To the Committee,

In response to the following question from Senator Reynolds...

"This is obviously a key part of your recommendation, and for the committee to consider it seriously, perhaps you'd like to provide some more information about how you think that could work. If you seriously expect a company or a bank to be able to provide billions of dollars worth of unsecured guarantees, or if you're saying the fallback is the Australian taxpayer, again, where's the money going to come from? As you know taxpayers' money has got to come from somewhere. If you could perhaps provide some more advice on how you would see that working, I think we'd appreciate that."

...I provide the following evidence:

It is our position that under no circumstances should government or tax payers post bonds for mining rehabilitation. I do not suggest there is any part of the federal budget that should be diverted for the purpose of securing mine rehabilitation bonds. It is precisely because of the huge cost burden on state and territory governments from the irresponsible practice within the mining sector of not rehabilitating mines, that mining rehabilitation has become an important policy agenda issue for state and territory governments and the commonwealth government.

I point to existing legislation in New South Wales, the Northern Territory and Victoria which all require 100% mine closure bonds (bonds or bank guarantees that equate to 100% of the anticipated cost of mine rehabilitation). Tasmania, Queensland and South Australia also all require bonds. In WA the Minister can apply a bond.

In Western Australia there has been a significant amount of work done by the Department of Mines and Petroleum to develop a method to calculate the mine closure cost. This may or may not provide a good model to calculate the costs. I suggest there would need to be specific inquiry into various calculator models and how successful or not those models have been before advocating for a single model. The Conservation Council of WA has not done such a study and so we do not advocate for a specific model. However we do consider that the rehabilitation costs will vary from year to year and that the rehabilitation costs and the bonds held for rehabilitation should be reviewed and adjusted annually to equate the full 100% expected cost of closure.

NSW was the first jurisdiction to apply 100% mine closure bonds, in 1974. NSW have approximately 500 + abandoned mines - this is by far the smallest number of abandoned mines in any jurisdiction in Australia (outside of the ACT). For example WA has 18,000 abandoned mines, Tasmania has around 4,000, Qld has about 15,000, SA has around 3,000 and Victoria has about 19,000. Given that NSW applied 100% bonds relatively early (1974 compared to the mid 1990's and early 2000's) and that they have the smallest number of abandoned mines, one could conclude that the 100% bonds were most effective in avoiding mine abandonment and therefore are an effective method of regulation against the abandonment of mines. (A full analysis of all the different policies relating to mining legacies in each jurisdiction in Australia can be found here: https://www.ausimm.com.au/publications/epublication.aspx?ID=15932 in a paper titled Mining Legacies – Understanding Life-of-Mine Across Time and Space produced by the Mineral Policy Institute).

In response to Senator Reynolds question, from myself, the Conservation Council of WA, our member groups and I think the general public, yes there is a very serious expectation that companies and their financial backers would provide millions (not billions) in bank guarantees/ bonds / unconditional performance bonds, and that this expectation is not unreasonable given that it is an industry norm in many jurisdictions in Australia and overseas.

Thank you again for the opportunity to provide evidence to the committee, good luck with your deliberations.

Regards
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