



Submission

to the

Renewable Energy (Electricity) Act 2000

Introduction

Rio Tinto welcomes the opportunity to provide comment to the Mandatory Renewable Energy Target (MRET) Review Panel about the operation of the *Renewable Energy (Electricity) Act 2000* (the Act).

Rio Tinto is a world leader in finding, mining and processing mineral resources. We take a long term and responsible approach to exploration and development with the aim of contributing to society's transition to sustainable development. In doing this, we help meet society's need for minerals and metals which contribute to improvements in well-being, as well as making a direct contribution to economic development and employment in those countries where we invest. Moreover, wherever we operate, we work as closely as possible with our hosts ensuring the transfer of benefits and enhancement of opportunities.

This submission recommends consideration of an alternative approach to the existing MRET policy by treating all technologies that will achieve a reduction in greenhouse gases in the same manner. It recommends against policies that effectively focus on picking a "technology winner" to policies that focus on achieving the intended objective of a reduction in greenhouse gas emissions.

Rio Tinto Climate Change

Rio Tinto has significant exposure to existing and emerging greenhouse gas reduction measures. Total emissions in 2002, which also include emissions from purchased electricity, were 25 million tonnes of CO₂-e. RioTinto's aluminium subsidiary, Comalco, has the largest single end user exposure via its Australian managed businesses – the Boyne Island and Bell Bay smelters and the Comalco Alumina Refinery currently under construction. Comalco's

direct liability under the current MRET scheme over the 20 years of operation is expected to be nearly \$200 million. Comalco has made a separate submission highlighting

- the significant costs of the greenhouse gas emissions abatement under MRET compared to alternative cheaper forms of abatement,
- the detrimental impact the MRET scheme has on export industries like aluminium, and
- lack of competition in the market for supply of Renewable Energy Certificates (REC) leading to inflated prices and windfall profits to suppliers.

Rio Tinto refers the MRET Review to Comalco's submission for detailed recommendations regarding exemptions from RECs liability for export industries and changes to the REC market structure to improve competition. The management of greenhouse gas emissions in Rio Tinto is undertaken as part of our approach to sustainable development (see Appendix 1 for our Climate Change Policy). We believe there is a beneficial correlation between increased energy efficiency, as well as in the use and recycling of a number of our products, and reductions in greenhouse gases. We also invest in research to develop and commercialise new technologies aimed at reducing greenhouse gas emissions, including process improvements in smelting and improving the environmental performance of coal.

The Mandatory Renewable Energy Target (MRET) Review

Rio Tinto believes that it is prudent to act now to reduce emissions of greenhouse gases resulting from human activity that may cause detrimental changes to the earth's climate system. A great part of this action will require governments to encourage a major technological transformation in the way energy services are provided, while taking into full account prevailing social and economic imperatives. The merits of the MRET, with its very specific objectives therefore need to be assessed within the context of Australia's national climate change response program.

Continuing support for renewable energy research, development and demonstration is warranted, but not to the exclusion of other energy technologies. This submission recommends treating all technologies that will achieve a reduction in greenhouse gases in the same manner. It recommends to develop policies that focus on achieving the intended outcome of a reduction in greenhouse gas emissions.

Rio Tinto believes that renewables have an important role to play, but at this time are a high-cost alternative in most locations. There now is wide acceptance that the world's reliance on fossil fuels will necessarily continue for many decades and that renewable energy's market share will be limited. This is despite recent technological advances and the intrinsic appeal and longer-term potential of renewable energy. Support for renewable energy

alone would not provide a timely and cost-effective climate change response, and in isolation is unlikely to be sufficient for many decades at least.

The course of innovation is unpredictable. Australia's climate change response should include a supportive framework that does not prescribe solutions but fosters broad scientific discovery and technology development and demonstration to achieve national objectives. For example, Australia's climate change response options have expanded far beyond what was thought possible just two years ago. Now the capture of carbon dioxide from fossil fuel use and its long-term disposal in deep geological reservoirs is a promising prospect. Australia's vast fossil fuel endowment is matched by very extensive and well-located deep geological reservoirs for carbon dioxide – a potential source of very significant national competitive advantage.

Australia is planning to participate in major international collaborative programs to demonstrate and improve carbon capture and storage technology. Cost targets set by the US Department of Energy indicate that a successful technology program would deliver a cost-effective option for reducing greenhouse gas emissions. A ten-year international program would include demonstration facilities in several countries before the technology is commercialised. Major research institutions and energy companies are seeking to demonstrate the technology in Australia, but the scale and duration of the program will require government support.

In general Rio Tinto does not favour mandates like MRET as they preclude least regret market mechanisms which allow economics to deliver the lowest cost solutions. Policy should not be about picking winners but creating incentives for a range of potential technological responses to climate change.

Conclusion

Continuing support for renewable energy research, development and demonstration is warranted, but not to the exclusion of other energy technologies. Support for renewable energy should not extend to the provision of exclusive long-term production subsidies. Support for renewable energy should be one part of a wider national climate change response program that provides incentives for technology programs aimed at achieving national climate change response targets. These incentives should include energy efficiency programs and fossil fuel technologies; with particular emphasis on carbon dioxide capture and storage and other technologies that will effectively reduce greenhouse gas emissions'.

Appendix 1: Rio Tinto Climate Change Policy

Rio Tinto Climate Change Policy

Rio Tinto believes that it is prudent to act now to reduce emissions of greenhouse gases resulting from human activity that may cause detrimental changes to the earth's climate system. Rio Tinto further recognises that national and international policies and measures to address climate change present business risks and opportunities, which will affect shareholder value. Rio Tinto will continue to respond to evolving climate change issues by seeking to minimise the business risks, capturing the opportunities, and taking actions that balance social, environmental, and economic values.

Rio Tinto will take a proactive, pragmatic and open approach to achieve emissions reductions by:

Setting meaningful targets to reduce emissions progressively either through direct reductions or by offsets.

Working constructively around the world with governments, which are developing climate change policies and measures to reduce greenhouse emissions consistent with their national expectations or international obligations.

Undertaking and encouraging research and development projects to reduce greenhouse gas emissions from our operations and from the use of our products.

Working with our customers and suppliers to reduce greenhouse gas emissions.