

# Northern Territory Government Submission

Critical Minerals Production Tax Incentive: Consultation  
Paper

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# Northern Territory comments on Australia's Critical Minerals Production Tax incentive

## Introduction

The Northern Territory Government (NT Government) appreciates the opportunity to provide feedback on the Critical Minerals Production Tax Incentive (CMPTI) Consultation Paper.

The mining sector is the Northern Territory's (NT) largest industry sector by value and is a critical driver of regional economic development and employment in the NT. The NT is committed to becoming a recognised global player in the critical minerals supply chain through the development of new critical minerals projects and further development of downstream processing and associated manufacturing in the NT. Considerable progress has already been made in advancing downstream processing of critical minerals in the NT, with approvals in place for Australia's first integrated mine and rare earth separation plant that has the potential to be a globally significant supplier of magnet-feed rare earths. The NT also has ambitions for significant low-emissions critical minerals processing at the planned Middle Arm Sustainable Development Precinct near Darwin.

The NT Government strongly supports the CMPTI which is a key initiative to enhance the processing and refining of critical minerals within Australia. This industry diversification is critical to economic resilience and in securing supply chains. The CMPTI aligns with the NTG's ambitions to build increased value-adding to our critical mineral resources.

The NT Government requests that consideration be also given to incentivising the downstream processing and refining of strategic materials which are often equally critical to the energy transition and to securing Australia's national and economic security<sup>2</sup>, and sovereign capability.

Critical minerals and strategic materials projects in the NT face challenges common to many projects across Australia, including due to complex mineralogy requiring bespoke processing solutions, high capital expenditure, and difficulties for the industry to raise project finance given the perceived risk and opaque nature of markets for a number of these commodities. In the NT these challenges are compounded by remoteness of projects, lack of a local skilled workforce and the fact that project proponents are largely junior companies with limited access to capital and no operating cashflow. The design of the CMPTI should recognise the unique challenges faced by projects in remote parts of Australia.

At present, there are only two active critical minerals projects in the NT on the NAIF pipeline related to critical minerals. The proposed tax incentives could provide further incentives for project proponents to explore or reconsider potential financing by NAIF. There is also a natural alignment between the CMPTI and the NAIF's allocated \$500 million to support the Commonwealth's Critical Minerals Strategy 2023-2030.

This submission responds to selected consultation questions. Our feedback is structured to address the eligibility criteria, eligible processing expenditures, eligible outputs, and community benefit principles outlined in the consultation paper.

## Issues for discussion - detailed responses

### Who is eligible?

**The NT Government supports the establishment of clear and practical eligibility criteria to ensure the CMPTI effectively targets and supports entities and projects to drive significant value-add for critical minerals and strategic materials.**

The proposed eligibility criteria ensures that only corporations subject to Australian tax benefit from the CMPTI, where the qualifying expenditure has been incurred at processing or refining facilities located within Australia. The NT Government supports criteria which promote the development of local projects by local businesses contributing to the local economy.

The distinction between critical minerals and strategic materials turns primarily on supply chain vulnerabilities. Both categories of commodities are recognised as essential building blocks for sectors vital to national security, economic diversification and the net zero transformation. The NT Government urges consideration to also be given to broadening the scope of the production tax incentive to cover strategic materials given how rapidly supply chain vulnerability can become an issue.

For the purposes of the CMPTI, the definition of FID should be the point at which a company commits significant financial resources to proceed with project execution, once project capital has been secured, and key regulatory approvals are in place.

A minimum timeframe of two to three years from FID to first production would be consistent with most midstream to downstream processing facilities proposed in the NT, noting that it may be longer before facilities reach full (nameplate) production capacity. In the NT, workforce and supply chain issues can often impact on the timing of mining construction projects.

### Eligible processing expenditure

**Appropriately defining eligible processing expenditure is essential to focus public investment on securing Australia's capability and capacity to move up the critical minerals and strategic materials supply chain.**

The NT Government largely supports the proposed eligible expenditures. However, we also urge that careful detailed consideration be given to how specific costs are scoped and determined. Large parts of the Northern Territory continue to experience accessibility and connectivity constraints related to transportation, telecommunications and essential services. The design of eligibility criteria for eligible processing expenditure needs to be sufficiently flexible to recognise place-based contexts. The additional costs and ongoing expenditure associated with delivering processing projects in regional and remote areas must be recognised to ensure that location does not become a penalty.

For example, capital costs for power generation need to be eligible where such investment directly supports processing activities. This ensures that remote projects which are not able to connect to an existing grid and have to construct electricity generation and transmission infrastructure are not disadvantaged by virtue of location.

