

Li-S Energy's Response to the Critical Minerals Processing Tax Incentive (CMPTI) Discussion Paper

General Response on Li-S Energy's Critical Mineral Processing Intentions

Overview of Li-S Energy's Intentions

Li-S Energy (LIS) is dedicated to advancing the processing of lithium and other vital minerals to support Australia's economic resilience and security. Our current focus is on the development of lithium foils, essential for cutting-edge battery technologies. By aligning our strategies with the objectives of the Critical Minerals Processing Tax Incentive (CMPTI), we aim to secure recognition and backing for our endeavours through this initiative.

Key Points

- **Eligibility of Existing Initiatives:** It is essential that existing critical minerals processing initiatives are eligible for benefits from the start of CMPTI. This ensures that ongoing projects are not disadvantaged and can continue to contribute to the critical minerals supply chain uninterrupted.
- **Commencement Timing and Encouragement for Early Action:** We propose advancing the commencement of the CMPTI or allowing the backdating of relevant expenditures. This approach will incentivise manufacturers with existing critical minerals processing plans to proceed without delay, ensuring that the benefits of the initiative are realised sooner. Immediate action is crucial to maintain momentum and encourage early investments.
- **Clarity on Eligible Expenditures:** Clear guidelines are needed regarding what constitutes eligible expenditures under the CMPTI. This should encompass both direct and indirect costs associated with critical minerals processing, ensuring comprehensive coverage of necessary investments.
- **Additionality to Existing Tax Provisions:** Confirmation is needed that the CMPTI benefits are additional to the standard claimable expense provisions under the existing business tax regime. This clarity will help businesses effectively plan their investments and financial strategies.
- **Inclusion of Semi-Processed Critical Minerals:** The further refinement of semi-processed critical minerals should be eligible for the CMPTI. Costs related to preparing

partly processed critical minerals for further refinement should also qualify as eligible expenditures, promoting continuous value addition within Australia.

- **Outputs List and National Interest Framework:** Maintaining an updated list of specific outputs from refining and processing the 31 relevant minerals presents challenges. Instead of using such a list for preferential treatment, the focus should align the CMPTI to the National Interest Framework, providing sufficient guidance without restrictive specificity.
- **Community Benefits and Cost Considerations:** While community benefits are important, imposing additional costs on manufacturers can be counterproductive. The primary objective should remain clear: to encourage investment without overburdening manufacturers with excessive reporting and compliance costs.
- **Simplicity and Clarity:** The CMPTI must be straightforward and transparent to attract the desired investment. The scheme must be designed to minimise complexity and uncertainty, thereby reducing investment risks and encouraging participation.
- **Availability of Setup Support –** the CMPTI should also consider assistance to develop the manufacturing capability and assist in the attraction of private investment, rather than loading all the government benefits at the tail end of the project with production tax incentives. This early assistance will help attract private investment, reduce development risk and drive Australia's manufacturing capacity forward at an accelerated rate.

Li-S Energy's Plans for Lithium Foil Production

LIS is at the forefront of developing lithium foil, a key material for next-generation battery technologies. Lithium foil is essential for high-performance batteries, including lithium-sulfur and lithium-metal variants, which offer higher energy density, longer lifespan, and enhanced safety compared to traditional lithium-ion batteries. Our focus on lithium foil production aligns with the broader goals of enhancing Australia's critical minerals industry and supporting the global transition to renewable energy sources.

Benefits for the Australian Critical Minerals Industry

- **Value Addition and Economic Growth:** The production of lithium foil in Australia represents a significant value addition to the raw material supply chain. Instead of exporting raw lithium, processing it domestically into high-value products like lithium foil ensures greater economic benefits remain within the country. This approach can lead to the creation of high-tech jobs, increased investment in local infrastructure, and foster overall economic growth.
- **Strengthening the Supply Chain:** By establishing a robust capability for lithium foil production, Australia can enhance its position in the global supply chain for advanced battery materials. This capability reduces reliance on imported materials and mitigates

supply chain disruptions, ensuring a stable and secure supply of critical components for the burgeoning renewable energy and electric vehicle markets.

- **Innovation and Technological Leadership:** Investing in the production of lithium foil positions Australia as a leader in battery technology innovation. This leadership is expected to attract further research and development activities, fostering an environment conducive to technological advancements and positioning Australia as a hub for cutting-edge battery technologies.
- **Environmental and Sustainability Benefits:** Advanced battery technologies enabled by lithium foil, such as lithium-sulfur and lithium-metal batteries, offer superior performance with a reduced environmental footprint. These batteries require fewer raw materials and can achieve higher energy densities, contributing to more sustainable energy storage solutions and supporting global efforts to reduce greenhouse gas emissions.
- **Alignment with National Interest:** The production of lithium foil aligns with Australia's national interests by enhancing economic resilience and security. As part of the critical minerals strategy, it ensures that Australia remains a key player in the global market for essential materials, supporting national security and economic stability.

Conclusion

LIS is dedicated to supporting Australia's critical minerals strategy through advanced processing of lithium and other vital resources. We are confident that with the right structuring, the CMPTI has the potential to significantly boost investment in critical mineral processing, enhancing Australia's economic resilience and security. Our proposed recommendations aim to foster inclusivity, clarity, and effectiveness within the initiative, ultimately supporting the development of a robust and sustainable critical minerals supply chain.

