



FINANCIAL ASSURANCE



BONDS AND ENVIRONMENTAL FUNDS UNDER THE CURRENT MINING ACT

The South Australian mining industry is an important contributor to the economy- it generates \$3.7 billion to the State's economy, raises \$137.5 million in mineral royalties and provided 10,598 jobs in 2016. However, mining activities disturb and change the land. It creates a need to rehabilitate the land for future uses such as conservation, agriculture or infrastructure.

The Department requires a financial security, in the form of a bank guarantee or bond, under the Act. The security protects the Government and taxpayers from bearing the cost of rehabilitation if a mining operator fails to meet its legal obligations. The amount of financial assurance is based on an assessment of the cost for a third party contractor to rehabilitate existing and planned areas of disturbance. The Department is also responsible for rehabilitating historic mines that require rehabilitation and were disclaimed by past operators. These former mines are typically a legacy of outdated regulatory systems where there was no requirement for operators to rehabilitate mining land.

The Department continues to engage with industry, environmental groups, landholders and communities on how our current financial assurance regime and former mines rehabilitation programs can be improved. These concerns are reflected in the Discussion Paper, where the need for adequate powers and funds to manage and rehabilitate existing and former mine sites requiring rehabilitation is highlighted.

There are a range of approaches to financial assurance in Australia and internationally. The Review Team considered recent new approaches and reviews in Western Australia, Northern Territory, New South Wales, Queensland and comparable overseas jurisdictions. We assessed the suitability of features of other financial assurance schemes to deliver a high level of environmental performance, protect the State's financial interest, provide an incentive to invest in the sector, and meet community expectations. A financial assessment approach is currently being modelled so that we can identify a customised solution appropriate for South Australia.

WHAT YOU SAID

Submissions recommended amending the amount of bonds (recommendations to both decrease and increase the amounts), amending the timing of bond payments, linking bonds with performance and/or royalties, incorporating better models for the assessment for bonds and expanding and utilising the Extractive Industries Rehabilitation Fund (EARF) for former mine sites requiring rehabilitation.

FUTURE DIRECTIONS BEING CONSIDERED

The Department is committed to ensuring that all mined land is rehabilitated so it is able to support another future use, where practicable. The Review Team has been proactively engaging with its counterpart regulators from other Australian jurisdictions directly, and through the national COAG Energy Council, to promote national dialogue on financial assurance models and former mines requiring rehabilitation.

The Review Team is examining an appropriate solution for South Australia that recognises the diverse range of operators, relative risk of insolvency, costs to industry, and improved environmental outcomes. Options under consideration include third party sureties, major partner agreements, residual risk payments and a rehabilitation fund. The options assessment will be risk-based, consider feedback from industry, Government and the community and consider evidence from Australia and overseas.

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