Similarly, investment in enabling infrastructure such as roads, rail and telecommunications, a necessary cost of doing business in regional and remote Australia, need to be within scope as eligible processing expenditure. For regional and remote Australia, accessibility and connectivity is a significant business expense.

Further, in excluding indirect costs, such as capital works and depreciation, care needs to be taken so that the criteria does not favour the repurposing of existing mining infrastructure over investment in new processing facilities.

Consideration could also be given to the provision of additional support for locally manufactured inputs and feedstock to leverage the establishment of local supply chains for inputs into critical minerals and strategic material processing processes. A weighting for Australian-made consumables used directly in processing and refining to produce eligible outputs would enhance the broader benefits from the Australian Government's CMPTI investment.

## Eligible Outputs

The following critical minerals are currently processed in the NT, or are planned to be processed in the NT:

- **Manganese:** The GEMCO manganese mine on Groote Eylandt produces a beneficiated manganese ore product of around 44% Mn. The Bootu Creek manganese mine (currently in care and maintenance) is planning the recommencement of production of manganese fine through beneficiation of existing tailings and waste. There is currently no chemical processing or refining of manganese in the NT, but some product is likely to be refined into manganese alloys at Bell Bay in Tasmania. Outputs from manganese production that should be eligible under the CMPTI include pure manganese metal and manganese alloys such as ferromanganese and silicomanganese.
- **Lithium:** The Finniss lithium mine (currently in care and maintenance) produces lithium at a 4.8%  $\text{Li}_2\text{O}$  spodumene concentrate as well as lithium fines. Outputs from lithium production that should be eligible under the CMPTI include lithium hydroxide, lithium carbonate, and lithium cathode materials including lithium-iron-phosphate (LFP) cathode active material.
- **Rare earths:** The Nolans rare earths project (currently approaching FID) is planning an integrated mine and rare earth separation plant producing high purity separated rare earth oxides (primarily NdPr oxide). Outputs from rare earths production that should be eligible under the CMPTI include separated rare earth oxides and rare earth metals.
- **Titanium:** Currently titanium is produced in the NT as an ilmenite concentrate. Outputs from titanium production that should be eligible under the CMPTI include titanium dioxide pigment.

Other potential future critical mineral processing in the NT could include vanadium electrolyte from vanadium mined in Western Australia, magnesium metal and/or caustic calcined magnesia from magnesite deposits, spherical graphite from graphite concentrate, and cobalt produced as part of copper-gold processing.

The NT Government's view is that mineral concentrate produced through processes such as mechanical concentration or flotation should not be eligible for the CMPTI. The CMPTI would instead apply to processing of critical minerals or strategic materials to produce higher value chemical products, metals or value-added products such as battery cathode or anode material.

The NT Government urges consideration to be given to application to materials required for the production of eligible outputs. For example, lithium-iron-phosphate (LFP) cathode active materials, which are important elements of the battery supply chain, need to be within scope.

The NT has large undeveloped phosphate resources, with strong potential for refinement into high-purity chemical products (yellow phosphorus and battery-grade thermal phosphoric acid) for input into LFP cathode production in Australia. While, phosphate is not on the Australian Critical Minerals List (although phosphorous is classified as a Strategic Material), production of high-purity phosphorus products is a critical step in producing eligible LFP cathode materials and should be eligible as long as the phosphate mining and LFP cathode material production both occur in Australia.

The NT Government suggests that production costs associated with high-purity phosphorus products (from phosphate mined in Australia) such as battery-grade thermal phosphoric acid specifically designed to support the lithium-iron-phosphate battery-supply chain should be eligible costs under the CMPTI.

In the NT, different minerals can be processed together from the same raw material. For example, the extraction of cobalt (and potentially bismuth) from copper-gold ore in Tennant Creek. In these cases, there may be multiple product streams including magnetite, gold, copper and cobalt. The extraction of magnetite and gold by physical methods (magnetic and gravity separation) may not be eligible, but further processing through methods such as pressure oxidation to produce high-purity copper and cobalt products should be eligible.

Another example is the Nolans project which has multiple product streams. To produce eligible output/s (in this case NdPr oxide), merchant-grade saleable phosphoric acid is a by-product. The NT Government position is that production of a by-product which is a necessary part of the processing workflow should not impact on the full processing costs being eligible under the CMPTI. However, if the non-eligible output is further processed after being produced as a by-product, the cost of any additional processing would not be eligible.

## Community Benefit Principles

The NT Government supports aligning the CMPTI with community benefit principles, particularly for remote and regional areas where economic, social and business outcomes for First Nations people must be prioritised.

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Northern Territory of Australia  
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