



171 Collins Street
Melbourne, Victoria 3000
Australia
T +61 3 9606 3333
F +61 3 9609 3015
bhp.com

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National Water Reform 2020
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003

Via email: water.reform.2020@pc.gov.au

To whom it may concern,

Re: National Water Reform

BHP welcomes the opportunity to provide comment on the Productivity Commission's Issues paper on National Water Reform during this important review period.

About BHP

BHP is a leading global resources company. Our purpose is to bring people and resources together to build a better world. BHP has an extensive presence in Australia.

Our operations in New South Wales, Queensland, South Australia and Western Australia produce copper, gold, iron ore, metallurgical coal, nickel, oil and gas, thermal coal and uranium. We have over 39,000 employees and contractors in Australia. Our total economic contribution in Australia was US\$29.5 billion in FY2019, including US\$7.1 billion in taxes, royalties and other payments to governments.¹

Our approach to water stewardship

Water is integral to what we do and vital to the sustainability of our business. We cannot operate without it. We interact with water in a number of ways, including extracting it for processing, cooling and dust suppression, managing it to access the orebody through dewatering and diversions of rainfall runoff,

¹ BHP (2019), Economic Contribution Report 2019, available at: <https://www.bhp.com/-/media/documents/investors/annual-reports/2019/bhpeconomiccontributionreport2019.pdf>

providing drinking water and sanitation facilities for our operations and surrounding communities, discharging it back to the receiving environment, and managing it in tailings and dam storages.

In the 2019 financial year, BHP developed its global Water Stewardship Position Statement² that expresses our commitment to and advocacy for effective water stewardship across the globe and in Australia. We began implementing this in the 2020 financial year. It outlines our position for a water secure world by 2030 and is aligned to the UN Sustainable Development Goals.

In summary, our position statement includes our three fold commitment to:

- Our water stewardship vision – a water secure world by 2030
- Our water stewardship commitment – realising the vision within our operations
- Our water stewardship contribution – realising the vision beyond our operations.

It is our third point around our contribution that is most relevant to the Productivity Commission's Issues Paper on National Water Reform. As part of our commitment, we will look beyond our operations to engage with rural communities, government, business and civil society with the aim of catalysing actions to improve water governance, increase recognition of water's diverse values and advance sustainable solutions.

It is in this spirit of transparency that we share the following views on the Issues Paper.

Our views on the Issues paper

As a large mining company with diverse interests in water-related issues across Australia and having a firm commitment to continually improving its water stewardship, BHP is keen to remain engaged in these regulatory review processes. We believe our scale and experience interacting with water-related issues can enhance the national and regional conversations regarding any regulatory proposals that may be under consideration.

BHP continues to support the overall intent and progress of the National Water Initiative (NWI), and supports efficiency and transparency in regulation and planning. This provides certainty for both governments and industry, preventing situations where operations and projects become stalled in "red tape" and the social and economic benefits of projects are not able to be realised swiftly. Through a focus on efficiency, all stakeholders have increased capacity to focus on policy and governance, which alongside efficient regulation can result in positive long-term outcomes in regards to water stewardship.

Our submission focuses on the issues and themes outlined within the Issues paper, including:

1. Water entitlements and planning
2. Water markets and trading
3. Water accounting and compliance
4. Environmental water management
5. Indigenous water use
6. Water services

² BHP(2019), Water Stewardship Position Statement, available at: <https://www.bhp.com/investor-centre/-/media/documents/investors/annual-reports/2019/bhpsustainabilityreport2019.pdf#page=49>

7. Investment in new water infrastructure

We provide our views on areas for improvement in each of these areas below.

1. Water entitlements and planning

The NWI identifies water planning as a key mechanism to enable governments to make balanced water management and allocation decisions, and specifies agreed outcomes for water access entitlements and planning. Each State and Territory has adopted its own approach to water planning, with statutory water plans being the main instrument that define how water is shared between consumptive users and the environment. A range of emerging challenges to the management of water resources (such as the impacts of climate change), may require a review of existing water plans, or accelerate the development of new plans.

BHP operations access water from a wide range of different sources, including (but not limited to) self-extraction from groundwater resources, surface water capture and as a customer of third party supplied raw and potable water systems. We have a clear interest in the water planning and allocation process for regions and catchments that intersect with our operations. Planning is the fundamental mechanism to enable transparent and balanced decisions on these water allocations and to support ongoing improvements.

In conjunction with stakeholders, BHP believes that all States and Territories should continue to work hard at adopting the principles of the NWI water entitlements and planning, including the development of statutory plans and providing long term security for water allocations. This should include the recognition of all extractive industries into water planning frameworks and allocations (for petroleum and minerals), frameworks for cumulative impact management, along with emerging requirements of climate change and cultural and spiritual connections to water resources.

