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2004 Budget – a missed opportunity for wealth generation

The Australian Geoscience Council welcomes the 150% allowance on deductions for petroleum exploration in designated offshore frontier areas, announced in the 2004 Budget, but is disappointed that minerals exploration received no equivalent incentives.

“With petroleum being consumed faster than it was being discovered, it makes good sense to encourage the search for more oil in Australia” said Dr David Denham, President of the Australian Geoscience Council.

“Offshore petroleum royalties are estimated to be about \$360 million in 2004/5, so the ~\$6 million per year likely to be spent on this initiative is an excellent investment.”

Unfortunately there are no new incentives to address the urgent need to encourage onshore minerals and energy exploration. The Council believes that, from the billions of dollars available from the surplus, a few million should and could have been invested to encourage exploration investment onshore and generate new wealth.

For decades, the resource sector has contributed hugely to the prosperity of Australia and has made major contributions to the Government’s budget surplus. Minerals and energy exports amount to about \$50 billion each year and make up over one third of our total exports. Australia will continue to depend on the resource sector for sustaining our wealth for many years to come.

“Unfortunately, our share of the global exploration market is declining and we need to find new mineral and energy resources to ensure Australia’s future wealth and sustainability. This is not an easy task.” said Dr Denham.

The government clearly recognised the problem and initiated two inquiries in 2003 to investigate this specific issue, but has yet to act on their reports.

These inquiries (the Minerals Exploration Action Agenda (MEAA) and the Prosser Inquiry) produced 40 excellent recommendations on ways to encourage exploration and make resource exploration in Australia more innovative and effective. Unfortunately the May 11 Budget failed to commit any funds to capitalise on the outcomes of these inquiries.

The AGC has identified two key areas which should have been addressed in the Budget. These are:

1. **The provision of financial incentives to ensure that Australia has a globally competitive environment to attract capital for exploration.** This requires more private sector investment with fresh and exciting ideas, great technologies or clever products. The AGC supports the MEAA recommendations, which include a flow through share arrangement, a 125% tax deduction for greenfields exploration expenditure and tax deductibility for the costs of Native Title compliance.
2. **More money to increase our understanding of the geology of the Australian continent, so that we can identify new resource prospects and improve the management of our resources.** The AGC recommends continued cooperation between the States/Territories and the Commonwealth, and increased funding to complete basic geoscience survey data sets over the continent, augmented by new mapping technologies. The states have taken the lead; we need the Commonwealth, through Geoscience Australia, to provide matching funding to act in partnership.

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