



18<sup>th</sup> April 2008

Garnaut Climate Change Review  
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## **Worsley Alumina Submission to Garnaut Climate Change Review Emissions Trading Scheme Discussion Paper**

Worsley Alumina Pty Ltd (Worsley) is a joint venture between BHP Billiton (86 percent), Japan Alumina Associates (Australia) Ltd (10 percent) and Sojitz Alumina Pty Ltd (4 per cent). Our operations consist of a bauxite mine, alumina refinery and port facilities in the south west of Western Australia.

Worsley supports the development of an effective Emissions Trading Scheme (ETS) to address the challenges of climate change, and welcomes the opportunity to be involved in the Garnaut Climate Change Review and the Australian Government's development of an ETS.

Recognising the need for collaboration with Government on tackling climate change, Worsley was a founding member of the Greenhouse Challenge Program in 1996. Following this early involvement, Worsley has been identifying and implementing energy efficiency and greenhouse reduction measures on an ongoing basis. Further improvements are being identified through the current Energy Efficiency Opportunities process. An effective ETS provides a strong opportunity to support continued work in response to climate change.

When considering the design of an effective emissions trading system, it is particularly important that the contribution of industries like Worsley to state and national economies is recognised. Equally important are the contributions made as key export industries. Worsley is one of the largest and most efficient alumina refineries in the world, and produces over \$1 billion of exports each year. Approximately 1500 people are directly employed by Worsley, and in 2006-7 Worsley contributed over \$150 million to local contractors, suppliers and service providers. This contribution is likely to increase further as Worsley seeks final approvals from its joint venture participants to expand annual production capacity from 3.7 Mtpa to 4.7 Mtpa of alumina.

This production and export of alumina occurs in a highly competitive global market place. Maintaining the international competitiveness of Australian industry for both existing and new investments, and preventing investment moving to countries that do not have controls on carbon emissions is a crucial component of an effective ETS.

As part of BHP Billiton, and as a member of the Australian Aluminium Council and the West Australian Chamber of Minerals and Energy, Worsley has been contributing to the development of climate policy for many years. Most recently, we have provided input to the submissions that each of these parties are providing to the Garnaut Climate Change Review, and we support these submissions.



In particular we would like to reiterate the following points.

1/ The linking of an Australian ETS with other emissions trading schemes, and the concept of a domestic permit price cap to safeguard the Australian economy against unanticipated impacts warrants careful consideration. Such a safeguard in the initial phase of an ETS is important. In addition, the timing and process of linking with other trading schemes needs to be carefully managed.

2/ Maintaining the international competitiveness of Australian Trade Exposed Emission Intensive Industries (TEEIs) is an important consideration. In the absence of this, the ETS scheme would impose potentially significant competitive disadvantages on Worsley's operations and could bias investment decisions towards countries with no caps or restrictions on carbon emissions.

3/ An early understanding of the criteria for qualification under TEEIs is significant to Worsley and the alumina and aluminium industry. In addition, a "best in class" benchmarking approach needs to be taken in ensuring best practice technology and performance is achieved across the industry.

4/ It is also important that TEEI provisions cover direct and indirect emissions for both existing and new investments.

5/ We believe that the ETS should recognise, and avoid disadvantaging, early abatement actions taken by industries such as Worsley. In Worsley's case, these actions date back to the 1990s.

6/ An effective market-based ETS needs to take into account other policy interventions such as renewable energy targets. The interaction between these measures needs to be closely examined.

Thank you for the opportunity for Worsley to comment on this important matter.

Yours faithfully

**WORSLEY ALUMINA PTY LTD**

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