Queensland Nickel Pty Ltd

Presentation to EITE Expert Advisory Committee
12 April 2011

Outline of presentation

1. Summary of QNPL business & the nickel industry in Australia and internationally
2. Confirm QNPL status as an emissions-intensive trade-exposed business
3. Explain why QNPL rejects the draft Activity Definition for the production of nickel
4. Recommend separate activity definitions be established for the divergent activities of the entities in the nickel industry

Slide refers to numbered paragraphs in the submission 3,4 and 7 and Appendix A suggested alternatives Activity Definitions

Summary of QNPL's concerns

- The draft is an "*industry*" definition, *not* an "*activity*" definition
- The draft is *inconsistent* with policy and precedent activity definitions approved for other complex industries
- The draft is *inequitable*, it under compensates the most emissions-intensive trade-exposed producer
- The draft is *ineffective* for stemming carbon leakage

Slide 2

Refer to numbered paragraphs in submission :10, 11 and 12, the table on page 25, paragraph 57 and 51

Queensland Nickel Pty Ltd

- QNPL is a 100% Australian owned 100% value add Australian business
- A$60M annual payments to local, state and federal government
- QNPL is the major customer of the Port of Townsville and a major customer of Queensland Rail
- Sponsor of numerous Townsville events and community programs



Slide 5

Queensland Nickel Pty Ltd

- Largest private employer in North Queensland – direct employer of 900 persons
- Independent studies have estimated closure impact of 2396 job losses
- 7% reduction on greenhouse gas intensity since 2006
- ISO 14000 certification since 1998
- Utilises a modified Caron process producing unique customised nickel and cobalt products from limonite ore
- No other Australian supplier can produce these products

Slide 6

Submission paragraphs: 6, 21.9, 21.10, 18 and 21.1-21.7

QNPL as an EITE business

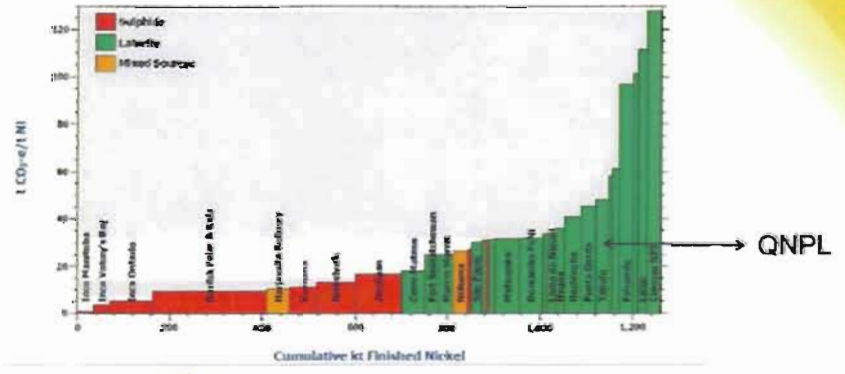
- QNPL's emissions are currently ~1.4 Mt CO_2 per annum
- High emissions-intensity is inherent in the transformation process – the laterite ore being transformed is now the predominant nickel ore source globally
- No significant sulphide nickel deposits have been found in the last 20 years, so significantly higher levels of energy input is unavoidable in the future

