

POTASH ROYALTY RATE

**335. Mr R.S. LOVE to the Minister for Mines and Petroleum:**

I refer to the minister's decision to allow a five per cent royalty on Western Australian sulphate of potash producers, despite industry advice this level of royalty will cripple the industry's development.

- (1) Can the minister detail what investigation he undertook to determine the appropriate royalty rate for sulphate of potash?
- (2) Why did the industry's request for a new royalty for a new product fall on deaf ears when similar requests for other products such as diamonds and lithium hydroxide resulted in an option of bespoke royalty arrangements in mining regulations?

**Mr W.J. JOHNSTON replied:**

- (1)–(2) They are very broad questions. There are three separate issues there. Before I deal with diamonds and lithium hydroxide, I want to deal with the question of the royalty rate for potash, which has not changed. I refer the member to the “Financial Model—Key Assumptions and Results” in the Kalium Lakes Beyondie project publication of 18 August 2021 for its shareholders and the broader market. It details for investors that the royalty rate in Western Australia for potash is five per cent. In August last year, the industry knew the rate. It goes further. I also draw the member's attention to the material project metrics costs and production from Reward Minerals on 5 November 2020 that notes the net royalty is five per cent. There is no change to the royalty rate. The royalty rate for potash is the same today as it was under the Liberal–National government.

I want to let the member know about some of the benefits that this government has given the industry. Every time a member of the industry has come to talk to me, I have always said, “The royalty rate is the royalty rate, but I will look at other issues.” We have reduced costs for this industry by tens of millions of dollars by giving potash projects a bespoke mineral title. The new minerals in brine title has a much lower rental on the land occupied. That saves the industry tens of millions of dollars. We have also provided a bespoke rate for the mining rehabilitation fund. I make this clear: because these projects are long-lived—they are not like a goldmine that might be gone in seven years—the risk to taxpayers of rehabilitation is much lower, so we have been able to give a lower rate for the mining rehabilitation fund. These projects may last 20 or 30 years. Those two changes save the industry tens of millions of dollars.

I also want to remind the member that the price of potash is currently \$1 200 a tonne. That is \$400 more than it was last year. The additional revenue available to those companies is nearly 50 per cent —

An opposition member interjected.

**Mr W.J. JOHNSTON:** Prices go up and prices go down. Do you know what? When the price goes down, so does the income to the government. This product belongs to the people of this state. The idea that we would sell something that is worth \$1 200 a tonne for 79¢ is ridiculous.

The next item was about who we have consulted with. We have had a detailed level of consultation with every single company in the industry. We have had representations and I have had tens of meetings with people in the potash industry. Two companies had particular issues. They have allowed the Department of Mines, Industry Regulation and Safety to have a detailed examination of their accounts. Arising from that detailed examination, the department has recommended to the government that the royalty rate remain at five per cent. This is a high-value product. However, we do want to get these projects going and, for a limited time, we are giving a royalty rebate of 50 per cent that is non-repayable to projects that are in production before the end of 2024. This is their opportunity to get in there.

It is true that we changed the royalty rate for diamonds, but there is a reason for that. The royalty rate in the mining regulations has never been paid by any company ever. There were two diamond mines in Western Australia—one was the Rio one, which had a state agreement act and a specific royalty rate, and the other was the Ellendale mine, which had a special arrangement. All I did was take the special arrangement that had been applied to Ellendale and put it into the royalty regulations so that the diamond industry knew that it did not have to make a special plea to the government; it could simply have the royalty rate.

On the question about the royalty rate for hydroxide, we said that whether the product is exported or processed domestically, the royalty rate will be the same. It is called an input royalty on hydroxide. We charge five per cent on the value of the input, the spodumene, and not on the output, the hydroxide, because that is a transparent way of taxing. It means that there is no advantage for export, because we did not want to have a situation in which money could be saved by exporting and processing the product overseas.

I do not understand the problem here. The idea that we would sell a product worth \$1 200 a tonne for 79¢ is ridiculous. The 79¢ rate applies to sodium chloride—otherwise known as salt. Sulphate of potash has always been levied at the rate of five per cent.