: Therefore, it is not as straightforward as it might seem, and it is certainly not as straightforward as it was before we understood that native title existed.

Ms M.J. DAVIES: Notwithstanding there is uncertainty for current applications, but, in terms of providing certainty for future applications, is industry of the view that this is something that needs to be done urgently?

Mr W.J. JOHNSTON: Yes. I get that. The challenge of amending the legislation is great, and it would fix the problem only for tomorrow; it would not fix the problem today. To everybody who is currently talking to the member about the problem, to the extent that they have a problem, I cannot fix it through a legislative change.

Mr R.S. LOVE: I refer to page 235, budget paper No 2, volume 1, and under outcomes and key effectiveness indicators I am looking at the third indicator "Stakeholder satisfaction with the Department as an effective industry regulator". I see it is estimated that only 70 per cent would agree that the department is an effective industry regulator as opposed to the budget target. What is being done to assure people that the department can make the big leap and achieve the budgeted 75 per cent in the coming year?

Mr W.J. JOHNSTON: One of the challenges of effectiveness indicators like that is: who judges them? It depends whether one thinks that the department is being too strict or not strict enough. I have engagement with the Conservation Council of Western Australia, and it makes all sorts of comments about how the department is ineffective because it allows things to happen that the Conservation Council and others say should not be allowed to happen. Although, I point out that we allow only what is permitted by law. I then have other people complaining to me that the regulatory process is too complex and the agency is too strict in its interpretation of the law. They also

say that the department is not being an effective regulator because it is being too hardline in its regulatory behaviour. That is a quandary that is true for all regulators. Indeed, in 2018 I did a week-long course at Harvard University, and the member for Swan Hills was there at the exact same time doing a program on renewable energy.

Ms J.J. SHAW: Indeed!

Mr W.J. JOHNSTON: I was doing one called strategic management of regulatory affairs, and one of the challenges that was put to us at that course was: how do you judge your regulator? Just because people are happy with the regulator does not mean it is being effective. We want to make this regulator effective even if that does not change the KPI measure. I would prefer to have the regulator achieving what the government and the people of Western Australia want, not necessarily what the people who respond to the survey want.

Mr R.S. LOVE: If the indicator is, in a way, self-defeating, why would the minister not set different indicators? Perhaps one could be on whether the industry was happy with the department's performance and another on whether the public or the Conservation Council rated it as a good performer. Perhaps the minister could then get some idea of where he wants to go.

Mr W.J. JOHNSTON: That is a wonderful idea. I look forward to the department responding to that idea in the future. This is not just about the department's performance as a mining regulator; it is also about its performance as a commerce regulator. That KPI is for the agency as a whole, not just the area of responsibility that we are currently discussing.

Ms M.J. DAVIES: But the philosophy is the same.

Mr W.J. JOHNSTON: The philosophy is the same, but that is the point.

Ms M.J. DAVIES: So is it a useful KPI? That is the question.

Mr W.J. JOHNSTON: It is the KPI; it has been there for a long time. I am happy if the member thinks that it is not a valuable KPI. I will take that on notice and discuss it with the director general.

Mr R.S. LOVE: I would have thought that if the minister were running a department as important as this, he would have an ambition to have some indicators that would effectively monitor the department's processes to ensure that it is working satisfactorily. Therefore, the flippant response from the minister I actually think is inappropriate.

Mr W.J. JOHNSTON: I will invite the director general to respond to why he has developed the KPIs that he has. I acknowledge that the KPIs are developed by the department.

Ms M.J. DAVIES: Approved by the minister.

Mr W.J. JOHNSTON: Indeed, I get to sign off on them, as the former minister knows. That is right. I am not denying that I have a role. I am not trying to shirk that responsibility. However, I make the point that we constantly evaluate the performance of the Department of Mines, Industry Regulation and Safety whether it is in the energy policy space; mining space; commerce area, which obviously is not my responsibility; or the geological survey.

Interestingly, as the member knows, the Fraser Institute has always rated Western Australia very highly, as it has again this year. The thing about the Fraser Institute is our rating goes up and down. We have been number one most of the years that I have been minister, compared with my good friend Bill Marmion, but I never put out a media release pointing out that we are number one because I know that next year we may not be number one, and that is exactly what happened! I think we are number four this year. We were number one for a couple of years and we were number three a few years ago. I think two US states and a province in Canada rate more highly than us, and there is about 20 per cent of our mining industry between the three of them. The fact that we have had the highest level of investment into the exploration sector tells us that the industry thinks it is well regulated; otherwise, we would not get that investment. But I am happy to have the director general comment further.

Mr R. Sellers: Thank you, minister. I will give this some clarity. The section that was being talked about was industrial relations. The minister was saying that the KPIs there are the same across the other sections. In other sections, the survey results range between 73 and 95 per cent. But what I would like to add is that, as the member said, the performance of the agency is one that people have a lot of interest in, so we are as transparent as we can be in publishing our performance against our estimates, our time lines and the things that we said we were going to do. We have quarterly reporting around approvals, for example, in the mining sector. It is no secret that during the COVID pandemic, there was a dip in reporting. A report from the Auditor General came out looking at our environmental compliance, and the report was critical that we were not able to go to many mine sites. We welcomed the Auditor General looking at us. In that particular case, we had shifted from visitations to desktop reviews and other ways to do those audits. We published that material. We reported quarterly on all those things. That is a big driver in how people who are interested in what we do can see what we are doing, talk to us about things they think we should improve on and critique us on things for which they think we should lift our game. But when we come back to that aggregate survey result, it varies a bit across the different parts of the agency. As I said, in the

other three parts of the agency it ranges from 73 per cent to 95 per cent, depending on which part people look at it.

[4.30 pm]

Ms M.J. DAVIES: I refer to the same page and budget line. The minister referred to all-time high levels of mineral exploration expenditure. Can the minister reflect on the Aboriginal Cultural Heritage Act 2021, which is about to commence, and whether industry has raised concerns about some of the approvals processes and the time that approvals will take, given that we know there have been challenges in meeting approvals in a timely way in the past?

Mr W.J. JOHNSTON: Obviously, the Aboriginal heritage legislation is not a matter in my portfolio responsibility, and it is very complex to comment on it. We are very pleased to engage with the other agencies that have responsibility for it. Of course, the Department of Mines, Industry Regulation and Safety has been represented at the senior officer steering group in respect of the new act and other native title matters. That is chaired by the Department of the Premier and Cabinet. Through the steering group, DMIRS contributed to the development of the guidelines to go with the new act and worked with key stakeholders to identify how best we can support the rollout of the new legislation. The department is working closely with the Department of Planning, Lands and Heritage to support the implementation of the new heritage act. It is working with key government stakeholders to review current practices and policies to ensure alignment with the new act.

We always consider Aboriginal heritage issues in mining proposals and program of work assessments. In POW assessments, DMIRS ensures that a company has checked the DPLH heritage register and commenced consultation with DPLH if it will interact with a heritage site. In mining proposal assessments, DMIRS ensures that a company has undertaken appropriate due diligence in identifying any impacts to heritage. This generally requires heritage surveys. If these surveys determine that the proposal will impact a heritage site, DMIRS will wait for the appropriate approvals of clearance from DPLH before approving the mining proposal. The only exception is when it is formally assessed under part IV of the Environmental Protection Act 1986 by the Environmental Protection Authority. In these circumstances, DMIRS has assurance that any significant impacts on heritage will be considered by the EPA processes; hence, it does not need to assess in detail either the mining proposal or the program of works.

