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### The Policy Challenges for Australia's Uranium Industry

Australia has 38% of the world's known low cost uranium resources and supplies about 23% of the world's production.

In 2003/2004, Australia's uranium industry spent ten and a half million Australian dollars (US\$9 million) on exploration. For the first three quarters of 2006/2007, the industry spent nearly A\$77 million (US\$65.5 million). The fiscal year total will be well over A\$100 million (US\$85 million) [1].

There are more than 200 companies exploring for uranium in Australia. That is six or seven times the number whose primary focus was uranium only three or four years ago. The share market value of those companies is healthy.

The value of Australian exports in 2006 was A\$546 million dollars annually (US\$464 million) and is projected to rise to over one and a half billion Australian dollars by 2012 (US\$1.275 billion) [2]. According to a recent government report [3], Australia could double its export values by 2015, a prospect that looks increasingly likely; and perhaps more than double export volumes as new mines come on stream.

Australia's share of the world's uranium market could increase by 15% [4] during the next decade, notwithstanding the rapid growth in production and export volumes also being achieved by other countries.

Political and public opinion is aligned in favour of uranium expansion. The opinions of traditional owners of land - Australia's indigenous peoples - are also changing for the better, though slowly and there is still a large information gap to be filled.

It is clear that the Australian industry is expanding rapidly and in a much more supportive environment.

It is perhaps difficult for those not from Australia to appreciate the significance of the change this represents and the rapidity with which it has occurred.

Before 2007, one could not have said with confidence and predictability that Australia, notwithstanding its considerable resources, would always be able to expand its export volumes as the world's demand grew. The issue is now settled policy.

Australia had an ambiguous relationship with uranium for 30 years.

On the one hand, uranium was mined in and exported from Australia; and export volumes were increasing. On the other hand, there was no bi-partisan political position on the

future of the uranium industry; and the sovereign risk inherent in that was a major barrier to uranium expansion. Indeed, within the Australian Labor Party, a struggle continued for the upper hand on the uranium question. Was its policy an attempt to manage exports or a policy from which there could easily be a retreat to a ban on exports, requiring only the 'numbers' at a national conference?

The global issues that are behind the 'nuclear renaissance' - climate change, rising energy demand, economic and population growth - compelled change in Australia.

The Australian Government, currently a coalition between the Liberal Party and the National Party, recognised this and began an inquiry process to create momentum for change. The Liberal Party had long been a supporter of uranium mining and exports and has made that support manifest and active over the past few years.

It appointed a uranium industry-based working group, the Uranium Industry Framework Steering Group, to identify opportunities for and impediments to the future development of the Australian uranium industry [5]. This group continues as an implementation group.

A bi-partisan parliamentary committee examined the strategic importance of Australia's uranium resources [6].

There was also a Uranium Mining, Processing and Nuclear Energy Review [7], headed by a nuclear physicist who had been the chief executive of Australia's largest telecommunications company.

Australia negotiated with China for a bi-lateral treaty governing Australia's exports to China and subjected the proposed treaty to a public parliamentary inquiry [8].

As this was occurring, the then Leader of the Opposition outlined his support for a change in the Australian Labor Party's uranium export policy [9]. Support for change was subsequently confirmed by his successor.

The Labor Party's decision changed the landscape.

The Labor Party wrestled with uranium policy for 30 years in passionate and sometimes confronting debate. The Labor Party did not change its mind lightly.

At its 2007 conference, the push for change was led by the Party's leader, the alternative Prime Minister.

At the end of the debate, the majority of the Party supported the policy change, including all the Premiers and

Chief Ministers of all the Australian States and Territories, each of whom leads a Labor Party government.

The arguments run against the change were all those that had sustained the anti-uranium position for the past 30 years, including that the nuclear waste issue had not been resolved; that Australian uranium exports risked proliferation; and that the environment was damaged by uranium mining.

Notwithstanding these arguments, the Labor Party preferred the pro-uranium case on the basis of its economic advantages for Australia, the lack of logic in the 'three mines' policy and the stronger influence a more liberal policy would give Australia in global anti-proliferation activity.

The Labor Party policy change represents a complete rejection and repudiation of the anti-uranium case.

With the Labor Party's abandonment of its policy to restrict the number of uranium mines to three, the longstanding ambiguity in Australia's attitude to uranium is now resolved. Australia's two mainstream political parties now have essentially the same policy on uranium mining and exports. By definition, both accept that it is safe to mine and export uranium; that Australia's and the world's safeguards regimes work; that waste can be managed; and that Australia must make a bigger contribution to the climate challenge.

This political milestone is matched by the views of the Australian public, which also supports the expansion of uranium mining.

On a 'two party preferred basis', 55% of Australians support uranium mining. More people support uranium than not in every State and Territory. Three out of five Australians support expanding our uranium export industry [10].

The practical significance of this change is that political alignment has reduced sovereign risk. The significance of this can be gauged by taking into account the fact that, as Australia heads into a national election campaign for 2007, both the major parties support uranium expansion rather than one of them restricting the number of mines to three.

Some barriers to uranium expansion continue to exist in the policies of State governments, including active bans on uranium mining in Western Australia and Queensland and legislative prohibitions of exploration and mining in New South Wales and Victoria. The Labor Party's shadow minister for resources has recently said that position is unsustainable and will change [11].

These are not insubstantial issues and will require sophisticated political strategy and advocacy to overcome. The bi-partisan national political view will make this possible. Without that national bi-partisanship, regional level change would not be possible.

