

NICKEL (AGNEW) AGREEMENT AMENDMENT BILL 2023

Second Reading

Resumed from 28 March.

DR D.J. HONEY (Cottesloe) [10.50 am]: I rise to contribute to this debate on the Nickel (Agnew) Agreement Amendment Bill 2023. I indicate at the outset that we will be supporting the bill and will not require the bill to go into consideration in detail. The minister's officers are free to go —

Mr R.H. Cook: A big thumbs up is coming from the back of the room.

Dr D.J. HONEY: — unless they want to send me questions that they are keen to have asked. I would be happy for the minister to answer any queries, but I do not believe I have any.

This bill will allow for the amendment of the Nickel (Agnew) Agreement Act 1974 that was established to set up one of the first nickel mines in Western Australia under a state agreement. This bill has been necessary because of limitations in that act and a desire to co-process additional materials at the Leinster concentrator. As was required by that agreement, this bill was introduced into the upper house before June and it must pass this house before December this year, and we are happy to support the government in this cause.

I am sure that everyone in this place is probably now an expert on the role of nickel in our economy. It is an important metal for the modern economy. This is an area that is close to my heart. My PhD studies were on base sulphide minerals, and I ended up working for Western Mining Corporation for four years. In fact, I set up a metallurgical research group to look at better ways to recover or convert nickel in ores into nickel metal products. I did considerable work in all Western Mining's operations, but in particular the nickel refinery at Kwinana. Despite the Minister for Sport and Recreation's earlier comments, I have a long association with the Kwinana and Rockingham area going back to the early days of my career.

When I was more youthful than I am now, nickel was primarily used in stainless steel. That was pretty well the major market for it globally. Nickel was used in electroplating and other things, but really they were minor uses. We are now looking at another use for nickel, but what a marvellous material is stainless steel. It has helped to progress our modern economy all the way from surgical areas, in which stainless steel is predominantly used because it is so easy to keep clean and maintain hygienic conditions, through to household products and areas in which corrosion is an issue. That was a critical use back then, but now 85 per cent of nickel sold globally is for the battery market.

It is interesting to note that my team was involved in work to substantially increase the efficiency of the nickel refinery at Kwinana, but despite that good work done by Western Mining and other folk, the nickel refinery was going to be shut down. In fact, BHP was looking to off-load and disburse the nickel refinery amongst some of its other businesses in South32, but, fortunately for Western Mining and for Western Australia, because we retained the continued advantage of downstream processing, BHP was unsuccessful in selling it. I think the problem was that BHP could not find a buyer. Suddenly, the whole explosion in renewables led to a massive demand globally for nickel and, to date, we do not have enough nickel and cobalt for likely global demand. Now 85 per cent of nickel is sold into the global battery market. I understand that in terms of pure nickel content, a Tesla car, for example, contains around 40 or 50 kilograms of nickel, which is a very large quantity. I understand that BHP made the decision that it would move from nickel metal.

It is funny how in our personal life a strength can become a weakness and a weakness can become a strength. Initially, all nickel globally was made in very pure form, typically by electrolysis. Western Mining used a novel hydro-metallurgical process. Nevertheless, because nickel was predominantly used in stainless steel, pure nickel was not required. In fact, nickel prices were controlled by the west. Canada and Australia were the predominant producers of nickel—and also Russia. As the Chinese economy grew, and stainless steel was a critical industrial metal, the nickel price increased, so the Chinese developed a new technology that produced what is called “nickel pig”, which is a crude and very impure form of nickel but its principal contaminant is iron. It was a very dirty pyrometallurgical process; I do not think it was good for the environment at all. Nevertheless, it was a very low-cost process that made nickel from nickel laterites and dramatically plummeted the price of nickel. That was one reason Western Mining was looking to get out of that business. Its weakness was that it produced a beautifully pure nickel, 98 per cent pure nickel, but it was costly to produce that very pure material and it was not competitive on the global market.

Then, electric vehicles came along. As members would be aware, and the Minister for State and Industry Development, Jobs and Trade is certainly very aware, batteries need very pure materials because it is critical for battery efficiency. We had a refinery that was making the purest nickel in the world and it realised that it could be converted to nickel sulphate by putting on an additional process. All of a sudden, the refinery's weakness in producing a high-cost and very pure material became a massive competitive advantage. It would easily be

the largest manufacturer of nickel salts in the world now, and what a wonderful outcome. I know that the minister is passionately concerned with this as the refinery is based in his electorate. I know that he has maintained a keen interest in that refinery over his career. It has been a marvellous thing for not only Western Mining, but also Western Australia.

I will not dwell on this point too long as I said I would go through this quickly, but we in this place should all keep in mind how wonderful it is when we go downstream with these minerals because of the quality of jobs that we create for people when doing so. It is the next level in terms of sophisticated and interesting jobs, and the return to the Western Australian economy is dramatically greater than if we were selling concentrate or even metal offshore. That plant produces around 100 000 tonnes per annum, which I understand will provide nickel for up to 700 000 electric vehicles. This is a substantial contribution on a global scale.

I quickly touch on the substance of the bill. I have already discussed the reason behind the amendments, but I touch on a couple of other aspects. First, the bill will increase in the mining lease rentals and royalties. That is a good thing. It means that the government will have more money to carry out the things that government needs to do. This bill will modernise that original agreement and bring it more in line with current agreements. It will provide for the development of an agreed community development plan.