I also have some good news. Late last year, we set up an Aboriginal empowerment unit to deliver on the government's program of reform through the Aboriginal empowerment strategy. The Aboriginal empowerment unit will build on and complement existing strategies and programs of work and approve existing approvals processes, as well as conduct reviews to inform improvement of policy, procedures, processes and approaches, and build stronger cultural responsiveness. The Aboriginal empowerment unit has established four teams and a cultural and governance structure to guide and initiate the work. In the current financial year, the unit has employed seven of the 25 roles created for the unit. The Aboriginal empowerment strategy 2021–2029 sets out how the state government will direct its efforts towards a future in which all Aboriginal people, families and communities are empowered to live good lives and choose their own futures from a secure foundation. The AEU inside DMIRS will deliver on government programs and reforms that impact the state government's Aboriginal empowerment strategy. The AEU will be delivered through four components of partnership: shared decision-making and engagement, reshaping government services and systems to work with culture, building the cultural responsiveness of the public sector, and expanding economic opportunities for Aboriginal people. The AEU will aim to build on and complement existing strategies and programs of work and improve the existing approvals process.

Ms M.J. DAVIES: I had some questions about the Aboriginal empowerment unit; the minister answered some of them. I want to go back to the comment that the department was involved in the steering group when the regulations were being developed. Were there discussions about some of the time frames for gaining those approvals under the new act on behalf of the mining sector? There are already lengthy approvals built in. Here is the context; the feedback that I am getting from an exploration perspective is that there are concerns that this will unnecessarily cause significant delays and expense.

Mr W.J. JOHNSTON: I do not think that Aboriginal heritage is an unnecessary delay.

Ms M.J. DAVIES: I am not saying that is my opinion. I am reflecting on the conversations that I have had with industry members. I am sure that they have had the same conversations with the minister.

Mr W.J. JOHNSTON: The role of DMIRS is not to put the views of the mining industry; that is the role of the representative bodies of the mining industry, such as the Chamber of Minerals and Energy, the Association of Mining and Exploration Companies, the Eastern Goldfields Prospectors Association et cetera—all those organisations that represent the interests of mining. Our job is to ensure that the regulatory framework is as effective as possible and to execute our obligations to the community on behalf of the community. Of course, I have been told by people in the industry of their fears of delays. What I will say is that I am sure that things will not go smoothly at the start, but as we all become familiar with the new procedures, those challenges will be ironed out.

Do not forget that we have the strongest mining industry in the world. In terms of our approvals processes, having visited the Prospectors and Developers Association of Canada in March with Andrew Chaplyn, people cannot believe how quickly approvals are given in Western Australia. The consultation phase for the mining industry in North America is 10 years; by then, we are five years into production in Western Australia. Yes, of course, we can always do better with our approvals process. I am sure there will be challenges when we move to the new Aboriginal heritage framework, but is it not good that we are moving to the new Aboriginal heritage framework? We will have so many benefits from protecting Aboriginal heritage in a better way.

Ms M.J. DAVIES: The minister mentioned the department’s interface with the Environmental Protection Authority. The department is comfortable with the EPA assessing the proposals of a certain level that it has to consider. My understanding is that the EPA would like to not be responsible, given the new legislation. Has there been discussion about trying to streamline approvals from the minister’s industry perspective?

Mr W.J. JOHNSTON: The thing with the EPA is that when it makes a decision to review, we are disempowered from giving approvals until the end of its process. If it makes a decision to not be involved in an approval, that means that we can do our approvals anyway. What the EPA decides does not change our practices. If the EPA does a part IV assessment, we cannot get approvals because all the decision-makers are—what is the word?—prevented from making decisions during the part IV approval process. If the EPA hands over some of the Aboriginal heritage matters to the Aboriginal heritage process, that is fine by us because we can use whatever powers we have. Whilst the EPA is making a decision, we are disempowered. Although we cannot give approval—this is obviously very important to us—we can engage. We try to engage with proponents in an iterative process to make suggestions, review documentation and those sorts of things so that when the EPA makes its decision, we can act quickly. But while the EPA process is on foot, we cannot provide approvals. “Restrained” is the word I was looking for!

Ms M.J. DAVIES: All I will say is that I think the EPA might like some friends around the cabinet table to support its request. The minister might like to have that conversation.

[4.40 pm]

Mr W.J. JOHNSTON: If the EPA were to raise anything with me, I would be happy to discuss it with the EPA.

Ms M.J. DAVIES: That was the EPA’s submission on the Aboriginal Cultural Heritage Act, and it has been raised. I refer to the line item “Services to Industry Component (Mining Tenement Rentals)” under the heading “Appropriations, Expenses and Cash Assets” on page 230 of budget paper No 2. The note to that refers to a table that is not below, but I assume that is just a typographical error or an oversight. The note states —

The Department will collect additional revenue for Mining Tenement Rentals ... from 2023–24 onwards.

Can the minister expand on that for me?

Mr W.J. JOHNSTON: Certainly. We put up the rate for exploration tenement rentals by five per cent to adjust for inflation and we put up the mining tenement rentals by 10 per cent. Some of that revenue has been included for broader government expenditure and some was generously allocated back to us by Treasury and the Expenditure Review Committee for the Geoscience Australia packages, including the money for the Minerals Research Institute of Western Australia.

Ms M.J. DAVIES: Was there any consultation with industry on those changes or was it a decision by cabinet and government?

Mr W.J. JOHNSTON: It is an ERC decision. It goes to cabinet.

Ms M.J. DAVIES: The minister said that one charge was increased by inflation and the other was increased by 10 per cent. How did the government arrive at those figures?

Mr W.J. JOHNSTON: The exploration companies usually do not have income, so it has gone up by the rate of inflation for them, whereas the mining companies generate income and therefore it has gone up by 10 per cent.

Ms M.J. DAVIES: How was the figure of 10 per cent arrived at?

Mr W.J. JOHNSTON: It was arrived at through detailed analysis and discussion, internal to government.

Ms M.J. DAVIES: How much will that increase deliver to the government across the forward estimates?

Mr W.J. JOHNSTON: I am trying to find the answer to that. I know what we are spending our part of the money on. I can tell the member what we are spending it on.

Ms M.J. DAVIES: Sure. That will help if someone is looking for how much it is.

Mr W.J. JOHNSTON: We are investing \$40 million to accelerate critical minerals exploration and discoveries to ensure that Western Australia is well placed to grasp the economic opportunities as the world works towards a net zero future. The initiatives include a \$16.1 million boost to the exploration incentive scheme to increase greenfield

exploration and create a new geophysical co-funding program. The GCP will support better decision-making around land use by excluding ground that shows little or no prospectivity. The initiatives also include \$6.7 million for an industry-ready program to create data analytics packages for key regions and commodities. The IRP will also sponsor up to three graduates per year to boost their skills by working at the Geological Survey of Western Australia, and \$6.2 million has been provided for magnetotelluric data acquisition to enable more targeted exploration. This data will be particularly powerful when combined with the passive seismic data being collected through the McGowan government's ongoing WA array project. Money is also going to MRIWA for the work that it does on critical minerals research. It is a \$40 million package. I spoke yesterday at the Australian Institute of Mining and Metallurgy's resources estimation conference. This and the other announcements that we previously made were very welcomed by the participants at the conference. They are at the cutting edge of exploration activity because they are the people who make the Joint Ore Reserves Committee estimates that underpin exploration and developments. They were all very, very pleased to see the investment that we are putting back into industry.

Ms M.J. DAVIES: Is there an answer on the figure?

Mr W.J. JOHNSTON: I am terribly sorry that we do not have the specific figure, but if the member wants to put it on notice, I am happy to answer it.

Ms M.J. DAVIES: Will the minister not provide it as supplementary information?

Mr W.J. JOHNSTON: It is awkward to provide it as supplementary information. Put it on notice and we will provide it straightaway.

Ms M.J. DAVIES: Okay. When was the last time the charges were changed? How often are they reviewed and changed?

