

Front Door Taskforce  
National Interest Framework Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
<https://consult.treasury.gov.au/c2024-571335/consultation>

4 October 2024

Dear Treasurer

***Establishing a 'Front Door' for major, transformational projects -Consultation paper***

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. Department of Industry, Science and Resources has recently forecast<sup>1</sup> that earnings for Australian exports of aluminium, alumina and bauxite are expected to rise from \$16 billion in 2023–24 to \$18 billion in 2025–26. More than \$14B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. The industry includes six large bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five<sup>2</sup> alumina refineries producing around 20 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses and producers of metal powders and aluminium coatings. Aluminium is Australia's top manufacturing export. The industry directly employs more than 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia.

The Council welcomes the opportunity to provide feedback to Treasury on its Future Made in Australia (FMIA) Front Door Consultation Paper [the Paper]. The Council notes that Front Door is one part of the National Interest Framework to support the FMIA agenda. Aluminium and alumina are part of detailed consultation Green Metals<sup>3</sup>. The Council notes this consultation is occurring in parallel with other consultation on the Net Zero Plan and the establishment of the Net Zero Economy Agency and looks forward to a comprehensive and coordinated policy response across Government, which is required to support green metals now and into the future.

The Council notes that as it is its Members who will be the proponents of future projects that this submission should be read alongside Member submissions or other feedback provided in consultation. The Council has, therefore, only responded to selected consultation questions.

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<sup>1</sup> <https://www.industry.gov.au/publications/resources-and-energy-quarterly-june-2024>

<sup>2</sup> Alcoa announced the curtailment of Kwinana in August 2024 - <https://news.alcoa.com/press-releases/press-release-details/2024/Alcoa-announces-curtailment-of-Kwinana-Alumina-Refinery-in-Western-Australia/default.aspx>

<sup>3</sup> <https://consult.industry.gov.au/unlocking-green-metals> and <https://aluminium.org.au/wp-content/uploads/2024/07/240712-Aluminium-Response-Green-Metals.pdf>

## **Aluminium Industry Context**

Aluminium is one of the commodities most widely used in the global transition to a clean energy future<sup>4</sup>. It is also recognised for its importance to both economic development and low emissions transition. Aluminium use is highly correlated with GDP, so as countries urbanise, per capita use of aluminium increases. It is expected that by 2050, global demand for aluminium will nearly double<sup>5</sup>. While an increasing proportion will be met through recycled aluminium, there will still be a need for increased production of primary aluminium requiring a comparable increase in global bauxite mining and alumina refining rates.

The Council has welcomed the inclusion of green metals, including alumina and aluminium, in the Government's FMIA agenda, to ensure these vital industries may continue to benefit communities and workers, as they have done for almost 70 years. These reforms, if well designed and delivered over a transformational time scale, should capitalise and continue to build on Australia's comparative advantages, support the transition to net zero and strengthen economic resilience and security. This will be achieved through targeted public investment to provide economic incentives that garner private investment at a scale that develops priority industries in line with Australia's national interest. This targeted investment should provide the transitional support needed as Australia's infrastructure and energy systems develop, and energy returns to being competitive.

Australia is one of the very few countries which has bauxite mining, alumina refining, aluminium smelting and aluminium extrusion all within its borders, making aluminium one of only two commodities in which the raw materials are mined and processed all the way to a consumer product right here in Australia. The single biggest opportunity to decarbonise the energy intensive, vertically integrated Australian aluminium industry is through the combination of electrification or conversion to low emissions fuels for existing industrial processes and decarbonisation of the national electricity supply.

## **Coordinated, Streamlined Prioritisation is Required**

To support this industrial decarbonisation, Australia must be sufficiently competitive to be able to attract global decarbonisation investment. Recent analysis by the Council compared industry policy measures in Australia with other key aluminium and alumina producing jurisdictions<sup>6</sup> and found more is required to ensure appropriate policy settings are in place to support a positive future for this strategically important industry. The Paper recognises that for the net zero transition an estimated \$625 billion of coordinated investment is required to decarbonise Australia's industry and energy system. This aligns with global work undertaken on the aluminium sector by Mission Possible Partnership<sup>7</sup> which highlighted that a global investment of approximately US\$1 trillion will be required for the aluminium sector transition. Considering the size of the Australian aluminium industry (~3% of the global industry), an investment of US\$30bn would be necessary to deliver the same outcome. The scale of investment will vary, depending on site specific technology and infrastructure, but would be significant at a facility level. Policy support needs to be commensurate with the scale of these significant investments but must also be coordinated and streamlined for major transformational investment.

