

Friday 1 September 2011, Geelong

## SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

### Anglo American Responses to Questions on Notice

#### QUESTION 1

**CHAIR:** That is great. The secretariat can organise that. Do I understand you alright? You say that if the government were to decide to introduce phased-in auctioning you would be quite relaxed about a carbon tax, a carbon price, an emissions trading scheme—that one single change would make a price on carbon acceptable to your industry?

**Mr Barlow:** That is correct, depending on the level of phasing in and obviously the time frame. We see a 10-year time period for what is required for the technology for us to be able to mitigate fugitive emissions. So phasing in over that period still sends the signal that you have to take action without the financial impact and actually allow us the funds to develop the technologies to do that.

**Senator CAMERON:** On the issue of the industry, Mr Barlow, you are not speaking for the industry, are you?

**Mr Barlow:** Today I am not speaking for the industry.

**CHAIR:** Are you speaking for Anglo American.

**Mr Barlow:** Correct.

**CHAIR:** I think that is understood. So Anglo American, either directly or through your industry body, presumably would have put the proposition to the government that that would be a change that would make the carbon pricing package acceptable to you. If you have, and I assume you have, why would the government not go along with that? What was the government's response?

**Mr Barlow:** We have put that proposal to the government directly and also through industry bodies. It was not accepted by the government, but I am not aware of the reasons why the government did not accept it.

**CHAIR:** Presumably the government would have given reasons as to why that would not have been accepted. You are completely unaware?

**Mr Barlow:** I was not involved in those meetings.

**CHAIR:** Could you on notice provide us with any feedback as to why the government has not gone along with that.

**Mr Barlow:** Not a problem.

#### ANSWER

Since 2009 Anglo American has undertaken extensive engagement regarding climate change policy with Members of Parliament and Public Servants including with the Prime Minister, key Ministers, members of the Opposition, Independents and senior executives within the Departments of Climate Change and Energy Efficiency and Resources, Energy and Tourism.

We have been aligned with the Minerals Council of Australia's view that the phased-in auctioning of permits is the better way to introduce an emissions trading scheme into Australia's economy. As such we have articulated this preferred approach during our engagement activities.

During the Carbon Pollution Reduction Scheme (CPRS) debate the Government consistently stated that the lower revenue take was the primary objection to a phased approach to the auctioning of permits. Our response, and the response of the minerals sector, was that revenue generation is not the primary purpose of carbon pricing and is not an essential ingredient of a functioning carbon market. The minerals sector has also noted that a phased approach to auctioning would still raise significant revenue as observed in the European Union's Emissions Trading Scheme.

The Government has also claimed that the provision of free permits would reduce the incentive for trade exposed industries to reduce their greenhouse gas emissions. However it is long recognised that allocating permits without charge will not make a scheme less environmentally rigorous than if all permits are auctioned.

Throughout the Multi-Party on Climate Change Committee and Clean Energy Future processes we have continued to support the phased-in auctioning approach. The response from Government during this period remained the same, however, an additional objection was that due to the tight timeframes set by Government to progress and implement the climate change framework the Government could not stray too far from the CPRS framework.

## **QUESTION 2**

**Senator CAMERON:** What have you told the investors in London and Johannesburg?

**Mr Barlow:** I am unaware of the direct statements. I can provide that for you.

## **ANSWER**

Anglo American has not released any notices to investors. We have, however, responded to questions in line with our public statements to date.

## **QUESTION 3**

**Senator CAMERON:** Can you on notice provide us any statements that Anglo American have made to the stock exchange in South Africa or London in relation to this problem that you say you have in Australia?

**Mr Barlow:** I will take that on notice.

**Senator CAMERON:** Can you also take on notice what you are advising institutional investors anywhere in the world in relation to your operations in Australia?

**Mr Barlow:** I can take that on notice.

## **ANSWER**

Anglo American has not lodged any stock exchange releases. Disclosure to date is responding to questions, and is entirely consistent with our public statements to date.

#### **QUESTION 4**

**Senator MADIGAN:** I will rephrase it: what percentage of money do you spend in Australia on your projects? Do you have a target for steelwork?

**Mr Barlow:** We have a target for local supply, both in the local area where the mine site is and also state and Australia wide. I do not have those figures on hand but I can provide them to you if you would like.

**Senator MADIGAN:** Yes, I want specifically inputs into steelwork or fabrication of machinery on Australian shores.

#### **ANSWER**

Our target for Local Procurement in mining townships is 12 per cent (to be achieved by the end of 2012). We do not have a State or National target at this point in time. In relation to steel, we do not have a particular target, however, steel related purchases are included in the figures below.

In 2010-11, 98.8 per cent of our total expenditure on goods and services was spent in Australia. Of this 6.6 per cent was spent locally in close proximity to our mines and 92.2 per cent was spent within Australia but not locally. Only 1.2 per cent of our total spend was overseas.

#### **QUESTION 5**

**Senator FIFIELD:** Would you be able to take on notice—let us say, go back 10 years—about where there might be—

**Senator CAMERON:** Back to the dark days of the Howard government.

**Senator FIFIELD:** parallel instances. Just picking up Senator Cameron's interjection, I am talking about not Australia specifically but globally, where there may be an equivalent sort of situation that Anglo American has been in. That would be helpful, thank you.

#### **ANSWER**

We cannot provide specific examples as this type of information is considered commercial in confidence.

Anglo American considers tax costs and potential tax changes when evaluating new investment opportunities, and typically will take a conservative perspective.

We also consider "country risks" when establishing an appropriate target return (hurdle rate) for each project. Where countries have a tendency to make significant changes to their tax structures, this could give rise to a higher hurdle rate than if the tax regime was stable/predictable.