Mr W.J. JOHNSTON: This is the rental fee. The government is the landlord and puts it up every year, but we make a decision about how much to put it up by each time. There is no budget expectation of instituting a further increase in the out years. We have just done this one. We have done it in the past in other years as well. Next year, the government will sit down and decide whether there is value in increasing the rentals.

Ms M.J. DAVIES: Would 10 per cent be the highest percentage increase that the industry has seen?

Mr W.J. JOHNSTON: Probably, yes, although we have increased it by 10 per cent on other occasions. It is not an unreasonable increase because the 10 per cent applies only to those miners that are in production. Interestingly, as the member might like to know, it affects the local government rates that are paid because they are calculated on the basis of the rent they pay to the government. There is a formula—I do not know what it is, but it is a fixed formula—so that if the government puts up the rent, the rates go up as well. Local governments that host mining projects get a benefit out of this as well.

Mr R.S. LOVE: I would like to ask the minister questions about the mining rehabilitation fund referred to on page 246. There is an outline of the details of the special purpose account and we can see that the expectation for revenue in the current budget is \$34.5 million. How was that calculation made? That seems to be substantially less than what was achieved this year, which was \$40 800 000. What was the basis for the reduced expected income in the fund?

Mr W.J. JOHNSTON: That was the target and we revised it because there is a charge that is based on disturbed ground. Obviously, the amount of disturbed ground can change and there are different rates for different types of activities. If the industry disturbs more ground, the payments go up. It also includes the interest payments that we earn on the fund. Obviously, it is in the public bank account. We are not putting it on race 3 at Randwick. It is a very conservative investment in the public bank account. We get the public bank account interest rate, which is not very high. It comes in once a year and does not necessarily follow a linear pathway. The figure the member referred to was the estimate, and it is quite likely to be higher. However, I make the point that this is what is called "restricted cash" and can be used only for the purpose of the account. It does not provide any other benefit to government. We cannot use it to build roads, for example. Effectively, it is a pooled insurance fund.

Mr R.S. LOVE: Is it not that the government is expecting a lessening of activity?

Mr W.J. JOHNSTON: No.

Mr R.S. LOVE: This year there was quite a spike in expenditure from the mining rehabilitation fund of \$5.3 million. Can the minister explain the reason behind that? I see that it is not expected to occur in the future.

[4.50 pm]

Mr W.J. JOHNSTON: That is a very good question. We spent quite a bit of money on the Ellendale mine, which was an abandoned mine. The purpose of the MRF is that the principal can be spent only on mines that have paid into the MRF itself; the principal cannot be used on historic abandoned mines. We can spend only the interest on historic abandoned mines. The abandoned mine program completed the first phase of safety work on the Ellendale project

in the West Kimberley during 2022, completing the removal and clean-up of all redundant and obsolete infrastructure and equipment across the former diamond mining lease. Notable achievements include zero reportable injuries or incidents and all waste materials being removed from the site for disposal, achieving 55 per cent recycling. Phase 2 earthworks will continue to address safety risks on the Ellendale site over coming dry seasons. Given the isolation of the site and the limitations of working in such a seasonal environment, the costs of work in the area are significant. The Ellendale project was fully funded from the principal of the mining rehabilitation fund.

In terms of legacy projects, interest rates over recent years generated insufficient interest on the MRF to enable the implementation of many legacy abandoned mine projects. The active projects include the Donnybrook shafts project located in state forest. The status of that project is that the rehabilitation is now complete and monitoring is in progress. Funnily enough, that project was quite controversial because some of the people there wanted to keep the mining shafts rather than have them filled in, but that was not going to happen. Other active projects include the initiation of the Safer Shafts for Towns project. The status of that project is that preliminary surveys and stakeholder engagement have been undertaken at Cue, Yalgoo and Marble Bar. That is a really interesting project because we are trying to engage Aboriginal rangers with it. As interest rates improve, the MRF interest will be available for projects that have been on hold or have progressed with limited scope, including the Elverdton site that needs a detailed site investigation related to historic tailings in the Steere River catchment. More work needs to be done on the Safer Shafts for Towns project and with the Department of Planning, Lands and Heritage on the Northampton lead tailings project. Increased funds will also allow for the introduction of a new abandoned mines program in the Collie basin. I invite the director general to make further comments.

Mr R. Sellers: I just want to add to the Ellendale project. Given the interest from both the community and the traditional owners, it took a while to set up the process, and the \$5.3 million that was mentioned is just the start of the spend on that project. The point I want to make is about the rehabilitation fund. If another site ended up in the same situation as the Ellendale site and we had to spend a significant amount of money from the fund, the fund is set up in a way that the levy that goes into it at the moment mirrors roughly what the people who had projects at the time would have paid for their unconditional bank guarantee—slightly less than that. If we reach the point at which one of these sites—probably not Ellendale, but another site—eats up most of that fund and we still need to build the fund, a mechanism has been built in to go back and industry will levy a little more into the fund to protect the rest of the community.

Mr R.S. LOVE: The expected interest rate this year will be higher than in previous years, yet the payment is at the same steady rate of about \$5 million. What are the expected interest earnings on the fund?

Mr W.J. JOHNSTON: I defer to the director general.

Mr R. Sellers: I think I read that in a note around here somewhere. I can give the member an exact amount. The estimate is \$6.3 million for next year.

Ms M.J. DAVIES: I refer to page 233 and the heading “Build a Sustainable and Responsible Resources Industry”. My question is about mining exploration applications. I have been approached by people from Toolonga Mineral Sand, which first lodged an application back in September 2020. It received no objections during the objections period. The mining registrar made a recommendation that has sat with the minister for five months and the company still does not have an approval to proceed. Can the minister provide advice about that particular project? It involves a known mineral resource. I think that the company has gone back through the process to comply with what we were talking about earlier and to make sure that it had a five-year plan and finance, but the process is proving frustrating. I think the issue is related to an application that has been made by the Murchison Hydrogen Renewables project, but that project came into play later in the piece. I do not fully understand the process, but it sounds like the minister needs to adjudicate. I am trying to understand why two or three years down the track this company is not getting any joy.

Mr W.J. JOHNSTON: I make it clear that this application was subject to extensive litigation and while the litigation was on foot, it was not possible for me to make a decision because I am not going to intervene in those types of matters. The litigation occurred in the Warden’s Court, part of which involved the circumstances of each of the applications et cetera. Once all those matters have been resolved, and I understand they are now basically resolved, it will then come to me for a decision on its merits. The decision of the minister is final and binding and I can take account of a range of issues. It is not really possible for me to go into anything. I am certainly not in a position to say how I would rule because that would be a justiciable comment. When the papers come to me, I will make a decision based on that. I am obliged to provide natural justice. The member might check with the people who have spoken to her about whether they have received any recent correspondence.

Ms M.J. DAVIES: I am aware that they have. I appreciate that the minister cannot make a determination on that matter sitting in the Parliament today, but I am not clear on the beginning of that process. As explained to me, they had gone through the appropriate application process. They had been approved by the registrar. They had a five-year

plan and they had the finances. For some five months there was no correspondence and then an application came in over the top of their application. This is a project that has been given lead-agency status by the government.

Mr W.J. JOHNSTON: It is not quite as straightforward as the member presented.

Ms M.J. DAVIES: I am happy to be enlightened.

Mr W.J. JOHNSTON: I am happy to talk to the member offline. I am not prepared to put any more comments on *Hansard* when the matter might end up in front of a judge.

Dr D.J. HONEY: I will go back to page 246 and the mine rehabilitation fund. We touched on this matter together at some stage, but the two Collie coalmines are obviously experiencing difficulty sustaining their operations. Although we cannot make a visual assessment of the cost of that, it would seem that the rehabilitation of those mine sites will cost many hundreds of millions of dollars, if not more. Is the minister at all concerned about the potential for the government to be left with a legacy for those sites?