Slide 7

Submission paragraphs: 21.9, 21.10 and 21.13

Industry GHG emissions profiles

Model Output: 2006 Ni GHG emissions by plant



Metalytics

Nickel

Slide 8

Submission paragraphs: 21.13 and Appendix B

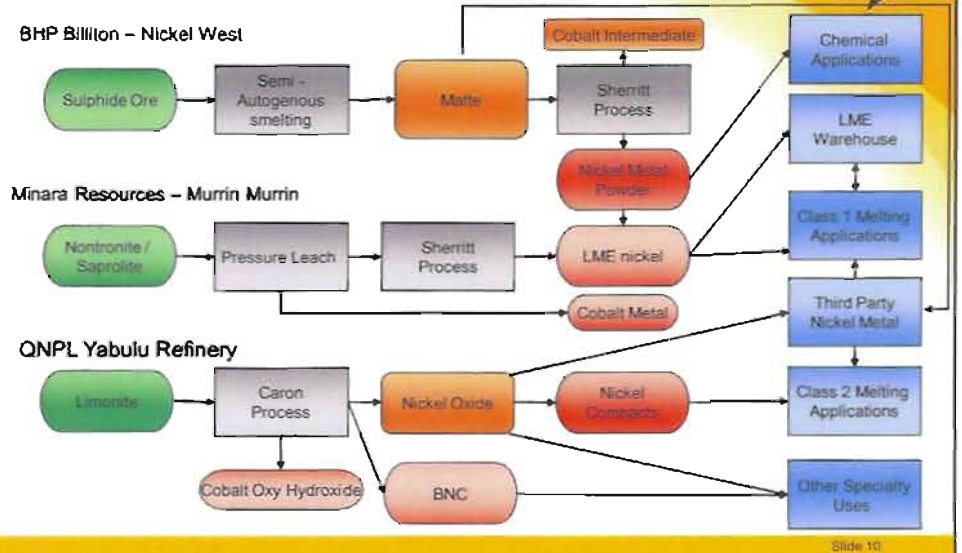
QNPL as an EITE business

- QNPL has historically been in the top of the third quartile in terms of transformation costs and will be reliant on maximum EITE support to remain competitive and viable
- Offshore alternatives exist for the suppliers of the ore to QNPL, the majority of which will be less efficient in terms of emissions

Slide 9

Submission paragraphs: ES 8, main text 4, 51, 58 and Appendix B

Australian nickel processing



Slide 10

Submission paragraphs: 15 to 19, 21

A changing industry!

- The major participant in the industry, BHP Billiton (BHPB), has sought to maintain a single activity definition throughout the DCCEE's process; however
- Three years ago BHPB announced its exit from low grade laterite ore processing and in the process shut the Ravensthorpe operation and sold Yabulu
- BHPB has also rejected routinely consolidation of the nickel production entities in the WA Goldfields
- Minara Resources will today highlight that there needs to be two activity definitions based on inputs
- Our aim today is to highlight the real distinctions in outputs, inputs and transformations and therefore the need for two activity definitions

Slide 11

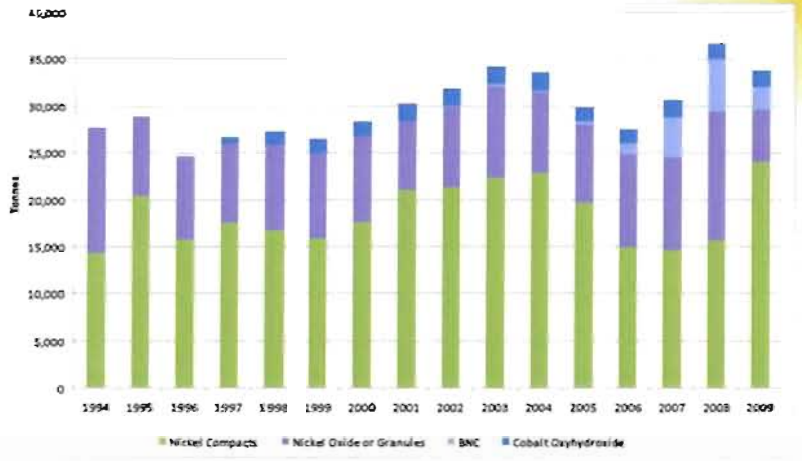
Points of product differentiation

- Marketability, market recognition and product shape
- ASTM specification, metal and impurity concentrations
- LME registration and market place – QNPL products are ineligible
- Chemical composition of the primary nickel constituent i.e. pure nickel metal vs mixtures of nickel carbonates, oxides and metal
- Ability to market products into EU countries
- Market destinations and downstream uses other than stainless steel production
- Price and premiums

Slide 12

Submission paragraphs:18 and 21 to 21.8

QNPL nickel and cobalt product mix



Slide 13

Submission paragraphs: 21.12

Points of activity differentiation

- Feedstock
- Inherent energy contained in the type of nickel ore delivered to the activity or transformation process
- Flexibility to produce alternative outputs
- Flexibility to adjust the output to customer demand
- Ability to accept intermediaries into the process
- Locked-in technology
- Resultant emissions intensity in the processes
- BHPB and Minara Resources cannot make QNPL products and QNPL cannot make LME nickel

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Submission paragraphs: 21.9 to 21.15

Precedents

There are several precedents for the setting of separate activity definitions within other industries. Examples:

