
Tasmanian Climate Change Office
Department of Premier and Cabinet
GPO Box 123
Hobart TAS 7001
climatechange@dpac.tas.gov.au

21 July 2016

Dear Minister Groom,

Re: Independent Review of the Climate Change (State Action) Act 2008

As an active contributor to the climate change discussion in Tasmania, Bell Bay Aluminium (BBA) appreciates the opportunity to comment on the Independent Review of the *Climate Change (State Action) Act 2008* (the Act).

BBA makes a vital contribution to Tasmania's economy. Bell Bay was the first aluminium smelter built in the Southern Hemisphere, commencing production in 1955 as a joint venture between the Commonwealth and Tasmanian Governments. The smelter produces around 190,000t of aluminium per annum, directly and indirectly employs more than 1500 Tasmanians and contributes \$690M per annum to Tasmania's Gross State Product.

BBA continues to make an active contribution to reducing its direct emissions and improving its energy efficiency at all available opportunities (**Error! Reference source not found.** and 3). Since 1990, BBA has reduced its direct emissions per tonne by 75 per cent to 1.8 t CO₂-e / t aluminium (Figure 1), which is world class performance for a smelter of any age. The majority of the remaining emission is as a result of the consumption of carbon anodes during the smelting process, which are converted to carbon dioxide. All smelters globally use this method to produce aluminium and no viable alternative process currently exists.

This equates to a 61 per cent reduction in absolute direct emissions since 1990, and yet BBA has increased its production by 57 per cent over the same period. Much of this achievement has been the result of BBA's ability to reduce its emissions of perfluorocarbons (PFCs), which are produced during the smelting process and have a very high global warming potential. Since 1990, BBA has virtually eliminated the production of PFCs, reducing them by more than 99% per tonne of aluminium produced.

Indirect emissions per tonne, those associated with purchased electricity, (Figure 2) have increased since 1990, due to changes in generation associated with the Tasmanian grid and associated import and export over Basslink, which are external factors beyond the control of BBA. However, Tasmanian electricity continues to be predominately renewable.

As you are no doubt aware, the Australian aluminium industry continues to face a number of well publicised challenges. With tough market conditions expected to continue for some time it is important that BBA remains focused on innovation, flexibility and adaptability and does not face

additional costs. Aluminium is an internationally traded commodity and any cost increases faced domestically cannot be passed onto customers.

Given these factors, BBA believes any potential changes to the Act should not result in any increase in costs to industry, either directly through charges or indirectly through increased administration costs. Climate policy is most effectively addressed at an international level, requiring policy development and legislative implementation at the Federal level to meet Australia's international commitments. While Tasmania should actively participate in those endeavours, the requisite State legislation and targets should complement Federal policy and should be carefully designed not to impose additional costs for no improvement in environmental outcomes.

While BBA has addressed selected questions from the paper (see Attachment 1), as you will note from our performance, we have already made a significant contribution to reducing our greenhouse emissions since 1990 without State policies that directly or indirectly placed a price on carbon. This reduction also started well before the implementation of policies at a Federal level that target a reduction in greenhouse gas emissions. BBA is now in a position where the site only has limited scope for further abatement.

Ensuring there are no additional direct or indirect costs to BBA as a result of legislative or policy changes to how the Tasmanian Government responds to climate change is even more essential in the current economic environment.

No part of this submission is confidential. BBA looks forward to continuing dialogue with Tasmanian Government and other key stakeholders in relation to the draft climate change action plan 2016-2021.

Please direct all enquiries in relation to BBA's submission to Lou Clark Community Relations Specialist (lou.clark@pacificaluminium.com.au).