Mr W.J. JOHNSTON: The mining rehabilitation fund does not apply to state agreement projects, as the member would know because he used to work at Alcoa, which was covered by a state agreement. State agreement properties are not part of the MRF; they cannot use the MRF for state agreement act rehabilitation costs, as the member knows from working at Alcoa.

Dr D.J. HONEY: What is the process to ensure that the state is not left with a massive legacy issue in that location?

[5.00 pm]

Mr W.J. JOHNSTON: One of the challenges is to make sure that there is cash flow at the mines to see them do some rehabilitation work. There is no question that those two coalmines are a problem for Western Australia. There is no easy pathway forward, because the need for coal is declining rapidly and one coalmine has been very badly managed and the other is marginal. There is no easy pathway. Unfortunately, I have run out of magic wands. I have noted all these different people saying different things in the media. We get criticised if we do not do anything and then we get criticised when we do things. People actually have to work out what they want to see. We are trying to see an orderly exit from the coalmines so that as long as coal-fired power stations are needed, there is coal available. I always say, "We need coal until we don't." This is the challenge on the east coast, because the coal-fired power stations on the east coast are precipitously closing, not as part of a plan, but because of narrow sectional economic interest, and we cannot have that occur. The coalmines on the east coast have a completely different issue, because they can all export, but neither of these coalmines can export. People have looked at it and nobody has been able to make it work. They do not have a pathway forward other than the coal-fired power stations. Synergy is working with its coal supplier and we are trying to do our best in helping the other people who are not supplied by the same coalmine to try to work stuff out.

I heard an estimate of \$400 million for the rehabilitation, but I also heard an estimate of \$40 million. I am unable to tell, in the same way that the member is not able to tell, what the actual rehab obligations are. This is one of the attractions of pumped hydro in the voids. I said previously that after we came to government in 2017, when Ben Wyatt was the minister, he got Synergy to have a look at the voids. The professional advice from those consultants at that time was that it was not practical. There is a whole range of private sector operators who say they can make it work. Good luck to them. I want them to come up with a proposal, because as we talked about with Synergy, nobody has ever put a proposal forward. Of course, that would reduce the costs of the rehab, because the pits and the waste dumps would be used for other reasons. That would be a good outcome, but I do not know whether it is going to work. As I say, I am like the member; I do not know how much the costs are. I suppose the difference is that we are trying to work with the coal companies and the users of coal to reach a good outcome.

Dr D.J. HONEY: How would the government be involved in that re-use to make sure that that was not simply a rehabilitation cost being mitigated for something that is ultimately doomed to failure?

Mr W.J. JOHNSTON: We are not involved in any of those projects. They would have to go through all the procedures to get approvals. As far as I am aware, nobody has ever applied to use the land or for any of the approvals that they would need. They would need dozens and dozens of approvals. They would need environmental approvals and safety approvals. They would need to engage with Western Power. They would need to engage with the Australian Energy Market Operator. I have not seen any of those things. They would have to show that their project was viable before they would get any approvals. That includes access to the land, because the state agreements are for the purposes of coalmining, not for other purposes, so there are many, many challenges for anybody who wanted to make those proposals. I am not saying it is not possible. I am just saying it is not the government of Western Australia that will have to make the investments; it is the private sector. As I always say about energy policy, the government is a facilitator. We will not take risks. The people who take risks are in the private sector. If they think they can do an investment, take a risk and get a return, that is a good story. If they do not, they will not.

Ms M.J. DAVIES: I refer to paragraph 20 on page 234 of budget paper No 2, volume 1. I think I heard the director general reference the Auditor General report. I want to go into that in a little bit more detail. Can the minister confirm that recommendations 1 and 4 are complete, given that the implementation time lines for the Department of Mines, Industry Regulation and Safety were in the first quarter of 2023?

Mr W.J. JOHNSTON: I will ask the director general to make specific comments, but before he does that, I want to say that prior to the tabling of the report—as I commented in Parliament—I pointed out to the Auditor General that I welcomed her report. The Auditor General performs an important function on behalf of the community. The only comment I would make about the report itself is that I do not know that she fully acknowledged that the government had asked DMIRS to change its practices to deal with the issues we saw. It is not about budget allocation; it is about human resources. We do not have the number of people we have budgeted for, as we are having trouble recruiting, because everybody is recruiting at the same time, including the mining industry. Our approvals time lines were getting a bit behind, so we asked the department to invest more in the up-front approvals, which is an environmental activity, and do a little bit less policing, if you like. Unlike other agencies, our department deals with land clearing and such things that are either done or not done, and the land has to be rehabilitated to an agreed landform at the end of the project. Therefore, the risks for our environmental approvals are different from others. The government, working with the agency, thought it could swap resources. That is a judgement call, and the Auditor General could have a different judgement. The only point I make is that I do not know whether she fully acknowledged that in her report. I ask the director general to make any comments he thinks are appropriate.

Mr R. Sellers: As I mentioned earlier, I welcome any external scrutiny. I worked closely with the Auditor General on the way through this. We had discussions about the main critique of us not getting to sites during the middle of the COVID pandemic, and that we deliberately shifted to other activities. Some were desktop activities and others were combined visits, whereby groups of people spent longer at a site and, in fact, met higher targets than we had set ourselves. However, it is very clear that we were not on site as much as we predicted we would be during the COVID period, as we did not know COVID was coming. That being said, as the minister mentioned, COVID also created a situation in which our own time lines for our program of works and mining approvals were not meeting the targets. Therefore, we moved to keep industry going by focusing on bringing in line our program of works, which is the very early works that let the whole industry churn. That was actually underway when the Auditor General was looking at us.

As the minister mentioned, since then we have done a range of things to try to rebalance a little bit, to make sure that we are doing the compliance. Since that report, we have increased our onsite inspections, as well as desktop compliance reviews and compliance investigations. Five of the incident investigations have resulted in penalties in lieu of forfeiture. That totals to just under a couple of hundred thousand dollars. Two enforcement actions for noncompliant petroleum activities have also been lodged.

I note the member was going to individual recommendations saying, “Where are we going against those?” We have a package of work that we are working through. We accepted the criticism and recommendations. We have shifted our approvals and our processes for visiting sites in order to meet the targets that we have set out in our documents.

Ms M.J. DAVIES: I am reading the recommendations in the Auditor General’s report and my question is to confirm that recommendations 1 and 4 are complete, because the department’s own implementation time frame in the recommendation document says that it will be done by the first quarter of 2023. It is a yes or no, really. Are recommendations 1 and 4 complete?

[5.10 pm]

Mr W.J. JOHNSTON: It is exactly as the director general explained: we are achieving the outcomes that we are setting, exactly as he explained.

Ms M.J. DAVIES: Maybe I will ask the question in a different way. If the Auditor General turned up and asked, “If you have met what you put in or responded to, would you have recommendations 1 and 4 completed by the end of the first quarter?”, would the minister say yes?

Mr W.J. JOHNSTON: Again, I cannot say what the Auditor General would say. That is going to be her judgement.

Ms M.J. DAVIES: What would the minister say to the Auditor General?

Mr W.J. JOHNSTON: I would say that we are committed to achieving all these recommendations. If the member wants, I will get the director general to speak again.

Ms M.J. DAVIES: It is the minister’s time line. I just want to know whether it has been completed.

The CHAIR: Member for Central Wheatbelt —

Ms M.J. DAVIES: It is not a hard question, chair.

Mr W.J. JOHNSTON: But we are saying we have achieved it.

