



Boyne Smelters

Boyne Smelters Limited
A.C.N. 010 061 935

Senate Economics Legislation Committee

economics.sen@aph.gov.au

24 July 2009

Dear Senator Hurley

Re: Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009

I write to you on behalf of Boyne Smelters Limited (BSL), a joint venture between Rio Tinto Alcan (59.4 per cent) and its Japanese partners (40.6 per cent).

BSL is Australia's largest aluminium smelter, located in the Gladstone region. It produces more than half a million tonnes of aluminium each year from its three reduction lines. The Gladstone region includes Gladstone and nearby communities of Boyne Island, Tannum Sands, Yarwun, Targinnie and Calliope. Gladstone is the location of one of Queensland's biggest ports and industries including alumina refining, aluminium smelting and power generation. The regional population is around 50,000 people.

In 2008, SGS Economics and Planning Pty Ltd carried out a socio economic profile Baseline Study into the Gladstone Region Community. This study found:

- BSL directly contributes over \$900M, \$200M in value add¹, and 1200 jobs to the region.
- BSL indirectly contributes a further \$780M, \$250M in value add and a further 2200 regional jobs.
- Rio Tinto's Gladstone operations directly and indirectly contribute \$3.34 billion to the Gladstone region's economy and employ more than 3000 people.

BSL is concerned about the compound costs arising from the Renewable Energy Target (RET) which will contribute nearly \$200 million, combined with an additional \$400 million from the Carbon Pollution Reduction Scheme (CPRS) over the decade to 2020². Aluminium is sold internationally via the London Metals Exchange and as a result, the owners of the BSL joint venture have no ability to pass these costs through to their customers. BSL has limited ways in which these costs can be addressed and these may result in it reducing workforce and reducing capital expenditure. Current policy is inadequate for activities which are both emissions and electricity intensive, like aluminium, which will bear the burden of both the CPRS and RET.

BSL supports amendments provided to the Senate Inquiry by the Australian Aluminium Council, and urges the Senate Inquiry to recommend changes to the legislation, to create true 90 per cent exemption from the current and expanded RET, for industries which are both emissions and electricity intensive. If aluminium were to receive a true 90 per cent exemption, this does not affect generation capacity under RET, but it would ensure that Queenslanders have access to sustainable jobs in both the resource and renewable sectors – a win win for regional economies like Gladstone.

No part of this submission is confidential. If you have any queries related to this submission please contact Marghanita Johnson (marghanita.johnson@riotinto.com).

Yours sincerely

Brian Cooper
General Manager Operations, Boyne Smelters Limited

¹ Value added: is the equivalent of total turnover less the amount spent on non-labour inputs and imported inputs.

² Costs based on data from CPRS -5 modelling and McLennan Magasanik Associates, Report to Department of Climate Change, Benefits and Costs of the Expanded Renewable Energy Target, January

Boyne Island Queensland
Australia