



## CPTPP outcomes: Resources and energy

The CPTPP eliminates tariffs on key Australian minerals, petroleum and LNG exports and lock them in at zero. The CPTPP also introduces improvements in the regulatory environments for Australian miners and oil and gas companies seeking to find and develop reserves in the region. Australia's cutting-edge suppliers of Mining Equipment, Technologies and Services (METS) and oilfield goods and services also stand to benefit from better market access conditions.

### Resources and energy exports

Australian exports of resources and energy products to CPTPP countries are valued at around \$42 billion. The CPTPP delivers certainty and significant gains to Australian producers and exporters of resources and energy products. In addition to locking in the tariff- and quota- free access, Australia currently enjoys into a number of CPTPP markets for major exports such as coal, iron ore and liquefied natural gas, key market access gains include:

- elimination of Vietnam's tariffs on butanes, propane and liquefied natural gas within 7 years of entry into force; and
- elimination of Vietnam's 20 per cent tariff on refined petroleum. Australian refined petroleum exports to Vietnam were \$9 million in 2017.

### New exploration, extraction and production opportunities

Mining and energy exploration efforts are centred on the Asia-Pacific region. The four North and South American members of the CPTPP (Canada, Chile, Mexico and Peru) accounted for an estimated 35 per cent of worldwide exploration budgets in 2017 and Australia a further 14 per cent.<sup>1</sup>

CPTPP countries, many for the first time, committed to lock in current access and recent landmark reforms, as well as guaranteeing that future reforms of their investment regimes for mining and energy reserves will automatically flow through to other CPTPP countries. Key outcomes for Australian miners and oil and gas companies include:

- Vietnam has opened its mining investment regime, providing Australian investors with new opportunities and greater transparency regarding the investment screening process for prospective investments;
- Mexico has allowed foreign companies, for the first time, to participate in Mexico's energy sector;
- Canada has allowed Australian investors to apply for an exemption from the 49 per cent foreign equity limit on foreign ownership of uranium mines, without first seeking a Canadian partner;
- Brunei Darussalam and Malaysia making first-time commitments on investment in the mining sector, including coal;



- Malaysia making first time commitments in relation to the oil and gas sector, providing Australian service suppliers and investors with enhanced transparency regarding the conditions for participation in the Malaysian oil and gas sector;
- Brunei Darussalam and Vietnam locking in, for the first time, their investment and local content regimes for oil, gas and power development and future reforms. These commitments will provide existing and prospective Australian investors with more transparent and predictable operating conditions; and
- prohibitions on the introduction of new export taxes and commitments for the elimination of existing export taxes in Malaysia and Vietnam, providing greater certainty for Australian mining and energy companies operating in these countries.

The new rules on State-Owned Enterprises (SOEs) under the CPTPP do much to level the playing field between Australia's mining, oil and gas companies and the large SOEs that dominate these sectors in some CPTPP countries. The CPTPP helps ensure that CPTPP governments do not provide financial support to their SOEs that would give them an unfair advantage over their Australian competitors.

## Spotlight on Mexico

- The liberalisation of Mexico's oil and gas and electricity sectors to foreign participation is expected to attract up to \$30 billion of additional foreign investment per year.\*
- Australian companies can, for the first time, bid to participate in the exploration, production, processing and distribution of oil, gas and geothermal resources in Mexico.
- Mexico has locked in its local content requirements and any future reforms.
- Australian oilfield goods and services suppliers, engineers, lawyers and other professional services suppliers are also well placed to benefit as foreign investment in these sectors increases.
- Australian suppliers are able to bid for government procurement opportunities with PEMEX.

\* Source: IMF Selected Issues Paper: Mexico, November 2014, p.14

## Mining Equipment, Technologies and Services (METS) and energy services

Australia's cutting-edge providers of METS and oilfield goods and services are at the forefront of delivering a diverse range of innovative products and services across the mining and energy supply chain, including exploration, extraction, engineering, processing, power generation, environmental management, safety, research and development, education and training and community engagement.

Over 66 per cent of companies in Australia's \$90 billion METS sector export their goods and services, with exports valued at \$15 billion.<sup>2</sup> The CPTPP supports and facilitates the expansion of exports by Australian METS and oilfield service providers into South-East Asia and North and South America. Key outcomes include:

- Australian manufacturers and exporters of mining equipment will now benefit from duty-free access for their exports to CPTPP countries. The CPTPP eliminates tariffs of up to 15 per cent on Australian exports of mining equipment to Mexico, and binds tariffs at zero in countries where Australian exports already have tariff-free access;

- Brunei Darussalam, Mexico and Vietnam have, for the first time, made commitments guaranteeing access for Australian METS and oilfield goods and services providers to deliver goods, services and technologies to these markets;
- New commitments from Chile (additional to those in our bilateral FTA) and Mexico on the provision of consulting, research and development, engineering, environmental, mining and technical testing and analysis services will deliver certainty regarding access for Australian suppliers in these sectors;
- Australian companies will benefit from new rules that help to ensure that they will not be discriminated against when competing for contracts to supply their goods and services. Some of Australia's METS and oilfield service providers' biggest customers are large SOEs such as PEMEX (Mexico) and VINACOMIN; and
- For the first time, Australian suppliers are able to bid for government procurement opportunities with PEMEX.

## Streamlined investment processes and greater protections

Greater investment protections and streamlined processes will help reduce risks associated with investment by Australian miners, oil and gas companies, METS and oilfield goods and service providers in CPTPP countries.

CPTPP governments have committed not to introduce new foreign investment screening regimes or have extended higher preferential investment screening thresholds to Australian investors. Australian investments into Canada of below C\$1.5 billion (currently \$369 million) and into Mexico of below US\$1 billion will be exempt from investment screening processes.

The CPTPP also facilitates productive foreign investment in resources and energy in Australia by increasing the screening threshold at which private foreign investments in the mining and energy sectors are considered by the Foreign Investment Review Board (FIRB) from \$261 million to \$1,134 million for all CPTPP countries (except in relation to uranium and plutonium extraction and nuclear facilities).

## Temporary entry arrangements for professionals and employees

Australian companies will now be able to transfer executives and managers more easily to work in CPTPP countries for short periods. Independent professionals and technicians will enjoy certainty over visa arrangements and periods of stay in most CPTPP countries. Brunei Darussalam, Canada, Chile, Malaysia and Mexico have also guaranteed that Australian installers and servicers of niche mining- and oilfield-related manufactured goods and technologies will be able to temporarily enter these markets to undertake installation and maintenance activities.

<sup>1</sup> Source: S&P Global Market Intelligence - World Exploration Trends, 2018

<sup>2</sup> Source: Austmine

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