The CHAIR: Sorry, I will just pause things there. I do not invite argument when I am trying to call things to order. You might have a view about whether it is a hard or easy question, but you get the answer that you get, member for Central Wheatbelt. I am trying to keep things orderly, particularly for the benefit of the Hansard reporters. I will give the minister an opportunity to respond.

Mr W.J. JOHNSTON: I invite the director general to make further comments.

Mr R. Sellers: Thank you, minister. With regard to the member's question, we expect the Auditor General to come back and ask us those questions, so when recommendations are tabled, the minister and government have considered them, and we as a department are tasked with doing them, they go into our own audit review processes and are monitored and assessed against time lines so that we are ready for just that situation—when the Auditor General comes and asks. We said we were going to work on things and meet time lines, and that is what we are achieving.

Ms M.J. DAVIES: Has the department fully documented the risk-based approach that underpins its compliance activities to address sector risks, and was this done before the end of March?

Mr W.J. JOHNSTON: I am happy for the director general to provide further comments.

Mr R. Sellers: Thank you, minister. The member might not understand that they were documented, but the Auditor General just said that they were not in the centralised position, so, yes, that has been done.

Ms M.J. DAVIES: So that answer is yes.

Mr R. Sellers: As I said.

Ms M.J. DAVIES: I did not hear “yes” to any of those questions. In relation to recommendation 4, can I confirm the answer would be yes to that as well?

Mr W.J. JOHNSTON: I am not quite sure why the member is asking that question, because I am pretty clear that that is exactly what the director general has said twice.

Ms M.J. DAVIES: I am hearing yes; okay. Can we move to recommendations 3, 5 and 6? They need to be on track to be implemented by the end of the second quarter, so there is still a bit of time to go. Would the minister like to provide some advice in relation to those recommendations?

Mr W.J. JOHNSTON: Which ones?

Ms M.J. DAVIES: They are recommendations 3, 5 and 6.

Mr W.J. JOHNSTON: Yes, recommendation 3 is done, clearly, and recommendation 5 is done—and that was without even asking. Recommendation 6 —

Ms M.J. DAVIES: All I am trying to find out is —

Mr W.J. JOHNSTON: Let us take recommendation 6 as an example.

The CHAIR: Member for Central Wheatbelt, I have given the call to the minister.

Mr W.J. JOHNSTON: Recommendation 6 is an example: that is a judgement call. I do not know what the Auditor General's opinion would be, but what I do know is that the department is implementing the recommendation. The Auditor General might say, “Well, your implementation has not met the standard that I thought you were going to achieve.” I cannot answer for that; that is a completely separate issue.

Ms M.J. DAVIES: Just so I am clear, I am not asking for the Auditor General's opinion. The minister advised the chamber that this was the time frame within which, in his view, the recommendations would be dealt with.

Mr W.J. JOHNSTON: Let us take recommendation 6 as an example. I will read it out; I am indebted to my chief of staff for this. It states —

prioritise plans to restore their compliance activities as part of delivering a balanced regulatory approach.

That was based on the Auditor General's assumption that there had been a failing in the enforcement procedures. That is not correct. There was never a failing in the enforcement procedures. She said that it was not being done in the way she believed it should be done. That is true, and we have taken that on board and we have made changes to the way we operate. The Auditor General could come back tomorrow and say, “The changes you made were not sufficient”, but that does not change the fact that we have implemented the recommendations. I again invite the director general to make further comments.

Mr R. Sellers: Thank you, minister. My apologies for not being clear, but in my earlier remarks I mentioned that the Auditor General's comments were around our site visitation and not being in a central, collated state, yes. We committed to fully implement things; we have done that and we have done them within our time lines, individually. If we had another circumstance, God forbid, like COVID and we said we were going to go to sites 36 times, I will sit here and say, “Probably we won't”, because in that period, we clearly did not want to do it. That was the issue that was being challenged there. It was not that we had not done compliance activities against an environmental outcome,

because the actual environment team shifted to a different process. Although that was not the compliance process we said we were going to do in our estimate, we actually met that outcome. As the minister said, we welcome the Auditor General to come back and have another look; that is very welcome.

Ms M.J. DAVIES: Okay, thank you very much. I have a new question. I refer to paragraph 16 on page 233 of budget paper No 2, volume 1. My question is in reference to an announcement the minister made last year about an approvals response plan that was being implemented to accelerate exploration and mining approvals, following the significant increase in applications that is mentioned in paragraph 16. The minister said in his statement that the strategy was to provide the number of deferrals that had been made to date on revisions to or post-approval mine closure plan submissions required under the Mining Act. As a result of the minister's decision, they were the ones that were considered lower risk and were therefore being deferred for 12 months. Can the minister tell me how many have been deferred to date? I understand we are still going through it.

Mr W.J. JOHNSTON: Yes. I am not sure whether we have specifics about numbers, but we implemented a whole series of improvements and invested more money. I am happy for the director general to comment on it, but, yes, we followed through on what we said we were going to do.

Mr R. Sellers: Thanks, minister. It actually relates to the previous set of comments in that these actions were, in part, so that we could focus on the program of works —

Ms M.J. DAVIES: This is the deferral?

Mr R. Sellers: This is the deferral. We have completed that project and we are now back to a more normal process. The action plans that the member is talking about still have to be completed and achieved; it is just that they were deemed to be a low enough risk that they could feed into the process as we go forward.

Ms M.J. DAVIES: Does the minister have a quantum? How many were deferred?

Mr W.J. JOHNSTON: We publish lots of data and it is all available on the website. The member can go and have a look —

Ms M.J. DAVIES: On how many deferrals were —

Mr W.J. JOHNSTON: The outstanding applications. It is all published. All the data relating to our approvals time line is on the department's website, and it shows achievement against expectations, but I am happy for the director general to reply further.

Mr R. Sellers: The minister is right: there is a lot of information on the website. I think maybe the point the member is trying to get to is: was anything put at risk by this delay? No, they are low risk and they were just completed at a slightly later date.

Mr W.J. JOHNSTON: I emphasise that all approvals are given eventually; it is just that sometimes they take longer than we would want.

Ms M.J. DAVIES: I refer to page 231 of budget paper No 2, volume 1, and spending changes. I note that it looks like funding has been removed from the line item "Government Regional Officer Housing" under the subheading "Other". Can the minister explain what is happening with that line item?

Mr W.J. JOHNSTON: The department has not reduced its effort in regional Western Australia, but it has moved some people. We no longer have staff in Meekatharra and that has led to a small saving. But it is not a reduction of effort in the regions; it is about moving people from one location to another. One of the challenges in Meekatharra is that there was only one person there, and that does not meet contemporary health and safety standards. We want to have more than one person. It is like an electorate office.

[5.20 pm]

Ms M.J. DAVIES: Not in my office.

Mr W.J. JOHNSTON: The member gets two electorate staff. I do not know what she does with them.

Ms M.J. DAVIES: I get two electorate officers because the government merged my electorate from two to one.

Mr W.J. JOHNSTON: One way or another, that is the member's decision. Anyway, it is one electorate office. The point is that we are not trying to reduce our regional staff but rationalise where we locate them so that they are more effective. We closed the office in Norseman previously and the staff member at Meekatharra has been relocated. That made the offices in Kalgoorlie and Coolgardie stronger and now the office in Geraldton is stronger.

Ms M.J. DAVIES: Is that just one house? What do the numbers account for? The minister gave the example of Meekatharra. Was that the cost of housing someone in Meekatharra?

The CHAIR: Sorry, minister. Director general, it is not out of disrespect to you, but I cannot give you the call on a question until I have given the call to the minister.

Ms M.J. DAVIES: He is very keen to answer; let him free!

The CHAIR: Not on my watch, unfortunately, under the standing orders, member for Central Wheatbelt.

