

National Principles for Managing Rehabilitation Financial Risks

Background and Purpose

Consent granted by a state/territory to develop a mineral/petroleum resource includes an obligation to appropriately manage the site for environmental risks and to rehabilitate sites to an acceptable environmental and safety standard once extraction activity ceases.

To ensure companies have the financial capacity to meet rehabilitation and closure obligations, states and territories implement compliance mechanisms. These mechanisms include financial assurance requirements in the form of a bond, levy or bank guarantee as part of the approval process. These securities are held so that in circumstances where a company cannot meet its rehabilitation and closure obligations the state or territory has access to funds to remediate the site to an acceptable environmental and safety standard. However, accessing these securities to carry out rehabilitation works are not an optimal outcome environmentally or economically as it exposes the state/territory to additional costs. The optimal outcome is for mine operators to plan and undertake their site rehabilitation obligations.

The following principles provide a nationally consistent approach under which state/territories apply individual mechanisms/processes to ensure companies meet their rehabilitation and closure obligations.

Principles

These seven principles target the effective management of a proponent's ability to meet financial obligations for mine/petroleum site rehabilitation and closure.

Principle 1

Responsibility rests with the tenement holder to ensure mine/petroleum site rehabilitation and closure obligations are fulfilled and managed in accordance with individual state/territory legislation and approval and monitoring processes.

Principle 2

Robust mine rehabilitation and closure plans are established before project commencement and endorsed by the state/territory body administering mine/petroleum site compliance.

Principle 3

Notwithstanding the obligation for tenement holders to rehabilitate mine sites, state/territories should hold financial securities for rehabilitation and closure. These being set at levels that reflect the level of disturbance and risk of the operation, minimising the state/territory's financial exposure.

Principle 4

Robust risk-based mechanisms are in place to ensure cost estimates for rehabilitation and closure remain current and accurate throughout the life of the project.

Principle 5

Rigorous and continuous monitoring processes are applied for the early identification of any potential risk that a company may not be able to fulfil its rehabilitation and closure obligations.

Principle 6

Mechanisms, including legislation, are developed to monitor and apply financial obligations for rehabilitation and closure with consideration given to the interaction of state/territory and Commonwealth legislation.

Principle 7

Financial assurance policy and mechanisms should incentivise progressive rehabilitation, improved rehabilitation and closure planning, and final rehabilitation towards a beneficial final landform.