

14 February 2006

Minerals Council of Australia

Ms Vicki Thompson  
Water Study Productivity  
Commission LB2 Collins St  
East Melbourne VIC 8003

**Re: Productivity Commission Inquiry into Rural Water Use and the Environment**

Dear Ms Thompson

Thank you for providing the Minerals Council of Australia (MCA) with an opportunity to make a submission regarding the use and management of water in rural Australia.

Whilst the terms of reference to this inquiry do not specifically mention the minerals industry, access to water is one of the most critical business imperatives for the minerals industry, and is arguably only second to the need for access to land in terms of the natural resource requirements for some projects. The effective management of water throughout the minerals processing cycle is an essential business consideration, with either too little or too much water representing a significant management concern. The minerals sector also makes a major contribution towards the discovery and development of new water reserves.

The approach to water management by the MCA can be summarised into three main areas:

- a commitment to building the capacity of the industry to manage water throughout its life cycle, consistent with international principles of sustainable development;
- strong support for a national, market based system of allocating water that is informed by the best available science; and
- a focus on building partnerships with governments and other stakeholders to arrive at a shared understanding of how to best manage our water resources.

*Building capacity through Enduring Value*

The Australian mineral industry is committed to the sustained growth and prosperity of current and future generations through the integration of economic progress, responsible social development, and effective environmental management.

The principal example of the MCA's commitment to capacity building within the Australian minerals industry has been the development of *Enduring Value - The Australian Minerals Industry Framework for Sustainable Development*. This framework supports the implementation of sustainable development principles within the Australian minerals industry (please find a copy attached).

Enduring Value forms the principal framework for supporting the up-take of policies and practices to ensure that current activities in the minerals sector are attuned to community expectations and do not compromise the ability of future generations to meet their own needs.

Enduring Value establishes a generic industry framework for managing the environmental, social and economic aspects of mineral operations, and commitment to this framework is a condition of membership to the MCA.

Within Enduring Value, there is a strong focus on materials stewardship, which is the management of materials throughout their life cycle to both maximise returns and efficiencies, and to better manage the social and environmental impacts of their production and use. Materials stewardship is an emerging concept within the industry to support the sustainable production and use of our products, and has particular application to water management.

To give a specific example of how Enduring Value supports the sustainable use of water at site level, the elements contained under Principle 8 aim to facilitate and encourage the responsible product design, use, re-use, recycling and disposal of our products.

Element 8.2, which sits under this principle, states that signatories should conduct or support research and innovation that promotes the use of products and technologies that are safe and efficient in their use of energy, natural resources and other materials.

The implementation guidance for element 8.2 includes, amongst other measures, that companies review usage and innovate to improve the efficiency of water usage, taking the requirements of current and future water users into account. There is also a specific reference to the need to consider water quality and environmental flows.

These links from principle to on-site implementation that I have just outlined illustrate the central function of Enduring Value: to support the on-site implementation of international sustainable development principles throughout the Australian minerals industry.

In addition to the scientific and technical issues, the management of water has always included a strong social and community development element. This includes recognising that water is a community resource with inherent cultural, social and socio-economic value. Accordingly, the elements and implementation guidelines under Principle 9 of Enduring Value require signatories to engage with affected communities at the earliest practical stage of a project, and to implement systems to appropriately manage both the positive and negative effects of mining and mineral processing.

Enduring Value is underpinned by a number of strategic partnerships to assist implementation of the Framework at site level. The MCA will continue its ongoing relationship with key research organisations throughout 2006 to improve the capacity of the minerals industry to respond to the challenges of water management, particularly in the areas of monitoring and metrics, groundwater management and water treatment technology.

#### *Water reform*

In recognising the critical role that water plays in the minerals processing cycle, the MCA has maintained an ongoing interest and engagement with the national water reform process. The MCA supports the objectives of the National Water Initiative and considers efficient and cost-efficient access to water for the minerals industry can be achieved by ensuring that:

- all water management decisions are based on sound science;
- water allocations are guaranteed, and they should not be able to be altered (reduced or removed) by governments except in exceptional circumstances such as drought;
- risks associated with changes to water allocations due to exceptional circumstances are shared between government and industry. This is critical as the extremely variable nature of water supply in Australia has the potential to create substantial risks;
- the establishment of a national water market within and between States and Territories is based on the relevant parameters of the region (catchments and basins), and provides an adequate provision of water for the environment;
- the effective operation of a national water market is not limited by the application of any sector based subsidies or rebates, or artificial barriers or impediments to trade; and
- water pricing is based on a user pays system that incorporates all costs and provides preferential access to high value water users.

The MCA also supports the provision of incentives to encourage efficient water use. There has been significant use of rebates and other incentive schemes to encourage the uptake of efficient water use technology for domestic water users, and the extension of this approach may assist in the uptake of re-use and recycling technology within the minerals industry.

The management of water in the Australian minerals industry is significantly different to other water users. Accordingly, the National Water Initiative has specifically recognised the unique aspects of the minerals industry's water use in Clause 34. These include:

- mining is often carried out in remote locations, where there is often (but not always) limited competition with other water users;
- minerals projects are carried out over a relatively short timeframe, as opposed to other users, which are often present in perpetuity. This is particularly relevant when dealing with groundwater, which can recharge over a long timeframe;
- the minerals industry has the potential to make use of water that is unavailable for other users, such as treated sewage and highly saline groundwater; and

- mining operates in a strict regulatory environment, and there is an obligation to remediate and/or offset impacts on communities and the environment.

The MCA is engaging in a joint research project with the Australian Government in 2006 to reach a shared view of the interpretation of the provisions in Clause 34 and their effective and efficient implementation.

*Building effective partnerships with government*

The ongoing engagement in national water reform is only one part of a wider engagement with government. The building of effective partnerships with government to drive national consistency in public policy is a key focus for the MCA. This is reflected in our ongoing work with the Ministerial Council on Minerals and Petroleum Resources (MCMPR) on a variety of issues, including water management.

The development of a Strategic Framework for the Management of Water at Mine Sites will be a major focus of joint work between the MCA and the Ministerial Council on Minerals and Petroleum Resources in 2006. The outputs of this work will be a booklet that provides comprehensive guidance for water management (use, reuse, storage and disposal) in the minerals industry, with a particular focus on identifying leading practice in water management and providing guidance for its uptake throughout the wider industry.

Specific elements of the Strategic Framework include:

- an agreed set of water stewardship principles that will inform both government and industry policy development;
- guidance and support for companies when engaging with communities and other water users on water management;
- a life-of-mine approach to the management of water; and
- principles and priorities for implementation.

This framework is due to be released for stakeholder comments in March 2006, with a final framework due for completion by mid-2006.

In conclusion, the Australian minerals industry remains committed to continually improving its management of water. Our commitment to the development of partnerships with government is evidenced through our active engagement in developing the Strategic Framework for Water Management, as well as the ongoing research to implement the minerals specific clauses of the National Water Initiative.

Our commitment to building capacity within industry will continue in partnership with research organisations, and will involve the development of water-specific guidance to supplement the existing industry training in community engagement.

Strategic partnerships will not just be limited to the government and research sectors - the industry will continue to pursue opportunities to work in partnership with other users and local communities, particularly in key areas including groundwater management and treatment technologies.

Should you require clarification of any of the points raised in this submission, please do not hesitate to contact me directly or Mr Cormac Farrell - Policy Officer Environment, who has carriage of this matter in the Secretariat on (02) 6233 0600.

Yours sincerely

**PETER MORRIS**  
**SENIOR DIRECTOR - ECONOMICS POLICY**