The Paper recognises that this requires not only strengthening the Government's investment capability but improving coordination within, and across, different levels of government and streamlining the process for proponents. Recent analysis by the Council compared industry policy measures in Australia with other key aluminium and alumina producing jurisdictions<sup>8</sup> and found more is required to ensure appropriate policy settings are in place to support a positive future for this strategically important industry. The integrated nature of bauxite mining, alumina refining, aluminium smelting and extrusion processes in Australia means that efficient and effective regulatory processes for each step are critically important to the ongoing operation of the overall system. Not only does the policy funding need to be at an appropriate scale but there needs to be predictable streamlined process and approvals frameworks for the whole value chain from mine to market

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<sup>4</sup> <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

<sup>5</sup> International Aluminium Institute High Substitution Scenario

<sup>6</sup> <https://aluminium.org.au/wp-content/uploads/2023/11/Aluminium-Critical-Mineral-Report-Nov23.pdf>

<sup>7</sup> <https://missionpossiblepartnership.org/wp-content/uploads/2022/10/Making-1.5-Aligned-Aluminium-possible.pdf>

<sup>8</sup> <https://aluminium.org.au/wp-content/uploads/2023/11/Aluminium-Critical-Mineral-Report-Nov23.pdf>

including infrastructure needed to ensure alumina and aluminium can continue to be made in Australia in the future.

The current framework to engage on major projects are, as noted by the Paper, varied and ad hoc. The Council's Members have experience with Special Investment Vehicles such as Export Finance Australia (EFA) and the Australian Renewable Energy Agency (ARENA); however, the scale of the investments to date is not in the scale of what will be required in the future. The Paper also notes the role of the Coordinator General in Queensland. Experience of the Council's Queensland based members is that this model could be applicable at a national level.

The Council has recently released<sup>9</sup> a study into the Economic Value of the Vertically Integrated Aluminium Industry. This study identified key policy barriers to the investment, particularly for growth in the industry. Policy interventions to overcome these barriers include to:

1. Streamline Environmental Regulatory Processes – Australia needs timely, clear, and consistent environmental regulatory processes across all jurisdictions. This will ensure that Australia's bauxite resources remain economically accessible and assist timely delivery of infrastructure essential to the energy transition.
2. Provide targeted support for decarbonisation and energy transition — this needs to be combined with a coordinated approach to energy planning across jurisdictions to support the development of green metals.
3. Include bauxite, alumina and aluminium to the Australian Critical Minerals List to streamline regulatory processes, boost funding for decarbonisation efforts, attract international investment, and address increasing geopolitical and sovereign risks; and
4. Maintain robust international trade remedies to provide Australian manufacturers aren't subject to unfair trade practices, such as dumping and subsidisation. Actively investigate anti-circumvention practices to keep Australian producers competitive with global competitors.

In particular, the study also found that a single point of contact who would have a detailed understanding of the industry and the project throughout approvals processes would improve outcomes in terms of likely investments.

#### **Fragmented regulatory frameworks are impeding market entry**

The Paper outlines that regulatory processes that proponents need to progress are fragmented within and across jurisdictions. The Paper highlights that this can act as a deterrent for market entry, particularly for new proponents in emerging sectors, and may slow project development with proponents not knowing when to engage with specific government entities. The Council would argue that even within known frameworks with existing market participants these are a deterrent.

The industry is increasingly aware of delays, beyond the statutory timelines, for both new and post approval processes. These processes are also seeing increases in opening up of issues to the implementation of policy, which has not been passed as legislation such as Nature Positive, and post approvals opened not just on the clause in question. These delays in the current system are impacting on business confidence in Australia's policy environment. As a leader in sustainable mining practices, the aluminium industry supports regulations that meet the highest standards of environmental protection. Approval processes must reflect the commercial realities of long-life capital-intensive projects and provide efficient pathways for projects seeking approvals without diminishing regulatory standards. Failure to do so will see projects and production move offshore, often to countries with much lower environmental standards. Transitional arrangements for any existing projects or referrals must be clearly articulated. The long term future for the sector in Australia is positive but it is under near term stress.

Without mining, the world cannot reach net zero by 2050, and the minerals required to achieve our decarbonisation goals are of such magnitude that to reach net zero, we will need more mining, not less. While

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<sup>9</sup> <https://aluminium.org.au/blog/news/new-report-economic-contribution-of-the-australian-aluminium-industry/>

seeking to maintain Australia's highest standards for ESG, it is also worth considering that global demand will continue to be met from elsewhere if not provided by Australia. Australia's historic advantage in the aluminium industry stemmed principally from its substantial high quality bauxite reserves. The success of Australia's green metals industry requires an integrated system of policies, including those which support ongoing approval to mine Australia's bauxite reserves.

