

TRANS-PACIFIC PARTNERSHIP AGREEMENT

OUTCOMES: RESOURCES AND ENERGY

The TPP will eliminate tariffs on key Australian minerals, petroleum and LNG exports and lock them in at zero. The TPP will also create major new opportunities for Australian miners and oil and gas companies 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 considerably from the TPP, which will facilitate the expansion of exports.

KEY OUTCOMES

Australian resources and energy exports

Australian exports of resources and energy products to TPP countries are valued at around \$ 39 billion. The TPP delivers certainty and significant gains to Australian producers and exporters of resources and energy products. In addition to locking in the duty- and quota- free access Australia currently enjoys into a number of TPP 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;
- elimination of Vietnam's 20 per cent tariff on refined petroleum. Australian petroleum exports to Vietnam were \$14 million in 2015-16; and
- elimination of Peru's tariffs on iron ore, copper and nickel upon entry into force of the TPP.

New exploration, extraction and production opportunities

Mining and energy exploration efforts are centred on the Asia-Pacific region. The five North and South American members of the TPP (Canada, Chile, Mexico, Peru and the United States) accounted for an estimated 41 per cent of worldwide exploration budgets in 2015 and Australia a further 12 per cent.¹

TPP countries, many for the first time, have 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 TPP countries. Key outcomes for Australian miners and oil and gas companies include:

- Vietnam opening its mining investment regime, providing Australian investors with new opportunities and greater transparency regarding the investment screening process for prospective investments;

¹ Source: SNL Metals & Mining report - World Exploration Trends, 2016



- Mexico allowing foreign companies, for the first time, to participate in Mexico's energy sector;
- Canada allowing 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 TPP's ground-breaking new rules on state-owned enterprises (SOEs) will level the playing field between Australia's privately-owned mining, oil and gas companies and the large SOEs that dominate these sectors in some TPP countries. The TPP will help ensure that TPP Parties do not provide financial support to their SOEs that would give them an unfair advantage over their Australian competitors.

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.

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 will, for the first time, be able to 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, including as they apply to PEMEX.
- Australian oilfield goods and services suppliers, engineers, lawyers and other professional services suppliers will also be well placed to benefit as foreign investment in these sectors increases.
- Australian suppliers will be able to bid for government procurement opportunities with PEMEX.

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

Over 66 per cent of companies in Australia's \$90 billion METS sector export their goods and services, with exports valued at \$15 billion.² The TPP will support and facilitate 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 benefit from duty-free access for their exports to TPP countries. The TPP will eliminate tariffs of up to 15 per cent on Australian exports of mining equipment to Mexico, and will bind tariffs at zero in countries where Australian exports already have duty-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 cutting-edge goods, services and technologies to these markets;
- Ambitious new commitments from Chile (additional to our bilateral FTA), Mexico and Peru 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 active 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 will be able to bid for government procurement opportunities with PEMEX and PETROPERU and entities in Peru's government-owned electricity and hydro power sectors.

Streamlined investment processes and greater protections

Greater investment protections and streamlined processes will help propel investment by Australian miners, oil and gas companies, METS and oilfield goods and service providers in TPP countries.

TPP countries 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 TPP will also promote further growth of 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 \$252 million to \$1,094 million for all TPP countries (except in relation to uranium and plutonium extraction and nuclear facilities).

Temporary entry arrangements for professionals and employees

Australian companies will be able to transfer executives and managers more easily to work in TPP countries for extended periods. Independent professionals and technicians will enjoy certainty over visa

² Source: Austmine

arrangements and periods of stay in most TPP countries. Brunei Darussalam, Canada, Chile, Malaysia, Mexico and Peru 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.