Mr W.J. JOHNSTON: I ask the director general to comment.

Mr R. Sellers: The amount the member referred to, if we are just talking about Meekatharra, was for an office and houses. That number in the budget notes also has accounting adjustments on it.

Ms M.J. DAVIES: Okay. Is it only Meekatharra that has changed? Have other staff locations changed?

Mr W.J. JOHNSTON: I do not know about Commerce but in my area of responsibility Meekatharra is the only change over the last 12 months. We changed Norseman a few years back. But, no, not in my area of responsibility. In Commerce we also added 19 people into Collie a couple of years ago, so it is not a one-way street. Of course, the people from Meekatharra were not moved to Perth; they were moved to Geraldton.

Ms M.J. DAVIES: I refer to the same table on page 231 of budget paper No 2, volume 1. The royalties for regions program update is a bit below the line item I referred to earlier and it also looks like funding is no longer coming through to the department. Can the minister explain that line item?

Mr W.J. JOHNSTON: I am not exactly sure what it relates to but it is regional worker incentive allowance payments. It is a small adjustment to take into account the expenditure profile update based on advice from the Department of Primary Industries and Regional Development and confirmed by Treasury. It is an accounting treatment.

Ms M.J. DAVIES: Did the minister just say “regional worker incentive”?

Mr W.J. JOHNSTON: Yes. It is for regional worker incentive allowances.

Ms M.J. DAVIES: I would say they have redone the basket of goods.

Mr W.J. JOHNSTON: Again, it could possibly be in the commerce portfolio but I do not know.

Ms M.J. DAVIES: Can I duck back to the question earlier on regional housing?

The CHAIR: You can ask a question on it, yes.

Ms M.J. DAVIES: Thank you, chair. When was the staff member shifted from Meekatharra to Geraldton?

Mr W.J. JOHNSTON: I am happy for the director general to explain, but it is not the actual person. The person who was in Meekatharra had personal issues and then a person was employed in Geraldton.

Ms M.J. DAVIES: When were the house and the office closed?

Mr W.J. JOHNSTON: I am happy for the DG to make any comments.

Mr R. Sellers: My recollection is that it was around February.

Ms M.J. DAVIES: What role was attached to the location?

Mr W.J. JOHNSTON: It was a person allocated to the registry. I know closing the office in Norseman was of great pain to the local government and I imagine the decision in Meekatharra is likewise not welcomed by the local government authority, but the number of applications in those places is so small that it just does not justify the investment, and because so many people are moving online, the service is predominantly an online service now. We do not want to take services out of regional Western Australia, and the number of people employed by the department in regional Western Australia is going up, not down, but we are allocating those resources more effectively.

Dr D.J. HONEY: I seek the minister’s guidance to make sure I am asking this question in the right section. I refer to page 232 of budget paper No 2, the heading “Protecting Workers and Supporting Consumers” and paragraph 9 on engineered stone and silicosis. Is this the appropriate division?

Mr W.J. JOHNSTON: No. It is the division after the dinner break.

Dr D.J. HONEY: I refer to page 233 and paragraph 12, which states —

Decarbonisation and strong industry emission-reduction ambitions are fast-tracking the energy transition.

Can the minister explain the scope of the work for the department in relation to that, please?

Mr W.J. JOHNSTON: The energy policy component of the Department of Mines, Industry Regulation and Safety is responsible for providing advice to government on energy policy matters. Under Jai Thomas’s leadership, we have a comprehensive suite of activities. An enormous amount of work is being done in this space because it is unbelievably complex. We have two challenges. One is the decarbonisation of the government of Western Australia, and that is principally about Synergy. Then we have the decarbonisation of industry. Of course, there are two big pieces of work with industry. One is in the south west interconnected system and the second is in the Pilbara. We

have separate pieces of work addressing each of those challenges and there are also smaller pieces of work in assisting the off-grid space, which is basically onsite power for mining companies. There is a very comprehensive suite of activities. I can get Jai Thomas to comment, but it will be general. If there is something the member wants to drive at, I am happy to get Jai to be more targeted.

Dr D.J. HONEY: If it could specifically focus on the work that is being done on that policy area.

Mr W.J. JOHNSTON: I will ask Jai Thomas, coordinator of energy, to comment.

Mr J. Thomas: This item came up in the Western Power session about the evolution of the power system in the south west and the various policies that underpin that evolution. As the member knows, the *SWIS demand assessment 2023 to 2042: A future ready grid*, which is our vision of the future of the power system in the south west, was released in May. Part of the work that we are funding in this budget is to review the capital contributions and revenue recovery methodologies that underpin that transmission evolution. It was also acknowledged in the plan that we need to reach in and extract more renewable energy from the areas in which it is prevalent; we call those renewable generation hubs. Further work needs to be done to get the regulatory arrangements right for those areas. As the minister noted, when this was launched, the concept of a facilitation vehicle to deliver this and oversee its coordination, particularly across government, in the same vein as a Metronet or Westport-style vehicle was being contemplated. We are doing the work to essentially underpin its establishment.

[5.30 pm]

Mr W.J. JOHNSTON: I will make a point about the last comment. Western Power already has \$3.5 billion to spend on capital, and this project is on top of that. As we all know, there are problems with finding people to do the work and so we want to make sure that the government has got more direct oversight of the bits it can help with. We are not engineers; Western Power has to oversee that. I think the member for Vasse asked about land access issues. That is an example of something that we think we could do better centrally, rather than having Western Power do it. It has good officers, but we think that having a centralised coordination for that type of thing would be a better way forward. We are going to have to engage with lots of different Aboriginal groups. There is a lot of work here, but we think that central government can have a role. I am very pleased by the engagement with both the Department of the Premier and Cabinet and the Department of Treasury on the work that we have done until now.

In addition, we still have the market evolution. The new market starts on 1 October and we know there are going to be further market reforms. We are currently reviewing the reserve capacity mechanism and doing other things. There is so much work here.

Dr D.J. HONEY: The minister mentioned the regulatory arrangements. What are the major regulatory hurdles, if you like, for setting up those renewable energy hubs?

Mr W.J. JOHNSTON: I will ask Jai to make some comments. In New South Wales and other states that have renewable energy zones, there is a disconnect between the owners and builders of the transmission lines and the owners and builders of the energy generation systems. We are looking at what mechanisms might be available to us to streamline the engagement of those two separate pieces of infrastructure. There are also regulatory issues as well. I am happy for Mr Thomas to make comment.

Mr J. Thomas: As I mentioned before, it is really underpinned by the capital contributions and revenue recovery methodologies, as noted in the Western Power session. Those things exist now, but we need to evolve them to make sure that they are fit for purpose for this new way of rolling out networks into regional areas to extract renewable energy. Part of that also includes how we promote the capacity of these new network strands and how we establish new foundation customers for those. All of those are in the mix.

As the minister noted in the Western Power session, this has historically been held back by a sort of first-mover disadvantage. Ultimately, we want an arrangement that helps us give certainty for industry and renewable energy proponents, but does not require one single entity to bear all the costs up-front.

Dr D.J. HONEY: My question relates to the potential new pathways or powerlines that need to go in. Is there a view that the government will look to proactively establish easements? Someone obviously has to pay for infrastructure and the like, but that would avoid ending up in a situation whereby we do not have appropriate easements for lines. The government could establish logical easements itself and ensure there is competitive tension or some process that ensures that we get efficient delivery of a line and service.

Mr W.J. JOHNSTON: One of the challenges we will have to look at is where we will run the infrastructure. I pivot to the north west interconnected system where there has traditionally been separate infrastructure. Indigenous groups are already telling us that they do not want five sets of transmission lines. We know that the same is probably true of the south west interconnected system. To the extent that the government can coordinate these things—whether it is here where the government owns the infrastructure or in the NWIS where private investment continues—

external coordination is still needed. We have a process being led by Mr Thomas's team looking at the NWIS at the same time we are looking at the SWIS.

