



# PERU-AUSTRALIA

## FREE TRADE AGREEMENT

### OUTCOMES: RESOURCES AND ENERGY

The Peru-Australia Free Trade Agreement (PAFTA) will lock in tariffs on key Australian minerals, petroleum and LNG exports at zero. PAFTA will also create new opportunities for Australian miners and oil and gas companies to find and develop reserves in the region. Australia's cutting-edge suppliers of Mining Equipment, Technologies and Services (METS) and oilfield goods and services also stand to benefit considerably from PAFTA, which will facilitate the expansion of exports. In 2017, inputs to mining processes were Australia's top export to Peru, valued at around \$77 million.

#### KEY OUTCOMES

##### Australian resources and energy exports

In addition to PAFTA locking in the duty free access Australia currently enjoys into Peru for major exports such as liquefied natural gas, iron, steel and aluminium, key market access gains include:

- immediate elimination of tariffs on **base metals** including **iron ore, copper and nickel**;
- immediate elimination of tariffs on **coal**; and
- immediate elimination of duties on tariffs on **mineral fuels and mineral oils**.

##### New exploration, extraction and production opportunities

In 2016, Peru was the sixth largest mining producer in the world. It is currently the world's third largest producer of copper and zinc, the fifth largest producer of gold, and the sixth largest producer of tin. Peru has the world's largest reserves of silver and leads Latin American reserves in lead and zinc, second for copper and molybdenum. In exploration, Peru attracted eleven per cent of the total global exploration budget – in 2017, US\$891 million was committed to mining exploration.

PAFTA will provide legal certainty to Australian investors looking to explore new opportunities in Peru. In addition, PAFTA's rules on state-owned enterprises (SOEs) will level the playing field between Australia's privately-owned companies and the SOEs.

##### Mining Equipment, Technologies and Services (METS) and energy services

Australia's cutting-edge providers of METS and oilfield goods and services are at the forefront of delivering a diverse range of innovative products and services across the mining and energy supply chain, including exploration, extraction, engineering, processing, power generation, environmental management, safety, research and development, education and training and community engagement.

The majority of companies in Australia's METS sector export their goods and services.



PAFTA will support and facilitate the expansion of exports by Australian METS and oilfield service providers into Peru. Key outcomes include:

- Australian manufacturers and exporters of mining equipment benefit from duty-free access for virtually all their exports to Peru. PAFTA will bind these tariffs at zero;
- Peru has guaranteed access on non-discriminatory terms for Australian suppliers of mining-related consultancy, research and development, engineering, environmental, mining and technical testing and analysis services; and
- For the first time, Australian suppliers will have the guaranteed right to bid for government procurement opportunities with PETROPERU and entities in Peru's government-owned electricity and hydro power sectors.

### Streamlined investment processes and greater protections

Greater investment protections and streamlined processes will help propel investment by Australian miners, oil and gas companies, METS and oilfield goods and service providers in Peru.

PAFTA will promote further growth of foreign investment in resources and energy in Australia by increasing the screening threshold at which private foreign investments in the mining and energy sectors are considered by the Foreign Investment Review Board (FIRB) from \$261 million to \$1,134 million (except in relation to uranium and plutonium extraction and nuclear facilities).

### Temporary entry arrangements for professionals and employees

Australian companies will be able to transfer executives and managers more easily to work in Peru for an initial period of one year. This may be extended multiple times, based on the continuation of a valid work contract.

Australians working in the mining sector, including managerial staff, METS contractors, specialist staff and technicians working on oil and gas wells are covered by Peru's commitments on temporary entry, allowing Australians to stay in Peru for one year with the possibility of extension.

Peru will not impose labour market testing on Australians professionals working in the resources and energy sector, including intra-corporate transferees, contractual service suppliers, technicians, installers and servicers and Australian investors.

