



Hon. Peter Tinley, MLA
Chair
Legislative Assembly Economics and Industry Standing Committee

Sent By Email: laeisc@parliament.wa.gov.au

Attention: Vanessa Beckingham

Dear ~~Mr~~ Tinley

INQUIRY INTO WESTERN AUSTRALIA'S BILATERAL TRADE RELATIONSHIP WITH THE REPUBLIC OF INDONESIA

Thank you for correspondence dated 30 June 2022 requesting the Department of Mines, Industry Regulation and Safety (DMIRS) make a submission to this inquiry. I am pleased to provide DMIRS submission below:

1. *The role of the State Government within Australia's national trade and investment ecosystem, in relation to Indonesia, taking into consideration:*
 - a. *The Team Australia approach to the national trade and investment agenda led by the Department of Foreign Affairs and Trade and Austrade.*
 - b. *How the State Government could optimise outcomes for Western Australia by adopting a Brand WA approach to Indonesian trade and investment.*

Team Australia presents a single face to our trading and investment partners through its brand based on its competitive advantages and enhanced cooperation between business and government. Boosting exports to 35% of GDP by 2030 is a key target of Team Australia. Team Australia brings together business and government leadership, capabilities and resources in a unified and sustained push to achieve economic and commercial outcomes in the region.

As the Committee is aware, the Western Australian Government supports local businesses pursuing opportunities with Indonesia through the Invest and Trade WA Perth Hub and the Western Australian Government's Investment and Trade Office in Jakarta. This includes advice and assistance to Western Australian companies looking to export to Indonesia or attract investment to grow their business. These activities are facilitated by the Department of Jobs, Tourism, Science and Innovation.

The relationship between Western Australia and Indonesia is also supported by the Western Australia-East Java sister-state relationship.

Indonesia is a key market under Western Australia's Asian Engagement Strategy 2019-2030 which supports:

- maximising trade and investment opportunities
- Asia literacy and capability
- people-to-people links
- business networks and communities.

The DMIRS sees the potential to further optimise outcomes through a BrandWA approach which focuses on collaboration and partnerships in the mining equipment, technology and services (METS) and education industries.

2. *The current status of Western Australia's bilateral trade relationship with Indonesia, and implications of the ratification of the IA-CEPA (which establishes an economic powerhouse model of collaboration at the national level) with particular reference to job creation and economic growth into the future.*

The main resources exported from Western Australia to Indonesia by value are petroleum products (LNG, condensate, crude oil and LPG), iron ore, and alumina. Nickel, spodumene concentrate (lithium), mineral sands products, and salt were also exported from Western Australia to Indonesia in 2021-22

Indonesia was the State's 8th largest destination for oil and gas products (\$665 million), 6th largest destination for iron ore exports (\$885 million), and 13th largest destination for alumina (\$169 million) in 2021-22.

To put these figures into context, total mineral and petroleum exports from the State are estimated at \$226 billion in 2021-22. Total petroleum exports were valued at \$50 billion, total iron ore exports were \$132 billion, and total alumina exports were \$7.9 billion. Therefore, it can be concluded that Indonesia is not a major destination for resources exports from Western Australia

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force on 5 July 2020 and creates the framework for a new era of closer economic engagement between Australia and Indonesia. It will open new markets and opportunities for businesses, primary producers, service providers and investors.

The DMIRS acknowledges the opportunities for Western Australian businesses from the IA-CEPA, includes allowing for higher levels of Australian ownership in joint ventures set up for the provision of mining services in Indonesia (which includes protection against regulatory changes). The DMIRS also notes that IA-CEPA includes provisions for the future liberalisation for Australian universities to open campuses in Indonesia.

Indonesia has a large mining industry, producing globally significant levels of coal, copper, gold, tin and nickel. Opportunities for Western Australian businesses in Indonesia are therefore more in METS, rather than mining exports. Demand in Indonesia is strong for mining software, specialised mining equipment, education and training services and specialised mining consultancy services. Demand is also growing for technology and expertise in areas such as work safety, environmental sustainability and corporate social responsibility.

Western Australia has a well-established reputation in Indonesia as a global leader in the mining and METS sector. In partnership with Austrade, Western Australia's Investment and Trade Office in Jakarta has developed a report, "The Opportunity for Western Australian METS in Indonesia", which provides a roadmap for METS companies seeking access to the Indonesian market.

The DMIRS is committed to continuing to streamline approvals processes and progressing regulatory reforms to create a more attractive investment environment for the mining industry.

As part of Indonesia's transition to a low carbon future, the government committed to increasing its renewable energy mix to 51.6% in its recently released Electricity Supply Business Plan 2021-2030. This has led to an increase in demand for a skilled Indonesian renewable energy workforce. In June 2021, the Indonesian Ministry of Energy and Mineral Resources and the Western Australian Government signed a Memorandum of Understanding to promote collaboration between Western Australia and Indonesia on vocational education and training, especially in electrical and renewable energy. In addition to technical training, the Ministry of Energy and Mineral Resources is also looking to source Western Australian professional skills training, such as project management and leadership skills.

3. *The work of Invest and Trade WA in facilitating Indonesian trade and investment opportunities and measuring the success of those opportunities, in particular examining:*
 - a. *Engagement with Western Australian businesses that:*
 - i. *would benefit from the provisions in IA-CEPA;*
 - ii. *are not existing companies or industries that trade with Indonesia; and/or*
 - iii. *are looking to trade with Indonesia for the first time.*
 - b. *The facilitation of Indonesian foreign investment into the state.*

See responses to 1 and 2 above.

4. *Whether the State Government is adequately developing a bespoke, proactive, and long term engagement strategy with the Indonesia.*

Indonesia is emerging as a major competitor to WA's nickel industry. Indonesia has ambitions to produce higher value nickel products including a mixed hydroxide precipitate, used as a feedstock to produce battery cathodes.

Indonesia's nickel reserves are primarily nickel laterite which can be processed (although tends to be difficult and environmentally harsh) through high pressure acid leach processing (HPAL).

With respect to Indonesia's interest in securing supply for its own battery industry, nationalist ambitions coupled with strong investment from China could conflict with WA's own ambitions of developing a precursor cathode active materials (PCAM) industry and Australia's prospects of setting up battery assembly factories in the future.

Indonesia is also seeing strong investment from China to build battery PCAM and Gigafactories as part of building their own integrated battery manufacturing and assembly industry.

Thank you again for the opportunity to provide this submission. If you require any further information please contact Michele Spencer, Executive Director Geological Survey and Resource Strategy Division, on (08) 9222 3831 or by email at michele.spencer@dmirs.wa.gov.au.

Yours sincerely

A handwritten signature in black ink, consisting of a series of connected strokes that form a stylized, somewhat abstract shape.

Richard Sellers
DIRECTOR GENERAL

23 September 2022