This is impeding transformational investment – for example investment in alumina refineries also needs to be supported by access to bauxite environmental approvals on commensurate time scales. For example, investment in a 20-30 year asset at an alumina refinery would need to be supported by surety of bauxite supply over the same period. It is critical that these non-financial means of support, such as streamlining of regulatory approvals, are addressed in order to lower investment barriers.

In Australia, none of bauxite, alumina and aluminium are currently considered on the Federal Critical Minerals List but are included on some State lists, such as in Queensland. Aluminium is included as a Federal Strategic Material, but this listing lacks any other supporting policy framework. Australia's failure to address this is a lost opportunity in its policy setting framework. The Council believes the Strategic Materials list requires urgent review and would instead be better addressed as a part of the Critical Mineral List. This would signal to the global investment community the significance the Government places on investment in this industry in Australia at a time of increasing geopolitical uncertain in supply chains.

### ***Targeted public investment can help de-risk the transition***

Compared to international competitors, Australia has low rates of investment relative to the size of its economy. Capital follows the strongest investment signals and Australia's energy and industry policy signals are currently too weak to attract globally relevant industrial abatement and investment capital. The Council supports the use of targeted public investment in both decarbonisation and ensuring delivered energy costs are internationally competitive, as an important step in reducing long-term carbon exposure de-risking investment decisions and accelerating technology cost reductions through deployment and learning. Different forms of incentive are required to contribute to reducing the green production cost gap:

#### ***1. Production Credits.***

This policy pathway is being used effectively in a range of jurisdictions, including the US, China, India and Europe, to incentivise production of low carbon products and inputs into the clean energy supply chain. The credits are typically priced in a manner that bridges the relevant regional or global low carbon production premium, through an implied cost of carbon required to support investment. The policy should be specifically relevant to aluminium metal production and could be doubly incentivised into domestic downstream manufacturing, such as extrusion, solar panel production etc.

#### ***2. Transformational Infrastructure and Technology Funding.***

While the Council appreciates the creation of a dedicated Powering the Regions Fund (PRF) Critical Inputs to Clean Energy Industries (CICEI) stream the program, at \$400m, is currently two orders of magnitude smaller (relative to GDP) than similar programs in other jurisdictions like Canada, Europe and Japan. By comparison, with the PRF, under the Inflation Reduction Act the United States Department of Energy has recently announced<sup>10</sup> a US\$500 M (AUD ~\$760M) grant to a single facility - Century Aluminum - to build the first greenfield domestic primary aluminium smelter in 45 years. This new facility will rely on carbon-free electricity and will more than double primary aluminium production in the U.S. This is seen as increasing the strategic ability of the U.S. to not only compete on a global scale, but to increase capacity to meet growing demand and be a source of the security and diversity of aluminium supply chains in the U.S.

The scale being offered in Australia must be significantly increased with a fixed commitment to co-fund 50% of all low carbon industrial capital investment across existing and new assets for both on and off-site investment. This will allow industry to then cost efficiently and competitively demonstrate technological innovation and deliver regional infrastructure upgrades, such as transmission. This would be particularly relevant for the alumina industry, where the principal barriers to decarbonisation are:

<sup>10</sup> <https://www.energy.gov/oced/industrial-demonstrations-program-selections-award-negotiations>

- the capital cost of on-site transformation to low carbon production methods; and
- the need to upgrade regional electricity infrastructure to deliver the requisite energy to the sites in a mid-stream industry, to maintain the potential to create future value.

Governments also have a critical enabling role in addressing constraints to delivery of renewable energy projects including planning regulation, land access, and construction costs that are putting the industrial transition at risk due to tensions with competitiveness and scheduling. Planning systems, regulations and workforce development must also align with delivering projects required for shared net zero ambitions. The key to success for Australia's green metals sector is to ensure that Australia's bauxite resources continue to be able to be economically accessible, that low cost renewable energy is available and prioritised for use by industries such as the alumina and aluminium processes needed to convert the bauxite and that Australian industry is sufficiently able to attract the necessary financial support during the transition. Australia's alumina and aluminium industries are located in key regional hubs<sup>11</sup>, which have been identified as part of Australia's transition a net zero economy. These green metal industries can create the baseload, flagship offtake agreements in these key locations that can encourage additional investment and renewable energy to support other industries to be developed.