Dr D.J. HONEY: From the outset, the Liberal Party is certainly a keen supporter of government ownership of the Western Power network for exactly the reason that the minister said; it is the logical outcome. I have personally made that clear, and so has Steve Thomas. That was just in response to some earlier comments he made. What are the mechanisms that the government has to force parties' heads together on the consolidation of services for the NWIS? I say that in the context of the UK, for example, where the government has a direct say on the shared natural gas lines, so that it does not end up in the ludicrous situation of multiple pipelines that eventually cost public money.

Mr W.J. JOHNSTON: As I understand the law here in Western Australia, all the transmission lines in the Pilbara are built under state agreements. If someone does not want to build under a state agreement, they need the specific approval of the Minister for Energy.

Dr D.J. HONEY: Does the minister have a lever?

Mr W.J. JOHNSTON: That is as I am advised. The Minister for Energy, and therefore the government, has the whip hand in dealing with investors because they cannot execute without government approval. Why would we give an approval for a suboptimal outcome? In respect to the north west, it has been about 30 years since people started talking about an integrated grid and no Minister for Energy has been able to deliver that. I am just another bloke. Whether there will ever be an integrated grid in the NWIS, I do not know. I am not going to sit here and say that it is absolutely going to happen, but it is logical. As we move towards renewable energy it becomes even more important to have an integrated grid. We are engaged with all the existing big players up there, plus all the potential new players, in the NWIS. We think there is a good reason to do it. Let us hope that it comes off, but we cannot guarantee it.

Regarding the member's comment about Western Power, I remind him that he just said exactly what Colin Barnett said up to about six months before he announced he was going to sell Western Power. We understand the Liberal Party's position on these things.

Ms J.J. SHAW: The minister mentioned a potential review of the reserve capacity mechanism in a previous answer. Can the minister provide a little bit more detail about the potential timing and the sorts of issues that the RCM has? Perhaps Mr Thomas could comment on that. I think that is a material issue for power systems moving forward.

Mr W.J. JOHNSTON: I invite Mr Thomas to make some comments, but he cannot go too far or I will get cranky with him.

Mr J. Thomas: I only have 20 minutes to explain the capacity mechanism.

Ms J.J. SHAW: It is exciting stuff.

Mr J. Thomas: I will do my best. The reserve capacity mechanism is our system adequacy tool. It is the thing in our energy market that ensures that we have adequate supply to meet system stress events. The system stress event is weekday summer peak demand. It has historically served us very well in meeting that weekday summer peak demand at a whole-of-system level.

About 12 months ago, we recognised that the types of capacity we were rewarding in the capacity mechanism needed to evolve. We have a hollowing out of demand in the middle of the day as rooftop solar becomes more prevalent and so the types of capacity we are paying to be available at 6.00 or 7.00 pm in that peak demand period may not necessarily be there, having been switched up at lunchtime. The minister explained the coal-fired generation profile in the Synergy session. Over the last 12 months, we have been reviewing the capacity mechanism. A fortnight ago we released the stage 1 findings and outlined that we needed to add flexibility to the capacity mechanism to reward not only capacity that is available during peak periods, but also how quickly it can respond so that we get the right types of capacity and the market sends the right signal for the investment and generation needed in our evolving power system as it relies more on renewable energy and has more fluctuations in intermittent supply.

Mr W.J. JOHNSTON: I will just add to that. We ran the supplementary reserve capacity this year for the first time ever. That is an existing market mechanism. It responded to the fact that some expected generation was not available and the demand had grown faster than all previous estimations, remembering that in August last year, the Australian Energy Market Operator predicted that there would be no challenge for summer readiness and then said there was a shortfall in September. Of course, at the same time, AEMO is running the non-co-optimised essential system services process, seeking up to 850 megawatts. AEMO needs to speak for itself, but we can now see that demand growth, often from block loads, is starting to come onto the forecasting horizon. With the reserve capacity having been stable for a long time, we probably need more reserve capacity now; therefore, now is probably the best time to review this, because reserve capacity works three years ahead, as the member well knows. We want to make sure that the reserve capacity structure meets the type of generation and firming that we will need in the future. Of

course, the federal government has its separate process for firming renewables. We want to ensure that whatever we are doing allows investors to take advantage of the commonwealth.

Synergy is 40 per cent of the market, which means that the private sector is 60 per cent. Let us assume that over the next 20 years the market grows by 300 per cent, which is what the south west interconnected system demand assessment says it will do. That means that at the end of that period, Synergy will be less than 15 per cent of the market and the private sector will be 85 per cent. That is with the investments that we have already announced for Synergy. It is not that Synergy will get smaller, it is that the market will go off. There is a lot of opportunity here for private sector investment.

[5.40 pm]

Dr D.J. HONEY: In the previous sessions we had a discussion about the peak capacity of the Dampier to Bunbury natural gas pipeline.

Mr W.J. JOHNSTON: I invited the member to ask the question at this point, indeed.

Dr D.J. HONEY: There is an indication that for peak demands it is inadequate. Particularly if we transition to any significant percentage of hydrogen in that line, that may significantly reduce the net calorific capacity of the line. What work is going on in relation to that? Is that occurring under this item as well?

Mr W.J. JOHNSTON: Yes, we are looking at all these things. The biggest demand driver for growing electricity demand, despite what some commentators in the media have said, is not the export of hydrogen, it is hydrogen to replace domestic consumption of methane and the electrification of Alcoa. The gas currently being used in industrial processes in Kwinana, plus Alcoa, does not disappear, so the pipeline capacity will still be there and that gas can be used for generation purposes. It is quite likely that over time we will need more storage at the bottom end of the pipeline, but that will not change the total volume of gas being used. Remember, there is a decarbonisation pathway. If we take a long-term view, we would not see natural gas volumes increasing significantly in the future. Of course it will go up, but it will not go up two times.

Hydrogen exports will be a great addition to Western Australia. Some of the projects in the SWIS demand assessment are export projects, but a lot of them are projects that are not related to the export of hydrogen; they are related to fuel switching and electrification. There are swings and roundabouts. We know that the gas market is tight and we know that there are challenges, but they are good challenges. The fact that the critical minerals industry continues to invest in capacity in Western Australia shows that people are confident the market is getting things right. There is also the fuel switching that will come out of the north west when the three large iron ore companies switch to renewables. That will lead to that gas becoming available in the market as well. We can sit down and look at these issues, and we do, but if the total volume of gas does not go up, pipeline capacity will not be the issue, but storage might be. At the moment, we have storage north and we might need storage south, but that is not capacity for the pipeline. If we needed more pipeline capacity, there are a range of options.

Dr D.J. HONEY: Are any areas actively identified for storage? Is the government making plans for that potential?

Mr W.J. JOHNSTON: It is too early at this stage and it would be a market-driven exercise. During the Liberal Party's time in office, Synergy underpinned one of the storage projects, but there were private operators for that project and they were banking it. We would imagine that a range of people will be looking to bank projects for storage. Markets usually work pretty well.

Ms M.J. DAVIES: I refer to page 233 of budget paper No 2, volume 1, and the same paragraph under "Building a Sustainable and Responsible Resources Industry" that talks about royalty revenue. Could the minister reflect on the sulphate of potash industry and whether there has been any progress since the announcement in November last year of the extension of the royalty rebate scheme established in last year's budget? Have any companies taken advantage of this royalty rebate scheme?

Mr W.J. JOHNSTON: I will ask the director general to make a comment, but at the moment there is no cost because there is no production. We are expecting production very soon.