Kind regards



Ray Mostogl
General Manager

Figure 1 - BBA direct emissions intensity (t CO₂-e / t aluminium) since 1990

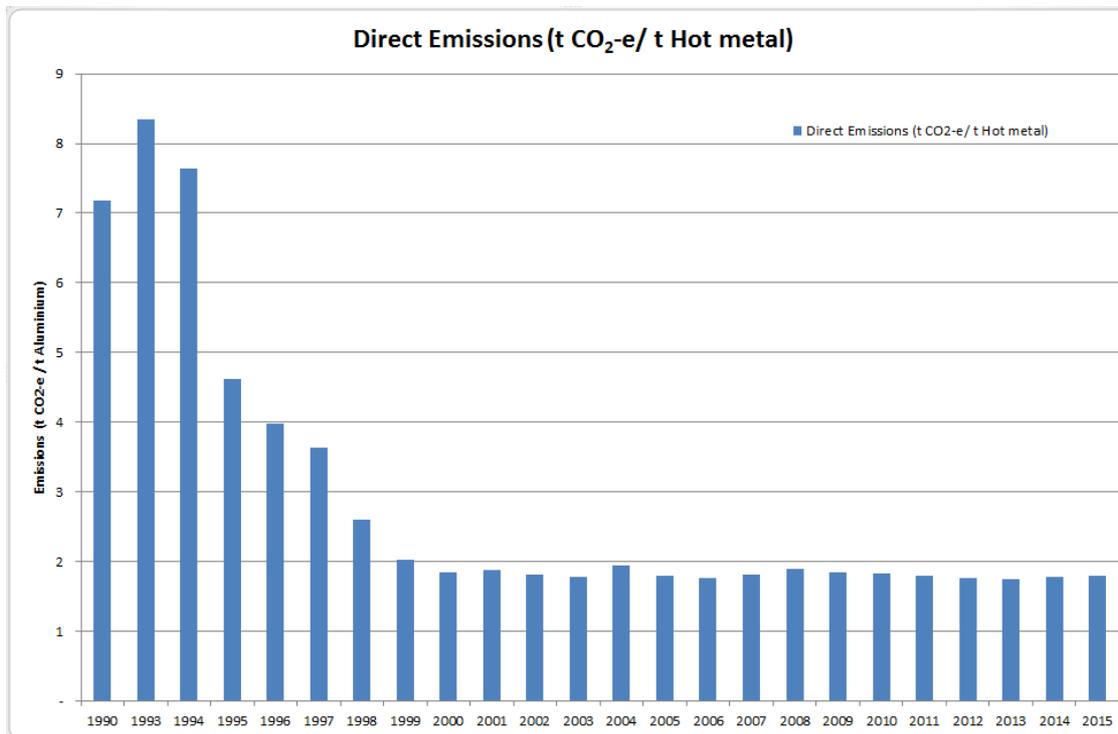


Figure 2 – BBA indirect emissions intensity (t CO₂-e / t aluminium) since 1990 have increased due to changes in generation associated with the State based factors.