### **Conclusion**

The Council welcomes the intent of the Government to establish a Front Door to priorities major transformational projects, coordinate across agencies and where possible across jurisdictions, facilitate regulations and facilitate access to public financing – signalling Australia's intentional support for industries like green metals and derisking the process

The Council looks forward to working collaboratively with the Government to realise the full potential of this agenda. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,



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<sup>11</sup> <https://www.pmc.gov.au/news/address-national-press-club>

## **Answers to Selected Consultation Questions**

**Note – other aspects of the consultation are addressed in the cover letter which should be read as the predominant part of this submission.**

### ***Questions on the Commonwealth investment landscape***

*Are there approaches used in comparable state or international jurisdictions which could be applied at the Commonwealth level, to address the challenges identified?*

Recent analysis by the Fraser Institute<sup>12</sup> indicates that although Western Australia and Northern Territory ranked 4<sup>th</sup> and 8<sup>th</sup> overall in the 2023 Investment Attractiveness Index, in terms of Policy Perception, there was no Australian jurisdiction in the top 15. The Council believes that a review of the policies of peers which rank highly such as the USA and Canada could provide an appropriate model. For example, Fast41<sup>13</sup> in the USA has been successfully used to permit projects of comparable significance to those Australia is seeking to develop. It creates a single point of contact and improves predictability, accountability and transparency in the permitting process.

### ***Questions on designing a Front Door***

*What functions are the highest priority needed to unlock investments in transformational projects of various sizes and through different stages? Are there any other services which could significantly improve the investment experience?*

In considering how to unlock investments in transformational projects, it is important that these focus not only on new opportunities but on transformation of existing assets, including the required infrastructure.

### ***Identifying and prioritising major, transformational projects***

*What are the characteristics that should be used to identify major, transformational projects, which should receive tailored support from the Front Door? Please consider:*

- a) the size and commercial viability of the project.*
- b) the maturity of the proposal.*
- c) the relevance to the Government's strategic priorities.*
- d) benefits to local communities, First Nations communities, local employment and the economy and the extent a project has developed its plan for realising these benefits.*
- e) extent to which current or future market or supply gaps would be addressed.*
- f) the type of support it might require from the Front Door to get off the ground quickly and easily; and*
- g) how criteria relating to these factors should be defined.*

The Paper notes that when a proponent is nearing a final investment decision (FID) with broad public benefits, there can be a case for well-designed government investment that helps de-risk and crowd in private sector investment. The Council believes that when considering the design of the Front Door, it will be important to consider that facilitation is required for key projects well before FID, including potentially a preparedness to invest earlier in the project life cycle. If the Front Door is only available immediately before FID, then many opportunities may be missed along the way. The Council does recognise that the earlier projects are presented the greater the degree of uncertainty there will be.

The Council believes that there are existing criteria which could be adopted to help assist in determining assessments. For example, if the Front Door is a first stop, then the National Interest Framework assessment is appropriate. If it is close to FID, then the current Major Projects Facilitation Agency assessment is appropriate.

As Treasury consider the role of the Front Door it will be important to ensure that it does not end up being another layer of bureaucracy to navigate – it must either take out a layer or do enough front-end loading that reduces timeframes in later existing processes, delivering a time saving overall. In doing so it must deliver genuine process improvement and not filter projects too early to enable Australia to achieve its potential. Not every project will be able to deliver across all metrics which the FMIA is hoping to achieve.

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<sup>12</sup> <https://www.fraserinstitute.org/sites/default/files/2023-annual-survey-of-mining-companies.pdf>

<sup>13</sup> <https://www.south32.net/news-media/latest-news/hermosa-confirmed-as-the-first-fast-41-mining-project>

### **Coordinated Government Engagement**

*What are the challenges investors face navigating the Government overall and opportunities to improve their experience?*

When developing the Front Door, it will be important to:

- Ensure it is appropriately resourced – this needs to be not just in terms of having capacity to match the case management load, but the capability with the right mix of skills and expertise across all layers of government to be able to effectively navigate and expedite process.
- Ensure the design and governance do not merely map the processes but enable the Front Door office to navigate and resolve impasses. This is particularly important in the context of Federal / State approvals.

The Council believes the Energy and Climate Change Ministerial Council (ECMC) is providing an important role in improving Federal and State processes across energy and climate change. A similar body aimed at identifying and debottlenecking a broad range of regulatory issues in Australia could be an important complement to a Front Door.