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## **Jobs growth from emerging value-adding industry at risk without Federal support**

Twelve magnetite companies in Western Australia, South Australia, Tasmania and New South Wales are urging the Federal Government to support the emerging magnetite industry with more compensation through its carbon pricing scheme to safeguard regional jobs growth across Australia.

Bill Mackenzie, Chairman of the Magnetite Network representing Australian magnetite producers, said the emerging industry was poised to deliver both regional employment and global carbon emissions savings and deserved a realistic level of Federal assistance.

“At a time of strong, growing global demand for high-quality steel, the Federal Government must maximise the growth of a major new industry that will generate thousands of extra regional and city jobs right across Australia”, Mr Mackenzie said.

A report published by Deloitte Access Economics modelling the economic benefits of Australia’s magnetite industry estimated that development of the industry could add \$4.5 billion to Australia’s GDP per year and create more than 4 400 new jobs.

Mr Mackenzie said despite this projection, the planned carbon pricing mechanism did not provide appropriate assistance for the emerging magnetite sector.

“In terms of global carbon emissions, the use of magnetite concentrates in high-quality steel comes at a much lower cost to the environment than the use of conventional hematite (DSO) iron ore. Independent experts, The Crucible Group, estimate a saving of 108kg of CO<sub>2</sub> for every tonne of concentrate used in steel production.”

“We need the Federal Government to recognise this key environmental benefit by setting a more realistic calculation of baseline emissions that represents the wider emerging magnetite industry – not based only on a very small and unrepresentative proportion of producers”, he said.

“Existing producers are not representative of the future of the magnetite industry, as typified by the \$5.2 billion Sino Iron (Pilbara) and \$2.6 billion Karara (Mid-West) projects currently in advanced construction.”

“The government appears oblivious to the perverse outcome of penalising a lower global emissions industry. We have sought continually to work constructively to develop a solution to this challenge.”

The Magnetite Network has proposed to the Federal Government the creation of a new ‘activity definition’ for ultrafine magnetite which, if agreed, would allow a new baseline level of emissions to be determined that is more representative of the wider magnetite industry.

“All we ask is that the Government allows the emerging magnetite industry to grow and create more Australian jobs until a mechanism recognising its global carbon savings is in place.”

Mr Mackenzie said the global climate benefits of magnetite mining would be significant.

“Magnetite production requires emissions-intensive downstream processing, but the early emissions in Australia are more than offset by carbon savings in the overall steel-making process when compared to the use of traditional hematite ores,” he said.

“Unfortunately, by virtue of its energy-intensive onshore processing, Australian magnetite producers would be unfairly penalised by a domestic carbon price.”

“Once a global carbon trading mechanism is in place, magnetite’s global carbon benefits and competitive advantage will be recognised. “

## **Background**

The Magnetite Network was formed in 2009 to help promote the objectives of the emerging magnetite iron ore industry in WA. Its Chairman Bill Mackenzie is Managing Director of the Asia Iron Group of companies in Australia. Megan Anwyl is the Magnetite Network’s Executive Director. Network members are: CITIC Pacific Mining, Extension Hill Ltd, Atlas Iron Ltd, Grange Resources, Gindalbie Metals Ltd, Iron Ore Holdings. The Braemar Iron Alliance, representing six SA and NSW magnetite projects, is a supporting member of the Magnetite Network.

There are currently two magnetite mining operations in Australia; Grange Resources’ Savage River project in Tasmania and the OneSteel Whyalla project in South Australia. Several projects are under development, in particular in WA, including CITIC Pacific Mining’s Sino Iron project and Gindalbie Metals joint venture, Karara Mining Ltd.

Magnetite iron ore contains lower ratios of iron than hematite iron ore and requires more complex beneficiation so that it can be converted into concentrate or pellets before being exported to steel mills overseas.

This value-adding process would create hundreds of additional jobs and requires considerable infrastructure development in regional Australia. WA projects alone represent more than \$16 billion in initial capital expenditure, 4000 permanent direct jobs, more than 12 thousand direct construction jobs and \$9.75 billion in estimated annual export revenue for Australia.

One of the key environmental advantages of magnetite is its purity in concentrated form, which requires less energy and releases less carbon emissions in steel-making compared to traditional hematite ore.

Deloitte Access Economics and The Crucible Group have assessed the economic and environmental credentials of the magnetite industry.

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