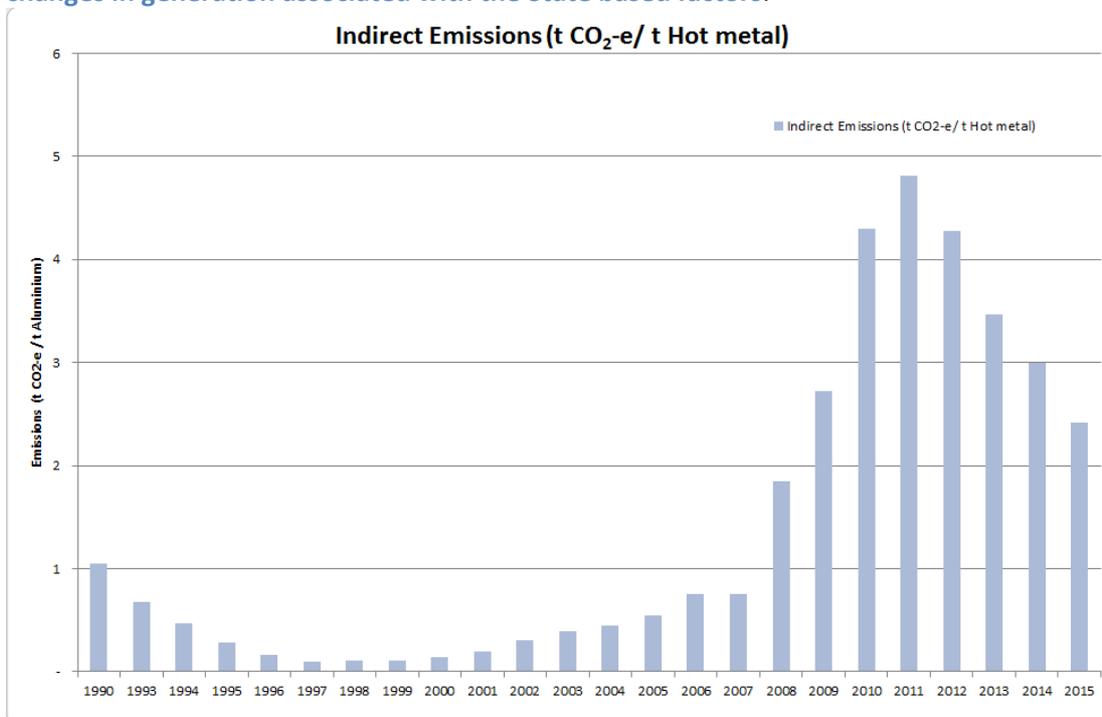
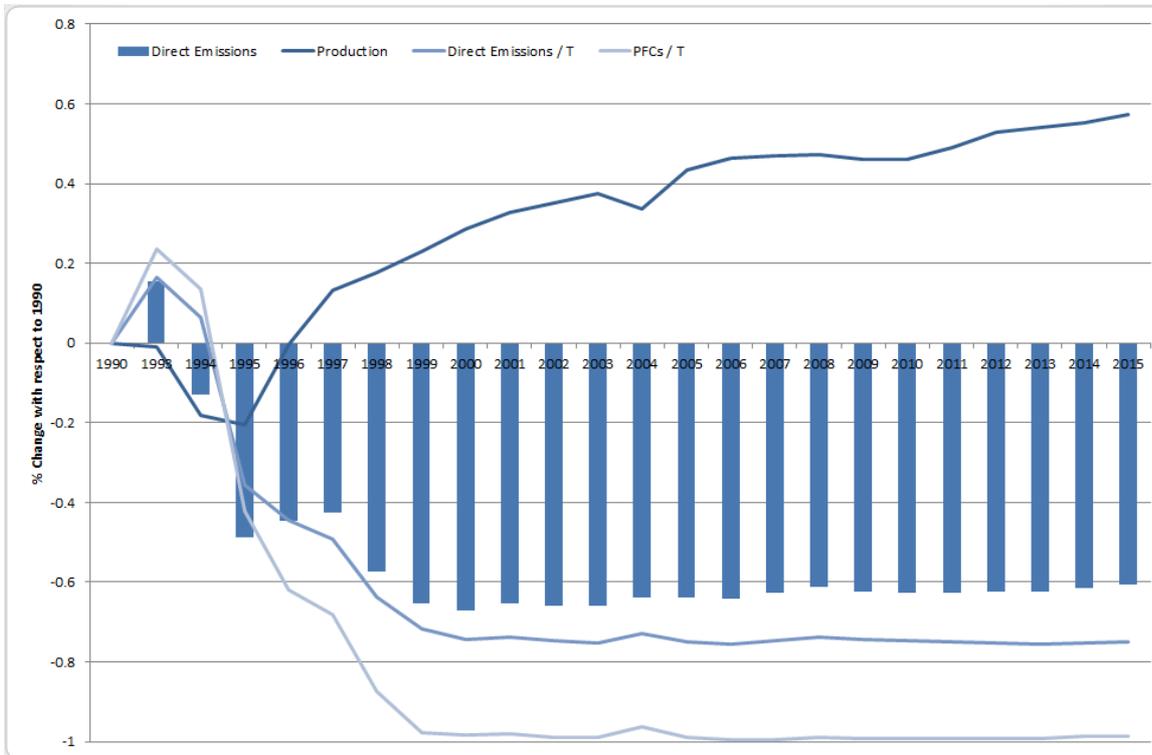


Figure 3 - Change with respect to 1990



Attachment 1:

Q: What amendments may the Act require to drive further action on climate change?

BBA believes any changes to the Act should not result in any increase in costs to industry, either directly through charges or indirectly through increased administration costs. Climate policy is most effectively addressed at an international level, requiring policy development and legislative implementation at the Federal level. BBA believes that legislation at a State level is only required where it is able to complement Federal policy in an economically and environmentally effective way.

Ensuring there are no additional direct or indirect costs to BBA as a result of changes to the Act is even more essential in the current economic environment.

Q: The Act creates a narrative on how the state regards the challenges posed by climate change. How do you think the Act can provide a narrative which helps to project Tasmania's clean-green liveable brand?

Tasmania already largely uses renewable energy which has the potential to be a competitive advantage for a range of industries and sectors in producing "green" products. The Government should prioritise actions which will protect this natural advantage for the State's future economic prosperity; such as consideration of an infrastructure investment to enable the relocation of water from lower level storages or locations prone to spilling to higher level storages. The ability to do this while experiencing an energy deficit would provide the opportunity to better manage prolonged dry periods.

Tasmania should continue to focus on optimising the use of its naturally endowed strengths that support economically effective renewable energy generation, recognizing that adaptation strategies may be required to manage risks associated with changing climate including changes to rainfall and wind-flow patterns.

Q: With Tasmania providing just 0.3% of national emissions, how important is it that the Act supports the achievement of national and international targets for climate change?

Climate policy is most effectively addressed at an international level, requiring policy development and legislative implementation at the Federal level to meet Australia's international commitments.

BBA does not believe that imposing additional targets at a Tasmanian level makes any meaningful contribution to greenhouse outcomes as the Australian target will be unchanged by the Tasmanian action.

BBA believes that a Federal approach to greenhouse gas reduction is more effective as it will drive reduction in areas where abatement is more cost effective. The nature of greenhouse gas emissions means that what is important is that CO₂ emissions are reduced, rather than the specific location in the world where they are reduced.

Q: How can the Act facilitate action on climate change at state and local levels and among businesses and the broader Tasmanian community?

BBA believes that the State Government could facilitate action through the Act by prioritising and focussing on:

- Working with Tasmanian business and industry to establish measures that facilitate efficiencies, similar to the Business Action Learning Tasmania program run by the Department of State Growth and supported by industry such as Bell Bay Aluminium
- Supporting Tasmanian businesses to access funding assistance under the Direct Action fund.
- Assisting in the development of resources and information with respect to the impact on CO₂ emissions from land management activities (including farming and forest management practises)

- Incentives for households and SME's
 - ✓ to invest in renewable energy technologies
 - ✓ to invest in emerging technologies e.g. battery storage
 - ✓ and provide incentives and support for those on fixed and low incomes
- Support and development of adaptation strategies to climate change

Q: What 2050 emissions reduction target would you consider is consistent with Tasmania seeking to be an international leader on climate change?

BBA believes that climate policy is most effectively addressed at an international level with Australian climate action driven at the Federal rather than State level. BBA does not believe that imposing a target at a Tasmanian level makes any meaningful contribution to greenhouse outcomes as the Australian target will be unchanged by any Tasmanian action.

A Tasmanian target would only create additional costs for all Tasmanian's by requiring abatement in Tasmania that will likely be more expensive than in other places in the national or international economy.

Q: Should Tasmania's targets account for emissions and abatement associated with its importation and export of electricity?

A Tasmanian target that accounts for emissions and abatement associated with its importation and export of electricity would only create additional costs for all Tasmanian's by requiring abatement in Tasmania that will likely be more expensive than in other places in the national or international economy. BBA expects this to be the case given the largely renewable electricity sourcing for Tasmania and historical abatement efforts from BBA which likely leave available only very expensive abatement options for the site and for the state more generally. The movement of electricity between Tasmania and the rest of Australia benefits both Tasmanians and all National Electricity Market users.

Q: What other types of emissions reduction target should be considered (e.g. interim, sectoral, energy efficiency, mandatory/voluntary)?

BBA believes that climate policy is most effectively addressed at an international level with Australian climate action driven at the Federal level rather than State level. BBA does not believe that imposing a target at a Tasmanian level makes any meaningful contribution to greenhouse outcomes as the Australian target will be unchanged by any Tasmanian action.

BBA has concerns with specific sectors having targets set over the national target. Setting targets for specific sectors may curtail economic development and harm the State's economy. Future expansions of existing industries that emit CO₂ could be at risk, potentially jeopardising their viability. Proposals for new investments could similarly be lost to the State.

Tasmanian wholesale delivered energy costs are already very high by international standards and represent a substantial and potentially increasing cost of production to BBA, which is a key driver to energy efficient business improvements. BBA does not support the introduction of any new regulations or targets at a state level.

Q: How willing would your business, community group, local government or region be to commit to pledges to reduce emissions?

BBA has already undertaken many actions which are aligned with the intent of the Act and continues to make an active contribution to reducing its direct emissions and improving its energy efficiency at all available opportunities (**Error! Reference source not found.** and 3). BBA is now in a position where the site only has limited scope for further abatement.