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Critical Minerals Office
Department of Industry, Science and Resources
10 Binara St
Canberra ACT 2600

By email: CMOconsultation@industry.gov.au

RE: Updating Australia's critical minerals list

The Australian Industry Group (Ai Group) welcomes the opportunity to provide feedback on the review of the Critical Minerals List.

Ai Group is a peak national employer association representing and connecting thousands of businesses in a variety of industries and sectors across Australia. Our membership and affiliates include private sector employers large and small from more than 60,000 businesses employing over 1 million staff.

Ai Group welcomes the Australian Government's commitment to critical minerals industries. Australia was one of the first countries to develop a specific critical minerals strategy in 2019. This was updated in 2022, and again in 2023, to reflect a growing suite of policies designed to support the industry's development.

It is appropriate, in light of the new Critical Minerals Strategy of June 2023, to also review the associated Critical Minerals List.

Australia finds itself in a unique position as both a critical mineral using and exporting economy. For most other countries which have developed a critical minerals list, it primarily functions as a tool to identify demand-side gaps: those minerals which are needed by industry but might be classified as critical due to a combination of its economic importance and potential supply risk.

However, as one of the world's leading suppliers of critical minerals, Australia's list must reflect a broader set of industrial priorities. We need to identify both *demand-side risks* (critical minerals needed by industry) and *supply-side opportunities* (critical minerals we can develop for export to strategic partners). With the exception of Canada, no other country with a critical minerals list needs to reflect both demand- and supply-side policy objectives.

For this reason, Australia's critical minerals list must adopt a different methodology to that of our peers. There will be some critical minerals which are prioritised primarily as an export opportunity, some which are developed for use by local industry, and others which will serve both domestic and international markets. The conventional definition of a critical mineral – high economic importance and potential supply risk – will be insufficient to support the diverse range of industrial objectives which Australia seeks to pursue in this area.



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Ai Group does not offer specific suggestions for which minerals should be included on the critical minerals list at this time. However, we offer the following four principles for how this analysis should be conducted.

1. Reflect both Australia's producer opportunities and consumer needs.

The Critical Minerals List needs to strike a balance between identifying minerals in which Australia can be a global supplier, and those in which we need to secure our own supplies.

For supply-side opportunities (i.e. those developed primarily for export), Australia needs to consider which minerals – and at what stage of processing – are most needed by our strategic partners. In this respect, the critical minerals list of our partners are just as important as our own, as they define the areas in which partner governments are supporting the development of new value chains.

There are reasonable grounds to include minerals on the list which are highly critical for our partners but less critical for our own domestic industry, reflecting the export-orientation of our resources sector.

For demand-side needs (i.e. those developed primarily for local markets), Australia needs to consider the structure of our own industrial needs. These should include both the needs of current industrial users, as well as areas in which Australia could build new industrial capabilities leveraged off our existing resource base and mining capabilities.

It is likely that some critical minerals will initially be developed for export markets, as these will provide the scale to achieve efficiency and technological development. As these industries are developed, Australia can then realise ambitions to 'move along the value chain' to mid- and down-stream activities. In this way, critical minerals that start as an export opportunity on the supply-side may mature into a domestic focus on the demand-side over time.

2. Ensure the list plays a meaningful role in policymaking and diplomacy

To be meaningful, the Critical Minerals List should help target Australian policy efforts towards those minerals facing significant supply risk and/or posing the greatest commercial opportunities for Australia. The list could potentially serve a number of functions:

- As a qualification criterion for Critical Minerals Office (CMO) administrative support
- As a non-mandatory criterion for other government grant and assistance programs, such as the EFA Critical Minerals Facility, National Reconstruction Fund resource value-add priority area, the Industry Growth Program, and other related programs
- For targeted export promotion and investment attraction programs of Austrade
- For Australia's broader economic and commercial diplomacy, such as in free trade agreements, intergovernmental Memoranda of Understanding, and other G-to-G activities with strategic partners

Importantly, inclusion on the Critical Minerals List should indicate that a higher priority is accorded in the above activities than would otherwise be provided to a non-critical mineral or



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manufactured good.

A further area of importance for critical minerals projects is regulation and permitting, which for many issues is the purview of state governments. As a Commonwealth policy, the Critical Minerals List does not automatically reach into policy and regulatory areas administered by the states. However, stronger Commonwealth-state coordination on critical minerals policy could assist in ensuring these priorities identified in the List are also reflected in state-level regulations.

3. Differentiate criticality based on the stage of the value chain.

Criticality usually occurs at a specific stage in the value chain for a particular mineral. Taking the lithium battery chain as an example, the greatest supply risk occurs at the midstream stage (cathode precursor materials and cathodes), where supply is concentrated in a small number of producers. By contrast, there is more diverse supply patterns at the upstream (lithium mining) and downstream (cell production) stages of the value chain, making midstream processing the most risk-affected stage of the value chain.

Critical minerals policy should target efforts at those stages where criticality is greatest. It would be inefficient to support minerals extraction activities in a value chain where processing faces the greatest supply risk, or vice versa.

It is also those areas where supply risk is greatest that Australia has the best commercial opportunities in competitive world markets. Australia is most likely to attract investment, and/or obtain price premia, for critical mineral products that are subject to supply risk.

It is not recommended to develop multiple critical mineral lists – i.e. one for raw materials, one for processed minerals, one for manufactured products thereof, etc. This would produce an excessive number of complexly nested lists. It may also be difficult to demarcate products between the competing lists (for example, determining whether lithium hydroxide be considered on the mining or processing list).

The Australian Critical Minerals List should identify which stage of the value chain is critical for each included minerals, and direct policy support to that specific stage. This will vary between down-, mid- and upstream stages based on factors unique to the mineral in question.

Should you wish to discuss the matters raised in this submission, please contact our Director of Research and Economics Dr Jeffrey Wilson at jeffrey.wilson@aigroup.com.au

Sincerely yours,

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