- Transformations of iron ore/pig iron and cold ferrous feed into carbon steel products
- Tissue paper and newspaper - transformations of wood chips, sawdust and recovered paper into various products
- Flat glass and glass containers - transformations of sand, soda ash and limestone into glass products

Submission paragraphs: 61 and 64

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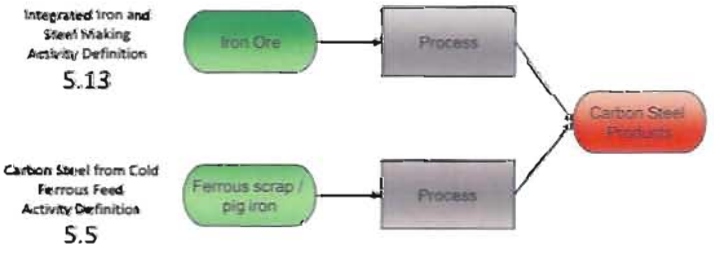
Carbon steel activity definitions



Submission paragraphs: 61 and 64

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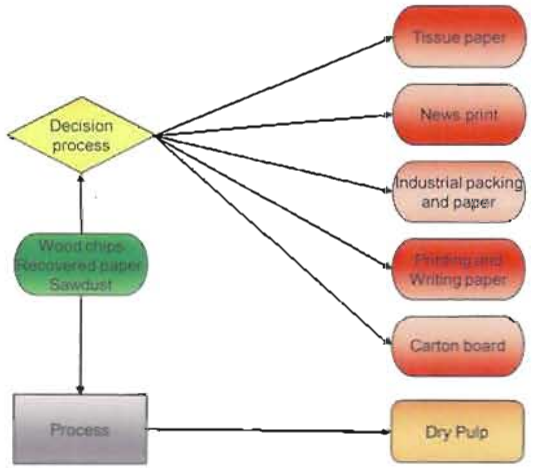
Transformation of wood chips, sawdust, recovered paper



Activity Definition 5.27

Activity Definition 5.22

Activity Definition 5.23

Activity Definition 5.25

Activity Definition 5.24

Activity Definition 5.26

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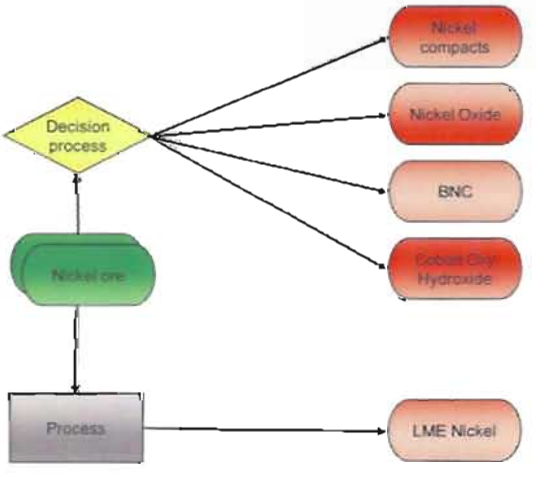
Submission paragraphs: 61 and 64

Transformation into nickel and cobalt products



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Submission paragraphs: 61 and 64

Why separate definitions

- Separate definitions are *activity* definitions
- Separate definitions achieve *equity*, all entities in the nickel industry are appropriately compensated, and policy does not pick winners
- Separate definitions are *consistent* with precedent, and with the 6 principles
- Separate definitions *effective* for stemming carbon leakage

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Submission paragraphs: ES8, main text 39 to 64

Equity and effectiveness

- QNPL should qualify for highly emissions-intensive assistance under the value added method
- QNPL have significant carbon cost exposure
- QNPL's transformation activity is inherently emissions intensive
- There is a potential windfall gain to the least carbon cost exposed entity with the current activity definition

Slide 3

Refer to numbered paragraphs in submission : 21.13, 5, 36 and 57

Conclusion

- The EAC is requested to consider the key differences in the activities of each of the entities in the nickel industry
- Carbon leakage is likely to occur if the draft Activity Definition proceeds unamended
- EITE assistance is designed to stem carbon leakage but needs to be distributed equitably and consistently in line with the 6 stated principles of the White Paper and Guidance Paper and therefore
- The EAC is hereby requested to recommend separate activity definitions for the production of customised nickel and cobalt products and LME nickel.

Slide 20

Thank You

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