Critical Minerals Production Tax Incentive Consultation

Hazer Group Limited
12 July 2024
Submission to the Treasury

Hazer Group Limited (ACN 144 044 600)
Level 9, 99 St Georges Tce, WA 6000
PO Box Z5511, St Georges Tce, Perth, WA 6831
e: contact@hazergroup.com.au
w: www.hazergroup.com.au

Responses to the consultation questions

Who is eligible?

Questions

1. *Please provide any feedback on the proposed eligibility criteria.*

2. *What key factors would need to be accounted for in a definition of Final Investment Decision (FID) for the purposes of the CMPTI?*

3. *How long do you expect it will take for processing and refining facilities to reach first production following FID?*

Note 14 of Australia's Critical Minerals List defines graphite as, "The European Union identifies natural graphite as a critical raw material and Japan identifies carbon (which forms graphite) as a critical mineral." CMPTI eligibility criteria should be expanded to include synthetic graphitic carbon manufactured and produced from methane pyrolysis or other such technologies. This support may allow the first of a kind commercial scale Hazer project to proceed in Australia ahead of other countries. The Hazer Process is an Australian-originated technology that produces low carbon hydrogen and graphite using an iron ore catalyst. Australia has access to the necessary feedstocks in gas and iron ore to run the process and incentives such as the CMPTI will incentivise project partners to select Australian sites as a priority over other competing jurisdictions.

Eligible processing expenditure

Questions

4. *Please provide feedback on the proposed eligible expenditure.*

5. *Please provide feedback on where you draw the line between mining and primary processing and mid-stage processing.*

6. *Are there any competitive neutrality considerations to ensure the CMPTI treats different projects fairly and does not distort commercial decision-making? For example, how should capital costs for power generation be treated for facilities that produce their own power?*

7. *What, if any, transport costs should qualify? How could a sensible boundary between eligible and ineligible transport costs be drawn?*

8. *What reagent costs should be eligible?*

9. *What costs associated with the treatment, enrichment or disposal of waste should be included? Why?*

10. *What structures are likely to be adopted in critical minerals processing that could give rise to related party transactions? How should related party dealings be treated under the CMPTI?*

11. *What intellectual property (IP) arrangements are adopted by critical minerals processers? What treatment should apply to the payment of royalties? What measures could be put in place to manage integrity risks?*

Eligible expenditures should include the costs of production associated with the manufacture of synthetic graphitic carbon produced from methane pyrolysis or other such technologies. Plant facilities costs include:

- Feedstock gas and its pre-processing
- Plant energy costs
- Operations & maintenance, including material & consumables and site labour
- Site & plant utilities
- Plant facilities permitting and other compliance costs
- Handling, storage and transportation of the graphitic carbon where these costs are borne by the plant owner / graphite producer [rather than end user]
- Licences & royalties paid to technology provider by plant owner for use of the methane pyrolysis technologies that enables the production of the graphitic carbon

Eligible outputs

Questions

12. *Which critical minerals are currently processed in Australia? To what grade?*
13. *Of Australia's 31 critical minerals, what are the current common market requirements for processed outputs?*
14. *What is the form of the raw critical mineral when it arrives at your facility and what is its state when it leaves your facility?*
15. *Can you provide details on the full workflow process to convert the raw critical mineral to the end-product(s) in your facility? Does the workflow process involve beneficiation?*
16. *What are the associated costs (e.g., reagents and consumables, labour, utilities, maintenance, logistics/transport, waste, etc.) for each processing stage undertaken in your facility?*
17. *Does the end product undergo any further processing after it leaves your facility? Can you provide more details regarding the next steps and/or process?*
18. *To what extent are different minerals processed together e.g., from the same raw material? What considerations does this give rise to for the application of the CMPTI?*
19. *What is a sensible approach to apportionment of mixed-use costs?*

Hazer Group acknowledges DISR will be consulting separately to develop a list of specific outputs resulting from the refinement and processing of the 31 relevant minerals within the scope of the CMPTI, however requests that synthetic graphitic carbon manufactured and produced from methane pyrolysis, or other such technologies, be included as an eligible output.

Administrative arrangements

Questions

20. *Please provide feedback on the proposed administration arrangements.*

21. *What testing certifications of processed minerals are common in industry?*

22. *Do businesses regularly rely on commodity contracts to evidence the purity of the commodities being exchanged?*

23. *Do current facilities fail processed mineral purity tests? If so, how often?*

No feedback.

Community benefit principles

Questions

24. What obligations should be imposed on potential recipients of the CMPTI to ensure the community benefit principles are met?

25. What obligations are potential recipients of the CMPTI currently subject to that might support the community benefit objectives (noting these will be finalised under the Future Made in Australia Act)?

26. Are there any additional objectives that you consider important? What obligations might support these?

27. Recipients of the CMPTI may be subject to additional transparency and disclosure requirements in order to be eligible. What kind of requirements are appropriate? What are the key practical considerations to take into account when setting the requirements?

28. How should entities proposing to claim the CMPTI be required to demonstrate compliance with tax obligations?

29. What information do you think should be reported publicly on the recipients of the CMPTI and the amount of credit received?

30. Who should the reporting requirements be imposed on? For example, on the recipient entity, or central reporting through a regulator?

As well as creating economic (e.g. employment, taxation, new technology industry diversification, multiplier effect for local suppliers & service, etc.) and commercial benefits from attracting potential producers to develop and operate commercial scale graphite producing plant in Australia ahead of other countries, locally produced graphitic carbon also addresses national security by reducing Australia's dependence on graphite imports.