

22nd July 2009

The Secretary  
Senate Standing Committee on Economics  
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Parliament House  
CANBERRA ACT 2600

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### **Submission to Senate Standing Committee on Economics**

#### ***Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill***

Tomago Aluminium (Tomago) operates one of two primary aluminium smelters in NSW, and is one of six aluminium smelters in Australia. Output from the smelter represents more than 25% of Australian aluminium production. The joint venture is a significant employer in the Hunter Valley region with around 1,200 direct employees and an estimated 4,000 indirect jobs related to the smelter, including a high proportion of locally employed contractors. Current operations represent a \$3 billion investment at today's cost. The typical annual spend with local suppliers is in the order of \$450m, including a sustaining capital investment of \$40 – 50m.

Tomago has contributed to and supports the position presented in the Australian Aluminium Council (AAC) submission to this inquiry. We remain concerned with the total cost of climate change policies being imposed on emissions-intensive, trade-exposed industries such as aluminium production. The Renewable Energy Target Bill in its current form does not provide a 90% exemption from RET for any EITE industry, contrary to the scheme's headline promotion.

Tomago is seeking changes to the proposed Renewable Energy Target scheme design - which incorporates both the existing MRET scheme (and an extension of its liabilities) and the additional renewable energy target liabilities, in order to provide a true 90% exemption from the full costs of the current and expanded RET being imposed on industries which are both emissions and electricity intensive. In February this year we provided a submission to the COAG Working Group Discussion Paper regarding treatment of RET-affected, trade-exposed (RATE) industries, highlighting the adverse impacts likely to flow from inadequate recognition of electricity intensive industries.

We also seek changes to the draft Bill to effectively delink RET exemption provisions for EITE industries from the passage of the CPRS legislation. Given the relative starting date of the RET scheme (January 2010) to that now proposed for the CPRS (July 2011), there is no credible justification for maintaining any linkage between legislative passage of the two schemes, and so

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(Agents for the participants in the Tomago Aluminium Project, an unincorporated joint venture of Alcan Primary Metal Australia Pty Limited, Gove Aluminium Finance Limited, CATHJOH HOLDINGS PTY LIMITED, Hydro Aluminium Pty Limited and Hydro Aluminum Tomago, Inc.)

put at risk appropriate commencement of the RET exemption provisions from January 2010.

The CPRS and RET policies in their current form are estimated to impose an additional annual cost to Tomago's operations in the order of \$125m by 2020. This is more than the current \$110m total salaries and wages cost for Tomago, or equivalent to doubling our existing workforce. Unrestrained increases in costs of this order will have a fundamental impact on the sustainability of aluminium smelting in Australia. Such costs will shift Tomago significantly upwards on the global industry cost curve, by as much as one full quartile. Consequently, continued future investment will be put at risk and difficult decisions will ultimately be required in relation to our workforce.

Tomago Aluminium urges the Senate Inquiry to recommend modifications to the RET legislation to provide a true 90% exemption from both the existing and expanded renewable energy targets for industries which are both emissions and electricity intensive. The AAC has proposed a number of legislative amendments in its submission to the Senate Inquiry which could deliver this objective.

We welcome the opportunity to provide this submission to the Inquiry, and would be pleased to present our concerns to the Inquiry's hearings.

Tomago Aluminium contacts are:

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Yours faithfully,



**Andre Martel**  
Chief Executive Officer