In coming to terms with its new position in Australia's mainstream, the industry will now have to deal with the policy issues that are ahead of it.

The establishment of the Australian Uranium Association is itself a reflection of that need. The Association is an advocate for its industry, operating on the principle of research-based advocacy, allowing it to position the case for the industry in the context of national and global interests. Its audiences are opinion leaders and it aims to reach them through direct and personal communication as well as through the media.

One of the policy challenges the industry faces is the question of the development of nuclear power in Australia.

In Australia, the uranium industry has sought to clarify its position in that debate because the divisive nature of the Australian nuclear power debate can potentially undermine the advances the uranium industry has made. For example, the head of the organisation that conducted the Association's opinion polling has indicated that the divisive nature of the nuclear debate has led to support for the uranium industry being five or six percentage points less than it might otherwise have been [12].

In considering the Australian nuclear debate, the industry has taken its cue from a commitment to uranium stewardship. The industry considers it has an obligation to contribute to public debate about an Australian nuclear power industry. This view is driven by considerations of national interest. The Association seeks to ensure that opinion leaders understand that the nuclear debate is one about economics and climate, about merit, and not about ideology.

In that spirit, the Association argues for a resolution of the nuclear power debate on its merits. It points out that, in those countries where a nuclear power industry exists, it has developed on its merits; and argues that advocates for an Australian nuclear power industry would have to pursue its development on the same basis; and policy makers should consider the arguments on the merits.

The most important contextual factor affecting the development of an Australian nuclear industry will be the suite of policies the country adopts for managing climate change and energy development. In all likelihood, those climate change policies will make all non-fossil fuel sources, including uranium, more competitive with coal, which is Australia's primary energy source.

The uranium industry argues that the market should then work out Australia's optimum energy portfolio mix. It goes on to argue that the best business propositions for energy development will emerge from that; and that there is no case for governments to back one energy proposition over another, except in the narrow circumstances where the private sector is not able to meet an overriding public good.

Should an Australian nuclear power industry emerge from these developments, governments would be expected to build a suitable regulatory framework and contribute to the infrastructure for the industry's skill development.

It is unlikely that an Australian nuclear industry will emerge without bi-partisan political support and public support and acceptance. Currently, the two major political parties have opposite views on nuclear power. Public support is evenly balanced, except when respondents are asked whether they would support a nuclear power plant being built in their 'neighbourhood'. When that question is asked, support for nuclear power drops to a quarter of the population [13].

A second issue is the general approach of Australian policy makers to policy about, and regulation of, uranium.

The uranium industry argues that policy makers share with it the task of ensuring that the policy framework for and the regulation of the industry is based on the known properties of uranium.

It is arguable that policy and regulation of uranium in Australia are not currently based on those properties, but on the properties it is thought to have.

It is perhaps understandable that Australian policy makers have, in the past, followed an approach to uranium policy and regulation that reflected the level of knowledge the community generally had about uranium. In a sense, not a lot hinged on that.

That is not the case today. The expansion of the industry will be impeded if the policy and regulatory framework for the industry sends incorrect messages about the properties of uranium. That circumstance is replete with mixed messages. Policy reform is necessary for the industry's development as well as a vehicle for helping increase community understanding about one of its most prospective industries.

A third issue is the rapid growth of Australia's uranium industry and its implications.

There is every reason to believe that the uranium industry, as it expands rapidly, will live up to its own high standards and those of the broader minerals industry.

However, in Australia, the industry will continue to have critics and opponents who will look for opportunities to find fault and to criticise its performance, especially on environmental grounds or on the basis of its relationships with indigenous communities. The burden of any criticisms will fall on the industry as a whole.

The industry recognises that a sustained and demonstrated commitment to best practice is the most effective response to those whose criticisms are intended to impede the

expansion of the industry.

In that respect, the Australian Uranium Association is developing a code of practice that will cover the operational activities of the uranium industry over the life of a project, the management of the relationship between the human and physical environments in which those activities take place and the relationships between Members of the Association and the communities in which they work.

The development of the code draws heavily on the work being undertaken by the World Nuclear Association on uranium stewardship and its related code of practice.

The Association aims to promulgate the code by the end of 2007.

A related issue is the expansion of Australia's markets for uranium.

Now that uranium expansion is settled policy, it is right and proper that the public debate should switch to the countries to which Australia should export and the conditions under which it should do so.

The recent inquiry into the Australia-China nuclear relationship, conducted by the Australian Parliament's Joint Standing Committee on Treaties, is one indication of the approach that will most suit Australian conditions.

Australia has a successful and robust system of bi-lateral treaty arrangements which complements and adds to the normal International Atomic Energy Agency's safeguards on fissile material.

In the Australian industry's view, the development of new treaty arrangements, or the revision of existing ones, should be achieved with openness and transparency and be allowed to be subject to public debate. Embedding those characteristics into the development of Australia's export policy will help build support for those policies and ensure it is much more difficult for opponents to draw on speculation and innuendo to oppose export expansion on a country-by-country basis.

The starting position for any treaties should be the default position; that is, the recipient country should be a signatory to the Nuclear Non-Proliferation Treaty. Any departures from that starting point should be able to justify the reasons for the departure and anticipate the argument that the NPT system will be undermined by any departure.

The Australian uranium mining and export debate is over. Australia is reliably a uranium exporting country with no potential national government likely to alter that. The Australian uranium industry is now in a good position to consolidate the mainstream place it occupies, to manage

some remaining risks and to follow through on some key policies issues, all the time continuing to build the industry's reputation.

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