I will dwell on that for just a second. It is an aspect that we collectively need to focus on more. When these agreements with companies were originally undertaken, a lot of focus was placed on the companies investing into their local community. In fact, Mt Magnet, Tom Price and Karratha are the current modern communities because the companies were forced to invest money into them. I read about this in a recent biography about Sir Charles Court. Perhaps we should look at the degree to which companies really substantially contribute to communities in which they operate. They have drifted away from that original intent with the fly-in fly-out style at the moment. However, part of this agreement is having an agreed community development plan and a local participation plan. Obviously, these plans are good for those local communities where companies are operating, paying a levy into the mining rehabilitation fund.

I focus for just a minute on BHP Nickel West Pty Ltd developing an agreed mine closure plan. I have said in this place on a number of occasions—I think we should all take it to heart—that an enormous issue in this state is the likelihood that the taxpayer will pick up a massive cost for rehabilitation or closure of mine sites, particularly for mine residue operations and the like. We should all have that in our minds, especially as mines and mine operations become more mature. We want companies to not leave a legacy for the taxpayers of Western Australia, when all of this great mineral wealth is gone, of a community burdened with massive closure and rehabilitation costs. This will require Nickel West to pay the mining rehabilitation fund, which is a good thing put in place to help mitigate the likelihood of the taxpayer picking up bigger costs.

The bill will allow Nickel West to sublease parts of Leinster township without ministerial approval, and that makes sense. That will be done in conjunction with the local community. Otherwise, as said at the outset, the Liberal Party supports this bill. The changes in this bill will enhance our nickel industry in the state. It will provide an increase in revenue for the government and Western Australia. In particular, it will enable more electric vehicles to be made, because nickel is a critical mineral for those batteries and for our general energy transition.

I commend the bill to the house.

MR R.H. COOK (Kwinana — Minister for State and Industry Development, Jobs and Trade) [11.02 am] — in reply: What a cracking speech on the second reading debate by the member for Cottesloe. That was the best one I have heard so far; it was great! I defer to the member's expert knowledge in this area. We knew that he had some insights, but that really was quite an interesting contribution. Thank you, member.

I thank all members who have contributed to this debate—all two of us. As is often the custom in this place, state agreement legislation goes through with the support of both sides of the chamber, and, again, it is greatly appreciated. This is an important piece of legislation. The member talked about the Nickel West operation in my electorate of Kwinana, and he is quite right. The first time I went there, they were almost eulogising it. It was preparing, essentially, to either offload or shut down. It was a very sad outlook. As the member said, the world has changed, has it not? This is now a very exciting area to work in. As the member observed, updating this state agreement that has been in place since 1974—a legacy state agreement, if you like—is a great opportunity to make sure that we do things expected in the modern framework. It has been a really good opportunity for the state, through this state agreement amendment bill, to put on the table and provide a template for future resource companies on the sort of expectations on these things.

As the member said, the bill looks at three really important components. Obviously, the community development plans play a very important role. Many companies, in this case, BHP, do these things automatically, but this gives us an opportunity to tick-off and receive a report and acknowledge that work. It is important, because the state wants these companies to not only do the heavy lifting, but also have a social licence to operate, and doing that work is an important component of that process.

The other important new aspect is the local participation plans. This will give us an opportunity to have a line of sight into what the company is doing to generate an indirect economic outcome as a result of the work being undertaken, through local employment, local contracts and things of that nature.

The contribution to the mining rehabilitation fund is an important addition to the state agreement. As the member for Cottesloe would be aware, this does not get companies off the hook; they still have to undertake their own mine rehabilitation as part of the closure plan. However, the government will now have a greater contribution towards that statewide insurance policy in case a distressed company leaves a stranded asset for which the taxpayer would have to pay. Therefore, the contribution towards that fund is very important.

During debate on the bill in the Legislative Council, the Leader of the Opposition in that place asked that I respond to three questions. I take the opportunity to do that now. The first question was —

What is the mining rehabilitation fund levy Nickel West is expected to pay?

I am advised that Nickel West's mining rehabilitation levy is estimated to be approximately \$370 000 per annum for the state agreement mining lease. This will be in addition to the levy paid for Nickel West's non-state agreement tenements granted under the Mining Act 1978, which in 2022 was \$118 000.

The second question was —

What is the total expected cost of rehabilitation of the state agreement mine site?

I am advised that BHP carries out a provision for closure and rehabilitation of all its operations on its balance sheet for the 2022 financial year. This provision was \$US8.7 billion, calculated pursuant to the relevant accounting standards. This includes an amount for Nickel West, and specifically the Leinster operations, subject to the Agnew state agreement. Given the confidential nature of specific operations and site closure and rehabilitation provisions, Nickel West is unable to disclose an amount for Leinster. It should be noted, however, that there is an approved mine closure plan for Leinster.

The third question was —

Can the Legislative Assembly be given a map of the area the subject of the bill?

In response, I table a map of the area the subject of this bill.

[See paper [2169](#).]

Mr R.H. COOK: I thank all involved in the smooth passage of this legislation. It is important because it significantly updates the template for what will be regarded as the standard for state agreements and state agreement amendment bills going forward. This will provide a good signal to the industry about our expectations in this place to ensure that these companies are doing the right thing by the people of Western Australia. I commend the team involved in the negotiations, drafting and development of this bill. Thank you very much for your work. I am sorry they cannot join me down here to be cross-examined in detail about the bill. Once again, I place on the record my thanks to the opposition for the speedy passage of this bill today.

Question put and passed.

Bill read a second time.

[Leave granted to proceed forthwith to third reading.]

Third Reading

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