Mr R. Sellers: In October last year, cabinet made a decision that when the four projects come into production, a non-repayable 50 per cent rebate on royalties will be paid for up to two consecutive years, or eight quarters, if first sales are made before the December quarter in 2027 inclusive. This means that any rebate, should a company go into production, could be paid up to the end of 2029. But as the minister mentioned, we are not there yet. We hope for some projects to come into production.

Mr W.J. JOHNSTON: I understand that some of them are close.

Ms M.J. DAVIES: Are we not yet in a position to take advantage of what was announced last November?

Mr W.J. JOHNSTON: The policy is in place, but nobody has claimed the rebate yet. We would love them to.

Ms M.J. DAVIES: Maybe the settings are not right, minister.

Dr D.J. HONEY: I refer to page 237 of budget paper No 2 and service 4, “Development and Implementation of Energy Policy”. Explanatory note 1 states that the increase in the total cost of service is primarily due to increased grants for electric vehicle charging infrastructure for local government, but it also says that there was a repositioning of the state underground power program and the household energy efficiency grants. Where have those two items been moved to?

Mr W.J. JOHNSTON: Mr Thomas is desperate to speak on this one.

Mr J. Thomas: Thank you, yes. The EV charging grants were added to our budget this year, over 24 months in the forward estimates. On the state underground power project, we discharged the final two projects during May this year and that totalled around \$2 million. Ultimately, round 6 of the state underground power program has been concluded. Our household energy efficiency grants is a \$13 million program to help 10 000 households experiencing hardship access energy efficiency measures. We repositioned that as a result of COVID-driven delays to getting that project up and going. We have moved from the pilot phase into the scale phase in the last few months, so we repositioned those funds.

[5.50 pm]

Dr D.J. HONEY: I did not quite understand the terminology of “repositioning”. Will the state underground power program continue under the auspices of the Minister for Mines and Petroleum? Has it moved somewhere else, or has it disappeared into the ether?

Mr W.J. JOHNSTON: We have changed the state underground power project. There used to be all these rounds. I must thank Dr Nahan because when he was the energy minister, he chose my street—believe it or not—to get underground power. I was one of the last people to get undergrounded under the projects under the Liberal Party. During COVID, there were a lot of delays and the project slipped. At the same time, there were different pricing structures. Western Power reviewed the way it does undergrounding, and we made an announcement in November that we were moving to a targeted underground power project. It will be led by the needs of the network rather than the bidding of the councils. That was a reform that, in retrospect, Dr Nahan would probably regret. He got councils to bid on how much they were prepared to contribute. One of the first things that happened to me when I became minister back in 2018 was that residents in Menora came to complain about the cost. But it was actually the council that had asked for that cost. The Mayor of Stirling came to see me and when I pointed out that that was the bid made by the City of Stirling, he said, “But I was not the mayor!” We got rid of that process, and it is now driven by the needs of the network. Western Power is working with local governments, years in advance, and saying, “In five years’ time, we will be back in this suburb to do renewal, so why don’t we talk about co-contributions?” The state government subsidy is now based on property values. In a residential area where the property values are low, we will make a contribution. In those areas where the property values are high, we do not make a contribution, or we make a small contribution. Therefore, it is driven by Western Power, which means more money is available by Western Power. It drives down the average cost to residents because Western Power has a larger proportion that it can contribute to the work because it has to spend the money anyway on the renewal of the assets. It gets rid of the bidding system, which might upset some councils, but it drives down the average cost of undergrounding, which is good for everybody.

Dr D.J. HONEY: Can the minister explain the process for the grants for the electric vehicle charging infrastructure for local governments?

Mr W.J. JOHNSTON: I will get Mr Thomas to speak to that.

Mr J. Thomas: On 16 February, we launched the EV charging grants, which apply to local government entities, not-for-profit agencies and small businesses. Ultimately, the first funding round seeks to provide up to 50 per cent funding to install up to four chargers per site. There is 75 per cent funding for a subscription to smart EV charging software, recognising that faster chargers will be funded in future rounds of the program. So far we have had around 100 applications for around 200 chargers, the first of which was installed last week down at Evedon park in Burekup, which is just below Wellington National Park. It is rolling out in both the metro and regional areas. I will note that we had a slight premium for regional locations where they can access a slightly larger amount.

Dr D.J. HONEY: The department has had about 100 applications. What process does the department use to decide who gets a grant? Is it a first-come, first-served basis? Is every application taken on board, or are some selection criteria used?

Mr W.J. JOHNSTON: Selection criteria is run by the agency. The minister is not involved in selecting grant recipients. I am happy for Jai Thomas to elaborate.

Mr J. Thomas: There is a selection criteria and it has some merit-based components to it. There is an upper-band cap on the funding available and the number of chargers to be installed. As I noted earlier, it is slightly higher for regional areas. Ultimately, at present, although it is a competitive round, generally speaking the applications have been successful. We are working with applicants who have not met the criteria to get further information into their proposals to meet the criteria.

Dr D.J. HONEY: Is the criteria published and available to all the applicants?

Mr W.J. JOHNSTON: Yes. It is all on the website.

Dr D.J. HONEY: I refer to page 238, under the asset investment program; the first cab off the rank is ICT infrastructure. The Auditor General came out quite recently with a report looking at cybersecurity practices in government. It found significant gaps. I am not trying to target the minister's department in this, but, obviously, the work that the minister's department carries out in managing the mines industry is enormously important to the economic wellbeing of the state. What programs does the minister have in place to protect the integrity of the computer systems in the department? Is there a renewed focus on that, or what is the focus on that?

Mr W.J. JOHNSTON: Yes, there is definitely a continuing focus on it. I invite the director general to comment.

Mr R. Sellers: Thanks, minister. We hold such a huge dataset that is worth, in any dollar terms, lots of money. We have been active in this space for quite some time. The Government Chief Information Officer and the Office of Digital Government have been working closely with the department. They have a series of applications and systems that they want in agencies. We had some existing ones. A couple of the ones we have are slightly better than the product that has been put across other agencies, so we are transitioning some that are workable to the state government cybersecurity providers and we are maintaining others with the slightly higher standards that were worked out previously when we were doing a lot of travelling with the commonwealth. At some stage in the future, we will merge into the systems that all governments are using, but we do not want to put anything potentially at risk by losing those systems until we are at that point.

Dr D.J. HONEY: Have there been any cyber attacks on the Department of Mines, Industry Regulation and Safety website to try to either corrupt or break into those systems?

Mr W.J. JOHNSTON: I do not know whether that is a good thing to answer. All government departments have challenges relating to cybersecurity, and I am not sure whether it is appropriate to comment on individual cases.

Dr D.J. HONEY: I refer to page 241, the details of controlled grants and subsidies, and the line item "Household Energy Efficiency Scheme", which has funding out until 2024–25. Is that simply because there is time to catch up on that, or will that scheme finish?

Mr W.J. JOHNSTON: I know that Jai wants to talk about it, so I will throw to him in a second. This is a project for 10 000 houses. When it was announced, it was for a finite number of activities so that is why the funding is specific. We did a trial of 50 houses in the metropolitan area and 30 houses in Port Hedland. We are now rolling out the scheme as a proper project. We work with the two government trading enterprises, Synergy and Horizon Power, and engage with non-government organisations. I will ask Jai to make a comment. This is one of those great schemes that is modelled on what is being done around the world. It is a really successful way to reduce people's electricity bills.

The CHAIR: Mr Thomas, with 17 seconds.

Mr J. Thomas: I will just add that this was initially funded under the Western Australian climate policy, and it was limited to 10 000 households so that we could test at scale but also inform any future iterations of the program.

The CHAIR: That will unfortunately have to do us, Mr Thomas.

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm