

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

7 November 2018

Dear Minister Archer,

Re: Amending 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 discussion paper amending the *Climate Change (State Action) Act 2008* ('the Discussion Paper').

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. In 2017, BBA spent \$179M with 300 Tasmanian suppliers.

Aluminium will continue to have a significant role in a carbon-constrained world. It is light, strong, flexible, non-corrosive and endlessly recyclable. Recycling aluminium uses only five per cent of the energy needed to produce primary metal. Its use in lightweight vehicles means it is the fastest growing material used in the automotive sector. The use of one kilogram of aluminium to replace heavier materials in a car or light truck can save a net 20 kilograms of CO₂ over the life of the vehicle. The increased use of electric vehicles is expected to accelerate this trend.

BBA continues to make an active contribution to reducing its direct emissions and improving its energy efficiency at all available opportunities. Since 1990, BBA has reduced its direct emissions per tonne by 75 per cent to 1.8 t CO₂ –e / t aluminium, which is world class performance for a smelter of any age. This also 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.

BBA has limited ability to further reduce emissions. Currently the only process for economically producing aluminium on an industrial scale, the Hall-Héroult electrolysis process, releases CO₂ because of the inherent nature of the chemical reaction taking place. Aluminium is produced from

alumina, the output of a bauxite refining process. To uncouple the oxygen atoms from the alumina they must be combined with a carbon atom and this produces CO₂.

Rio Tinto, Alcoa, Apple and the Government of Quebec have recently announced a joint venture¹ supported by the Government of Canada which looks to scale up and demonstrate the economic viability of an alternative process for making aluminium that does not release CO₂ as part of the underlying chemical reaction. The joint venture is targeting the middle of the next decade to demonstrate this process at an industrial scale. The applicability and economic viability of retrofitting this, as yet undeveloped, process to BBA (or to any other site) is at this stage unknown. As with any major capital investment at an aluminium smelter, the possibility of retrofitting the process will depend on the ability of BBA to secure an internationally competitive electricity price for the long term.

It should also be noted that this process is potentially significant only where the emissions of a smelter's electricity supply are low. For BBA, indirect emissions per tonne, those associated with purchased electricity, 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, meaning that BBA produces primary aluminium at a world class carbon emissions intensity.

As BBA is the largest single user of electricity in Tasmania and with the chemistry of the process for producing aluminium inherently requiring the production of CO₂, BBA is vitally interested in how changes to the *Climate Change (State Action) Act 2008* ('the Act') will be applied in Tasmania. In considering policy measures, BBA adheres to the framework set out in Rio Tinto's Climate Change Position Statement²

As you are no doubt aware, the Australian aluminium industry has faced and continues to face a number of well publicised challenges. Aluminium is an internationally traded commodity and any cost increases faced domestically cannot be passed onto customers. To ensure continued competitiveness BBA remains focused on innovation, flexibility and adaptability.

Given these factors, our response to the Discussion paper considers how to maintain the competitiveness of Tasmanian industry, as one of the engines of the Tasmanian economy, during the transition to a low emissions future. BBA believes any potential changes to the Act should not result in any increase in costs to the aluminium industry, either directly through charges or indirectly through increased administration costs.

Decisions regarding climate policy will work best where Government, community and industry work together. 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

¹ <https://elysistechnologies.com/en>

² http://www.riotinto.com/documents/RT_Climate_change_position_statement.pdf

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.

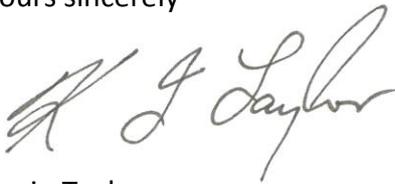
While BBA has addressed selected questions from the paper (see Attachment 1), as you will note from our performance, we have already made a significant contribution to reducing our greenhouse emissions since 1990 without State policies that directly or indirectly placed a cost on carbon. BBA is now in 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 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 amendments to the Act.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'K J Taylor', written in a cursive style.

Kevin Taylor
General Manager – Bell Bay Aluminium Smelter

Attachment 1:

The Discussion Paper sets out five recommendations, for four of which the Government proposes to amend the Act. The Discussion Paper then asks three questions:

- 1. Do you support the proposed revised objects of the Act? If not, what other objects should be considered?*
- 2. Do you support the proposed principles to guide decision making? Are there other principles that should be included? If so, why?*
- 3. Do you have any other comments or suggestions relating to the proposed amendments to the Act?*

Question 1 relates to Recommendation 2, Question 2 to Recommendation 3 and the last question provides a basis for responding to each of the other recommendations and associated proposed amendments.

To address these questions, BBA has set out below a brief response to each Recommendation and where an amendment has been proposed the associated amendment.

In general, BBA is cautious about making changes to the Act. There does not seem to be a compelling case made in the Discussion Paper for change recognizing

- the progress that Tasmania has made toward lower emissions
- the risk that changes to the Act may inadvertently lead to increase in costs to industry; and
- the detailed climate change action plan (Climate Action 21) the Government has in place.

As a general principle, it is our view that 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.

Recommendation 1: *That Tasmania set a new aspirational long-term emissions reduction target which is achievable and consistent with international ambitions to avoid dangerous climate change. Based on best available science, this target should be to achieve zero net greenhouse gas emissions by 2050.*

As Tasmania moves toward a sustainable net-zero emissions economy, Tasmania can rightly celebrate the very positive achievement of having reached net zero emissions in 2016. As is evident from a review of the Tasmanian Greenhouse Gas Accounts from 2015-16³, this has been achieved because of a substantial change in land use. A key question is whether this can be sustained over time, as an inability to manage outcomes through land use will then potentially have significant implications for other sectors of the Tasmanian economy if Tasmania is to achieve a net zero target. BBA supports the approach of the Tasmanian Government in commissioning an

³ *Tasmanian Greenhouse Gas Accounts - State Greenhouse Gas Inventory 2015-16*, Tasmanian Climate Change Office and Department of Premier and Cabinet

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emissions pathway review to model the potential long-term trajectories across different sectors of the economy.

We note that in the event that there is not an ability to offset emissions from other sectors of the Tasmanian economy with land use change, there is a substantial difference between a 60 per cent reduction below 1990 levels by 2050 and a net zero emissions by 2050 target. It would be our expectation that this particular target challenge may well prove to be Pareto-like in character, that is, following an 80/20 rule where the final 20 per cent of the emission reduction takes 80 per cent of the effort.

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

To the extent the target set out in the Act is changed we would support an ability for the target to be revised in response to significant changes to the economy, our understanding of the science, the technology available or to take into account what the rest of the world is doing. For trade exposed businesses such as BBA this last element is very important.

Recommendation 2, including proposed amendments sets out that the objects of the Act are consolidated around four themes, to provide clarity on the purpose for having the legislation and a robust framework for evaluating its effectiveness.

Section 4 (Objects of Act) of the Act would be amended to replace the existing 10 objects with the following:

The objects of the Act are:

- a. to set a target to reduce greenhouse gas emissions in the State;*
- b. to monitor, evaluate and report on progress made in relation to the target;*
- c. to respond and adapt to the impacts and projected impacts of climate change; and*
- d. to complement national and international climate change initiatives.*

There does not seem to be a compelling case made in the Discussion Paper for change from the existing more detailed objects set out for the Act and the interaction with recommendation 4 . To the extent that change is made, the primary concern that BBA has that the Act should be seen in the context of a national response as part of international action, object (d) noted above would appear to be aligned with this concern.

Recommendation 3: *That the Act is amended to require State agencies and Departments to consider the target, objects and proposed principles of the Act in relation to relevant decisions. Specifically, decisions should consider:*

- risks from climate change; and*
- implications for the State's emissions and potential to achieve Tasmania's legislated emissions target.*

As noted above, in general, BBA is cautious about making changes to the Act. This recommendation would appear to have the most significant implications and possibilities for unintended consequences. This is because the interaction and likely overlap with the requirements that already govern the decisions for State agencies and Departments is unclear and may be open to multiple interpretations as to approach.

Recommendation 4 including proposed amendments sets out that the Act is amended to include a set of principles to give greater effect to the target and objects of the Act and provide a set of expectations for decision making on climate change. The Act would be amended as follows:

In seeking to give greater effect to the target and objects of this Act, and to set a clear standard for decision making on climate change, consideration should be given to the following principles:

- a. decision making processes take into account their possible contribution to Tasmania's greenhouse gas emissions reduction target;*
- b. complementarity with national policies, programs, initiatives, standards or commitments relating to climate change is considered;*
- c. decision making processes take into account the best available science and information about climate change and its potential impacts that are relevant to the decision, policy, program or process under consideration;*
- d. the potential climate change risks associated with the decision, policy, program or process under consideration are assessed; and*
- e. an adaptive management approach is desirable to allow for evaluation of the decision, policy, program or process and to encourage continual improvement.*

As noted above for Recommendation 2, there does not seem to be a compelling case made in the Discussion Paper for change from the existing more detailed objects set out for the Act and the associated principles and therefore the interaction between recommendation 4 and recommendation 2.

Recommendation 5: *That the Government continue to prepare a plan for mitigating and adapting to climate change, and that the Act is amended to make the Climate Change Action Plan (CCAP) a statutory requirement. The CCAP should include a clear timeframe for preparation, implementation and evaluation that, wherever possible, follows the four-yearly parliamentary terms and legislative review cycle under the Act. In developing the CCAP, the State should take account of the:*

- long-term greenhouse gas emissions target under the Act;*
- revised objects of the Act, and principles proposed for the Act;*
- latest greenhouse gas accounts for the State, and best-available science on projected impacts of climate change on Tasmania; and*
- evidence on the effectiveness of existing initiatives to mitigate and adapt to climate change.*

Proposed amendment: No amendment to be made to the Act in response to this recommendation, recognising the Tasmanian Government's policy commitment to a climate action plan through the release of Climate Action 21.

Given that Climate Action 21 has been released and the State Government is actively working to increase the amount of renewable energy generated in Tasmania, BBA supports that no amendment to the Act is made in respect of this recommendation.

BBA supports Tasmania continuing to focus on optimising the use of its naturally endowed strengths that support economically effective renewable energy generation. There is no need for a trilemma in Tasmania, as the State has the capability to reliably produce low emissions electricity at an internationally competitive price, should it chose to do so.