BHP recognises that the extractives industry in general have an ongoing role in gathering data and where appropriate and legal to do so, share water resource data that may underpin multi stakeholder decision-making across the remote areas in which it operates. We would be happy to talk further with the Productivity Commission for ways to achieve this.

2. Water markets and trading

The NWI aims to facilitate efficient water markets and remove residual barriers to trade.

Our operations have a diverse and variable water supply/demand balance owing to changes in climatic and seasonal conditions, geological settings and changes in mine plans owing to economic drivers. Some of these operations will have periods of excess water supply, during which time it will seek to dispose of excess water of varying quality to the environment and other users. We see the benefit of a renewed focus on the use of water trading in the remote areas in which we operate to offset its varying water requirements, or to allow trading/ transfer of water rights to third parties in regions with surplus water. We also see the benefit of understanding and applying the learning from regions where water markets and trading are active, such as the Murray Darling basin.

3. Water accounting and compliance

The NWI outlines the requirement for adequate measurement, monitoring and reporting systems across all jurisdictions, to underpin public and investor confidence in the volumes of water extracted, traded and managed.

BHP recognises the importance of strong, consistent and transparent water governance and are continually improving our monitoring and water accounting processes to be in line with industry standards and best practice. Our Annual Report describes how we fulfil the commitment made in our Water Stewardship Position Statement to transparently disclose water related risks, management and performance. We welcome ongoing focus in NWI on appropriate water reporting by all industries and water users.

4. Environmental water management

The NWI principles continue to establish the environment as a legitimate water user through water plans and other governance arrangements. This aligns with our company Water Stewardship position.

BHP supports the need for the recognition of environmental water requirements, including groundwater dependent ecosystems. BHP believes there should be nationally consistent principles for the consideration of environmental water requirements. The principles should recognise the importance of scientific understanding and clearly defined environmental values in planning and management decisions; and the necessity for clear and efficient processes.

5. Indigenous water use

The NWI recognises the water needs for Indigenous Australians, and the necessity to consider these needs in water access planning and management. The Commission's 2017 Inquiry noted that NWI reform priorities should include revising policy settings to address the needs of Indigenous Australians.

BHP acknowledges the traditional rights of Indigenous peoples and their right to maintain their cultures, identities, traditions and customs. We are continually evolving our strategies and policies regarding the recognition of, and engagement with, Indigenous peoples (including our Reconciliation Action Plan 2017-2020³, BHP Indigenous Peoples Policy Statement⁴ and cultural awareness training for all employees). The water needs of Indigenous Australians is an important issue across all jurisdictions. BHP supports discussions and guidance at a Federal and State level along with the inclusion of Indigenous water considerations into State and Territory water planning, with those considerations being informed by the views of Indigenous Australians.

³ BHP (2020), BHP Reconciliation Action Plan 2017-2020, available at: https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/180717_bhpconciliationactionplan.pdf?la=en

⁴ BHP, Indigenous Peoples Policy Statement, available at: https://www.bhp.com/-/media/documents/ourapproach/operatingwithintegrity/indigenouspeoples/200619_indigenouspeoplespolicystatement_2019.pdf?la=en

6. Water services

The NWI outlined a range of actions regarding how water services would be delivered to rural, regional and metropolitan customers. A number of objectives were included for water pricing and institutional arrangements to promote economically efficient and sustainable use of water resources, and appropriate cost recovery through transparent pricing mechanisms.

BHP supports efficient regulation to ensure the safe distribution and supply of water to small rural communities and users. We are both users of water (both potable and raw) from third-party systems (generally supplied via government-owned utilities) and suppliers of potable water to nearby small communities. Water services regulation and cost recovery models should consider unique situations in rural communities.

7. Investment in new water infrastructure

The NWI provides limited guidance on how and whether governments should invest in new or refurbished water infrastructure.

BHP believes that regional communities, governments, businesses and civil society must work together so that water distribution and storage has the appropriate level of infrastructure funding and management during drought and flood periods. The investment in new or refurbished water infrastructure to enable sustainable regional development either by government or co-funded by industry requires transparent benefit-cost analysis with clear principles which may need to recognise commercially sensitive information such as a co-funder's operational costs.

Conclusion

Thank you for the opportunity to provide our views on the National Water Initiative. BHP is committed to working with stakeholders, including Australian governments of all levels to achieve strong, consistent and transparent water governance that reflect community expectations and Indigenous values. We would be happy to expand on any of the subjects raised in this submission, if required. Please feel free to contact myself using the details below.

Kind Regards

Blair Douglas
Global Practice Lead Water Management, BHP