

IRON ORE AGREEMENTS LEGISLATION AMENDMENT BILL 2021

Introduction and First Reading

Bill introduced, on motion by **Mr R.H. Cook (Minister for State Development, Jobs and Trade)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR R.H. COOK (Kwinana — Minister for State Development, Jobs and Trade) [12.49 pm]: I move —

That the bill be now read a second time.

The purpose of this bill is to ratify two agreements made on 4 August 2021 between the state and the Mount Goldsworthy joint venture, which I will refer to as the “variation agreements”. This bill is necessary to give effect to the variation agreements as amendments to two state agreements—the Iron Ore (Mount Goldsworthy) Agreement 1964 and the Iron Ore (Goldsworthy–Nimingarra) Agreement 1972—which I will refer to as the “state agreements”. A key purpose of the variation agreements is to allow the Mount Goldsworthy joint venture, which I will refer to as the “joint venture”, to sell iron ore from existing stockpiles to a third-party purchaser for that third party to export. To put the variation agreements into context, I will provide some background on the state agreement and the need to vary the state agreements.

Since the 1960s, the Goldsworthy state agreement and, since the 1970s, the related Goldsworthy–Nimingarra state agreement have facilitated the development of iron ore mines and associated infrastructure in the Pilbara region of this state. This includes, among other things, the development of a number of iron ore mines in the Goldsworthy northern areas, which is located approximately 150 kilometres east of Port Hedland. BHP manages and operates iron ore projects approved under the two state agreements on behalf of the joint venture. BHP’s joint venture partners are Mitsui Iron Ore Corporation Pty Ltd and Itochu Minerals Energy of Australia Pty Ltd, both of which are Japanese trading entities.

In 2014, mining at the Goldsworthy northern areas was suspended as the cost of handling the stockpiles for export by the joint venture became uneconomic on an opportunity-cost basis—that is, it would displace tonnes from BHP’s logistics network that would be capable of being more efficiently mined and transported. This resulted in 40 iron ore stockpiles, totalling just over 7.4 million tonnes of ore, being left in situ. Since that time, BHP has undertaken various rehabilitation activities in the Goldsworthy northern areas.

BHP has proposed to sell the iron ore from these existing stockpiles to third parties at the mine gate, which the variation agreements identify as the exit point on the boundary of the relevant tenement held by the joint venture. Using their own logistics networks, the third party purchaser or purchasers will then transport the iron ore by road to Port Hedland for export. This proposed structure to sell the iron ore is currently not permitted under the state agreements. These variation agreements are therefore important as they facilitate the sale of iron ore that might otherwise ultimately remain in situ. The mine gate sale of this product will promote and assist in the post-COVID-19 economic recovery of the state through the generation of royalty income for the state and job creation in the Pilbara region. Based on the current Treasury forecast of an iron ore price of \$US64 a tonne and the exchange rate for 2021–22, it is estimated that royalties to the state from the mine gate sale of the stockpiled ore will be about \$63 million, but it could be significantly higher if iron ore prices remain elevated.

I now turn to the provisions of the bill and variation agreements outlined in the explanatory memorandum. The provisions of the bill seek to amend the state agreements by ratifying the two variation agreements referred to respectively as the sixth variation agreement set out in the seventh schedule of the Iron Ore (Mount Goldsworthy) Agreement Act 1964 and the fourth variation agreement set out in schedule 5 of the Iron Ore (Goldsworthy–Nimingarra) Agreement Act 1972. The key provisions of the variation agreements are essentially the same. Clauses 2(2) of each agreement will insert new clause 9DB into the Iron Ore (Mount Goldsworthy) Agreement 1964 and new clause 16BB into the Iron Ore (Goldsworthy–Nimingarra) Agreement 1972. This will define the ore stockpiles as comprising in aggregate approximately 7.4 million tonnes of iron ore across the two variation agreements and allow the joint venture to undertake, by approval of additional proposals reasonably necessary, commercialisation activities to carry out the sale of iron ore comprising the ore stockpiles to an arms-length purchaser. Those activities will include the crushing, screening and handling of the iron ore up to the relevant tenement boundary sale point. The joint venture will have up to five years to submit additional proposals under the relevant state agreement to commercialise the ore stockpiles to ensure the timely sale of the stockpiled iron ore. This period cannot be extended by the state agreement minister. The Mining Act royalty and additional rental regimes will be applied to the mine gate sale of the ore stockpiles.

This is an important bill. I commend the bill to the house.

Debate adjourned, on motion by **Mr P.J. Rundle**.